HENGYANG PETROCHEMICAL LOGISTICS LIMITED

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

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016 ("3Q2016" and "9M2016")

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) A statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group			Group		
	3Q2016 RMB'000	3Q2015 RMB'000	% (+/-)	9M2016 RMB'000	9M2015 RMB'000	% (+/-)
Revenue	**24,015**	**68,717**	**(40.5)**	**104,424**	**170,188**	**(38.6)**
Cost of sales	(26,797)	(49,353)	(28.4)	(89,473)	**(132,184)**	(32.3)
Gross profit	**(2,782)**	**19,364**	**(89.2)**	**14,951**	**38,004**	**(60.7)**
Other income	2,898	684	41.8	4,060	1,538	164.0
Administrative expenses	(7,978)	(15,424)	(4.5)	(27,019)	(39,077)	(30.9)
Finance costs	(4,852)	(1,287)	124.7	(12,323)	(4,002)	207.9
Profit/(loss) before income tax	**(12,714)**	**3,337**	**(6,401.8)**	**(20,331)**	**(3,537)**	**474.8**
Income tax expense	(397)	(1,223)	(37.4)	(2,731)	(3,457)	(21.0)
Net profit/(loss) for the period	**(13,111)**	**2,114**	**969.1**	**(23,062)**	**(6,994)**	**229.7**
Profit/(Loss) attributable to:						
Owners of the parent	(8,844)	1,116	nm	(16,579)	(5,510)	200.9
Non-controlling interests	(4,267)	998	nm	(6,483)	(1,484)	336.9
	(13,111)	**2,114**	**nm**	**(23,062)**	**(6,994)**	**229.7**
Total comprehensive income/(loss) attributable to:						
Owners of the parent	(8,844)	1,116	nm	(16,579)	(5,510)	200.9
Non-controlling interests	(4,267)	998	nm	(6,483)	(1,484)	336.9
	(13,111)	**2,114**	**nm**	**(23,062)**	**(6,994)**	**229.7**

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

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

	3Q2016 RMB'000	3Q2015 RMB'000	% (+/-)	9M2016 RMB'000	9M2015 RMB'000	% (+/-)
Depreciation and amortisation	10,237	6,821	50.1	30,707	20,349	50.9
Foreign exchange loss(gain), net	(6)	30	nm	(35)	495	(107.1)
Interest income	(74)	(17)	nm	(381)	(119)	220.2
Other income	(3,105)	(666)	366.2	(3,990)	(1,419)	181.2
Interest expenses	4,851	1,287	276.9	12,323	4,002	207.9
Loss/(Gain) on disposal of plant and equipment	282	(1)	nm	312	23	nm
Provision for impairment of plant and equipment	-	4,047	nm	-	7,047	nm

* nm denotes not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30.9.2016 RMB'000	31.12.2015 RMB'000	30.9.2016 RMB'000	31.12.2015 RMB'000
Non-current assets				
Property, plant and equipment	1,456,124	1,466,558	14	22
Land use rights	258,931	263,187	-	-
Investments in subsidiaries	-	-	267,472	267,472
	1,715,055	1,729,745	267,486	267,494
Current assets				
Trade and other receivables	47,455	61,000	45	52
Amount owing by related parties	6,828	4,177	-	-
Amount owing by subsidiaries	-	-	164	291
Current income tax recoverable	-	172	-	-
Cash and cash equivalents	8,369	49,017	109	1,220
	62,652	114,366	318	1,563
Less:				
Current liabilities				
Trade and other payables	250,286	294,312	1,873	1,006
Amount owing to related parties	46,379	62,410	-	-
Amount owing to directors	12,392	10,971	2,357	1,370
Amount owing to a subsidiary	-	-	17,114	16,056
Amount owing to a former shareholder of a subsidiary	4,502	4,502	-	-
Bank borrowings	263,200	171,200	-	-
Current income tax payable	1,893	1,855	-	-
	578,652	545,250	21,344	18,432
Net current liabilities	(516,000)	(430,884)	(21,026)	(16,869)
Less:				
Non-current liabilities				
Amount owing to a related party	93,050	93,050	-	-
Amount owing to a director	11,143	11,143	-	-
Bank borrowings	464,332	542,110	-	-
Deferred tax liabilities	18,110	16,899	-	-
	586,635	663,202	-	-
Net assets	612,420	635,659	246,460	250,625
Equity				
Share capital	289,064	289,064	289,064	289,064
Statutory common reserve	14,922	14,922	-	-
Foreign currency translation account	(270)	(270)	-	-
Other reserve	84,113	84,113	-	-
Retained earnings/(Accumulated losses)	1,012	17,592	(42,604)	(38,439)
Equity attributable to owners of the parent	388,841	405,421	246,460	250,625
Non-controlling interests	223,579	230,238	-	-
Total equity	612,420	635,659	246,460	250,625

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

RMB'000	As at 30 September 2016			As at 31 December 2015		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Repayable within one year [(1)]	263,200	60,917	324,117	171,200	71,813	243,013
Repayable after one year	477,832	90,693	568,525	555,610	90,693	646,303
Total	741,032	151,610	892,642	726,810	162,506	889,316

Note (1) Reconciliation

Repayable within one year	As at 30 September 2016			As at 31 December 2015		
RMB'000	Secured	Unsecured	Total	Secured	Unsecured	Total
Per Group's statement of financial position	263,200	63,273	326,473	171,200	77,883	249,083
Non-borrowing liabilities	-	(2,356)	(2,356)	-	(6,070)	(6,070)
Total	263,200	60,917	324,117	171,200	71,813	243,013

Unsecured Borrowings:

As at 30 September 2016, the Group's unsecured borrowings which were repayable within one year amounted to RMB60.6 million. These unsecured borrowings comprised the following:

1) An amount of RMB4.5 million owing to Mr Ku Wing Hing, the former shareholder of a subsidiary, for the unpaid interest related to the prior years' dividend paid in December 2011.

2) An amount of RMB10.0 million owing to Mr Gu Wen Long, the Company's chairman and CEO ("**Chairman**") comprising a) RMB1.9 million of the accrued interest on loans of RMB11.1 million (please refer to the paragraph below on non-current borrowings for more information); and b) non-interest bearing loan of RMB8.1 million.

3) An amount of RMB26.4 million due to a related party – Wuhan Kangyang Petrochemical Co., Ltd ("**Wuhan Kangyang**") comprising a) a short-term loan of RMB25 million bearing interest at the funding cost incurred by **Wuhan Kangyang**; and b) its related interest amounting RMB1.4 million.

4) A total amount of RMB19.7 million short-term payables due to the Group's related party – Jiangyin Jinqiao Chemical Co., Ltd ("**Jinqiao Chemical**") which includes a) RMB9.8 million accrued interest on loans of RMB93.1 million (please refer to the paragraph below on non-current borrowings for more information) and b) non-interest bearing loan of RMB9.9 million.

As at 30 September 2016, the Group's non-current unsecured borrowings amounted to RMB90.7 million, and comprised the following:

5) An amount of RMB11.1 million owing to the **Chairman**. On 1 July 2013, the Group and the **Chairman** signed a supplementary agreement to extend the borrowings (non-interest bearing) to 31 December 2014. On 1 January 2015, the Group and the **Chairman** signed another supplementary agreement to extend the borrowings to 30 June 2018, and the borrowing bears interest at the prevailing prime lending rate set by People's Bank of China.

6) An amount of RMB93.1 million owing to **Jinqiao Chemical** for partial funding of the construction of Foreversun Facility and Deqiao Facility. On 1 July 2013, the Group and **Jinqiao Chemical** signed a supplementary agreement to extend the borrowings (non-interest bearing) to 31 December 2014. On 1 January 2015, the Group and **Jinqiao Chemical** signed another supplementary agreement to extend the borrowings to 30 June 2023. Of the total borrowings, RMB29.5 million bears interest at the funding cost incurred by **Jinqiao Chemical**, and the balancing RMB63.6 million bears interest at 10% above the prevailing prime lending rate set by People's Bank of China. Any repayment for the above loan is subject to the approval from the Company's Audit Committee as well as unanimous approval from the board of Hengyang Holding Pte. Ltd ("**HHPL**"), which includes members nominated by MEGCIF Investments 5 Limited ("**MEGCIF5**").
   Of the total borrowings of RMB93.1 million, RMB79.6 million was unsecured, and RMB13.5 million was secured by part of the Company's subsidiary, Jiangyin Foreversun Chemical Logistics Co., Ltd's ("**Jiangyin Foreversun's**") tank facilities with a carrying value of RMB16.2 million as at 30 September 2016.

Secured Borrowings

As at 30 September 2016, the Group's secured borrowings amounted to RMB741.0 million. The secured borrowings comprised an amount of RMB13.5 million owing to **Jinqiao Chemical** described in note 6 of the unsecured borrowings and the following bank loans:

(RMB' million)	Loan A	Loan B	Loan C	Loan D	Loan E	Loan F	Loan G	Loan H	Total
Borrower	Jiangsu Deqiao	Wuhan Hengyang	Wuhan Hengyang	Chongqing Hengyang	Yueyang Hengyang	Yueyang Hengyang	Golden bridge	Wuhan Hengyang	
Nature	Construction loan					Working capital loan	Working capital loan	Working capital loan	
Loan facilities granted	400.0	150.0	427.0	100.0	120.0	40.0	38.0	20.0	1,295.0
Loan amount drawn down	400.0	150.0	230.0	71.6	100.0	40.0	38.0	20.0	1,049.6
Amounts repaid	(100.0)	(143.1)	(51.9)	(6.0)	(20.0)	(1.0)	-	-	(322.0)
Outstanding amounts	300.0	6.9	178.1	65.6	80.0	39.0	38.0	20.0	727.6
- Repayable within one year	100.0	-	47.2	29.0	12.0	17.0	38.0	20.0	263.2
- Repayable after one year	200.0	6.9	130.9	36.6	68.0	22.0	-	-	464.4

1) Bank loan A from the Nanyang Commercial Bank Limited, repayable over 8 years till December 2020, is secured by corporate guarantees furnished by the Company's subsidiaries **Jiangyin Foreversun** and Jingjiang Shuangjiang Ports Co., ltd. ("**Jingjiang Shuangjiang**"), the Group's related party, **Jinqiao Chemical,** and personal guarantees furnished by the **Chairman** and his spouse. In addition, this loan is also secured by mortgages against the land use rights (net carrying value of RMB65.5 million) and property, plant and equipment ("PPE") excluding the phase II project (net carrying value of RMB220.7 million) owned by the Company's subsidiaries, **Jingjiang Shuangjiang** and Jiangsu Deqiao Storage Co., Ltd. ("**Jiangsu Deqiao**").

2) Bank loan B from the Wuhan Rural Commercial Bank, repayable progressively from July 2013 to July 2019, is secured by corporate guarantees furnished by **Jiangyin Foreversun**, **Jiangsu Deqiao**, and mortgages against part of the PPE (net carrying value of RMB335.5 million) of Wuhan Hengyang Chemical Logistics Co., Ltd ("**Wuhan Hengyang**").

3) Bank loan C from the China Minsheng Banking Corp. Ltd., repayable progressively from June 2014 to February 2019, is secured by corporate guarantees furnished by the Company's subsidiaries, **Jiangyin Foreversun** and **Jiangsu Deqiao,** and personal guarantees furnished by the **Chairman** and his spouse. In addition, this loan is also secured by mortgages against the land use right and PPE (carrying value of RMB470.0 million) of **Wuhan Hengyang** and the entire equity interest of Wuhan Hengyang owned by **HHPL**.

4) Bank loan D from the China Minsheng Banking Corp. Ltd., repayable progressively from December 2015 to August 2019, is secured by corporate guarantees furnished by the Company's subsidiaries, **Jiangyin Foreversun** and **Jiangsu Deqiao,** and personal guarantees furnished by the **Chairman** and his spouse. In addition, this loan is also secured by mortgages against the jetties under construction of Chongqing New Hengyang Storage Co., Ltd. ("**Chongqing Hengyang**") and the entire equity interest of **Chongqing Hengyang** owned by **HHPL**.

5) Bank loan E from the Bank of China, repayable over 8 years till December 2020, is secured by corporate guarantees furnished by the Company's subsidiaries, **Jiangyin Foreversun**, and personal guarantees furnished by the **Chairman**. In addition, this loan is also secured by mortgages against the land use rights and PPE (total carrying value of RMB245.5 million) of Yueyang Hengyang Petrochemical Logistics Co., Ltd ("**Yueyang Hengyang**").

6) Bank Loan F from the Huarong Xiangjiang Bank, repayable from December 2015 to June 2018, is secured by corporate guarantees furnished by **Jiangyin Foreversun** and personal guarantees furnished by the **Chairman** and his spouse. In addition, this loan is also secured by mortgages against the jetties (total carrying value of RMB36.7 million) of **Yueyang Hengyang** and its coastline use rights.

7) Bank loan G from the Jiangyin Rural Commercial Bank, repayable in August 2017, is secured by mortgages against the land use rights (total carrying value of RMB20.0 million) of **Jiangyin Foreversun**.

8) Bank loan H from Bank of Communications, repayable in February 2017, is secured by guarantees from the **Company**, **Chairman** and subsidiaries, **Wuhan Hengyang** and **Jiangyin Foreversun**. .

1(c)(i) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	3Q2016 RMB'000	3Q2015 RMB'000	9M2016 RMB'000	9M2015 RMB'000
Operating activities				
Profit/(loss) before income tax	(12,714)	3,337	(20,332)	(3,537)
Adjustments for:				
Depreciation of property, plant and equipment	9,838	6,501	29,741	19,496
Amortisation for land use rights	399	320	967	853
Loss/(Gain) on disposal of plant and equipment	282	(1)	312	23
Write off of plant and equipment	-	4,047	-	7,047
Interest income	(74)	(17)	(381)	(119)
Interest expense	4,851	1,287	12,323	4,002
Operating cash flows before working capital changes	2,582	15,474	22,630	27,765
Working capital changes:				
Trade and other receivables (including related parties)	6,128	(10,026)	10,904	(28,349)
Trade and other payables	(2,036)	14,601	(3,678)	26,812
Cash generated from operations	6,674	20,049	29,856	26,228
Interest paid	(3,970)	(282)	(9,690)	(874)
Income tax paid	(258)	(500)	(1,269)	(2,905)
Net cash generated from operating activities	2,446	19,267	18,897	22,449
Investing activities				
Acquisition of property, plant and equipment	(8,656)	(93)	(30,399)	(60,147)
Proceeds from disposal of property, plant and equipment	-	8	-	40
Interest paid and capitalised	(7,038)	(20,835)	(22,272)	(33,276)
Interest received	74	18	330	178
Net cash used in investing activities	(15,620)	(20,902)	(52,341)	(93,205)
Financing activities				
Proceeds from bank borrowings	-	58,000	40,000	263,000
Repayment of bank borrowings	-	(23,750)	(25,778)	(229,600)
Fixed deposits pledged in financial institutions	20,001	(30,705)	41,726	(38,785)
Amount owing to related parties	(4,224)	(400)	(21,252)	(400)
Amount owing to a director	-	1,000	-	4,950
Net cash from/(used in) financing activities	15,777	4,145	34,696	(835)
Net change in cash and cash equivalents	2,603	2,510	1,252	(71,591)
Cash and cash equivalents at beginning of the period [(1)]	5,940	8,305	7,291	82,406
Non-cash items	(174)		(174)	
Cash and cash equivalents at end of the period [(1)]	8,369	10,815	8,369	10,815

1) Reconciliation:

	Group	
	As at 30 September 2016 RMB'000	As at 31 Dec 2015 RMB'000
Cash and cash equivalents per consolidated statement of financial positio	8,369	49,017
Restricted cash in bank	-	(41,726)
Cash and cash equivalents per consolidated statement of cash flows	8,369	7,291

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Company (RMB'000)	Share capital	Accumulated losses	Total equity
(Unaudited)			
Balance as at 1 January 2016	**289,064**	**(38,439)**	**250,625**
Loss for the period	-	(1,684)	(1,684)
Balance as at 31 March 2016	**289,064**	**(40,123)**	**248,941**
Loss for the period	-	(1,608)	(1,608)
Balance as at 30 June 2016	**289,064**	**(41,731)**	**247,333**
Loss for the period	-	(873)	(873)
Balance as at 30 September 2016	**289,064**	**(42,604)**	**246,460**
(Unaudited)			
Balance as at 1 January 2015	**289,064**	**(34,328)**	**254,736**
Loss for the period	-	(741)	(741)
Balance as at 31 March 2015	**289,064**	**(35,069)**	**253,995**
Loss for the period	-	(1,179)	(1,179)
Balance as at 30 June 2015	**289,064**	**(36,248)**	**252,816**
Loss for the period	-	(666)	(666)
Balance as at 30 September 2015	**289,064**	**(36,914)**	**252,150**

Consolidated Statement of Changes in equity

	Attributable to owners of the company							
Group (RMB'000)	**Share capital**	**Statutory common reserve**	**Foreign currency translation account**	**Other reserve**	**Retained earnings**	**Equity attributable to owners of the parent**	**Non-controlling Interests**	**Total equity**
(Unaudited)								
Balance as at 1 January 2016	**289,064**	**14,922**	**(270)**	**84,113**	**17,592**	**405,421**	**230,238**	**635,659**
Total comprehensive income for the period	-	-	-	-	204	204	1,134	1,338
Balance as at 31 March 2016	**289,064**	**14,922**	**(270)**	**84,113**	**17,796**	**405,625**	**231,372**	**636,997**
Total comprehensive income for the period	-	-	-	-	(7,939)	(7,939)	(3,351)	(11,290)
Balance as at 30 June 2016	**289,064**	**14,922**	**(270)**	**84,113**	**9,857**	**397,686**	**228,021**	**625,707**
Total comprehensive income for the period	-	-	-	-	(8,844)	(8,844)	(4,267)	(13,111)
Dividend declared by a subsidiary	-	-	-	-		-	(176)	(176)
Balance as at 30 September 2016	**289,064**	**14,922**	**(270)**	**84,113**	**1,013**	**388,842**	**223,578**	**612,420**
(Unaudited)								
Balance as at 1 January 2015	**289,064**	**13,526**	**(270)**	**83,004**	**29,407**	**414,731**	**230,538**	**645,269**
Total comprehensive income for the period	-	-	-	-	(5,506)	(5,506)	(2,546)	(8,052)
Balance as at 31 March 2015	**289,064**	**13,526**	**(270)**	**83,004**	**23,901**	**409,225**	**227,992**	**637,217**
Total comprehensive income for the period	-	-	-	-	(1,120)	(1,120)	64	(1,056)
Balance as at 30 June 2015	**289,064**	**13,526**	**(270)**	**83,004**	**22,781**	**408,105**	**228,056**	**636,161**
Total comprehensive income for the period	-	-	-	-	1,116	1,116	998	2,114
Balance as at 30 September 2015	**289,064**	**13,526**	**(270)**	**83,004**	**23,897**	**409,221**	**229,054**	**638,275**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversions of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no changes to the Company's share capital since the end of the previous period reported on, this being 30 June 2016.

The Company did not have any outstanding convertibles which may be converted into ordinary shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30.09.2016	31.12.2015
Total number of issued shares (excluding treasury shares)	203,461,883	203,461,883

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have neither been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the Issuer's most recently audited financial statements have been applied.

The accounting policies and methods of computation are the same as in the Company's audited consolidated financial statements for the financial year ended at 31 December 2015. In addition, the Group adopted the new or revised FRS and Interpretations of FRS, where applicable, effective for the current financial year. The said adoption has no significant impact to the financial statements of the Group.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the new and revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2016.

The adoption of new/revised FRS and INT FRS does not result in any substantial changes to the Group's accounting policies, and has no material effect on the amounts reported for the current or prior periods.

6. If earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group		Group	
Earnings per ordinary share:	3Q2016	3Q2015	9M2016	9M2015
Weighted average number of ordinary shares used in computation of basic EPS	203,461,883	203,461,883	203,461,883	203,461,883
(a) Basic EPS (RMB cents)	(4.35)	0.55	(8.15)	(2.71)
(b) Diluted EPS (RMB cents)	(4.35)	0.55	(8.15)	(2.71)

Notes:

(a) Basic earnings per share is calculated by dividing the net profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

(b) Diluted EPS is the same as the basic EPS as the Group does not have any outstanding instruments convertible into, rights to subscribe for and options in respect of its ordinary shares during the respective financial years.

7. Net assets value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) Current financial period reported on and (b) Immediately preceding financial year.

	Group		Company	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Net asset value per ordinary share (RMB cents)	191.1	199.3	121.1	123.2

8. A review of the performance of the group to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

(a) Any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) Any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Statement of comprehensive income of the Group for 9M2016 compared to 9M2015

Revenue

The Group's revenue decreased by 38.6% or RMB65.8 million from RMB170.2 million in 9M2015 to RMB104.4 million in 9M2016.

This was mainly due to lower transportation service revenue.

The revenue from the transportation services reduced by RMB64.7 million because the major customer stopped production for overhaul maintenance during 2016 Chinese New Year period and significantly reduced its outputs thereafter due to the low market price.

The revenue from the storage service segment decreased marginally by RMB1.1 million, The decrease was due to:

(a) a RMB6.5 million decrease in revenue from Jiangsu Deqiao atising from suspension of operations since 22 April 2016; and

(b) RMB2.9 million decrease in revenue contribution from Jiangyin Hengyang due to the low throughput arising from low demand.

The decrease was offset by:

(a) Yueyang Hengyang Chemical Logistics Co. Ltd. ("**Yueyang Hengyang**") commenced operations and recorded RMB4.3 million revenue (as compared to RMB3.4 million revenue of 9M2015 net off in construction-in-progress during trial operations); and

(c) Chongqing New Hengyang Chemical logistics Co. Ltd. ("**Chongqing Hengyang**") commenced operations and recorded RMB4.0 million revenue (as compared to RMB1.9 million of 9M2015 net off in construction-in-progress during trial operations);

Cost of sales

The Group's cost of sales decreased by 32.3% or RMB42.7 million from RMB132.2 million in 9M2015 to RMB89.5 million in 9M2016.

Transportation: The decrease in cost of sales was mainly due to the decrease of RMB60.5 million from the Group's transportation services segment in line with the lower revenue.

Storage: On the other hand, the RMB17.6 million increase in cost of sales was mainly due to the following:

(a) maiden depreciation charge in Yueyang (RMB9.5 million) and Chongqing (RMB0.7 million).

(b) RMB2.7 million maiden operating costs in Yuyang and Chongqing .

(c) RMB3.7m expenses incurred in cleaning Deqiao facility consequent to the fire on 22 April 2016.

(d) RMB1.0 safety improvement costs in Deqiao facility .

Gross profit

As a result of the above, the Group's gross profit decreased by 60.7% or RMB23.1 million from RMB38.0 million in 9M2015 to RMB15.0 million in 9M2016.

	Storage		Transportation		Elimination		Total	
	9M2016	9M2015	9M2016	9M2015	9M2016	9M2015	9M2016	9M2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	60,045	60,753	44,664	109,435	(285)		104,424	170,188
Cost of Sales	(56,173)	(38,532)	(38,160)	(98,626)	4,860	4,974	(89,473)	(132,184)
Gross Profit	3,872	22,221	6,504	10,809	4,575	4,974	14,951	38,004
Gross profit margin	6.4%	36.6%	14.6%	9.9%			14.3%	22.3%

The overall gross profit margin decreased to 14.3% in 9M2016 as compared to 22.3% in 9M2015 arising from the suspension of operations at Jiansu Deqiao. Gross profit margin of Jiangsu Deqiao is negative because of fixed overhead.

Other operating income

The Group's other operating income amounted to RMB4.1 million in 9M2016 and comprised RMB0.4 million interest income, RMB0.6 million subsidy from the Government for logistics companies, RMB3.1 million government incentive from Chongqing Hengyang.

The Group's other operating income recorded in 9M2015 comprised mainly railway management fee of RMB0.7 million, subsidies of RMB0.5 million received from the Government for logistics companies, and interest income of RMB0.1 million.

Administrative expenses

The Group's administrative expenses decreased by 30.9% or RMB12.1 million from RMB39.1 million in 9M2015 to RMB27.0 million in 9M2016. This was mainly due to:

(a) The previous comparative 9M2015 includes RMB7.0 million accrual of disassembling 6 tanks for Deqiao liquid ammonia project.

(b) Cost decreases by RMB1.7 million from Jinqiao Transportation due to the lower revenue

(c) Small exchange gain against RMB0.5 million exchange loss in 9M2015.

(d) Lower manpower costs and bonus costs by RMB1.7 million

Finance costs

The Group's finance costs increased by RMB8.3 million from RMB4.0 million in 9M2015 to RMB12.3 million in 9M2016. The finance costs for 9M2016 comprised interest for the working capital loan amounting RMB4.5 million and RMB7.8 million interest cost for Chongqing and Yueyang's bank loan. In 9M2015, the Chongqing and Yueyang's bank loan interest was capitalised. The RMB4.0 million finance costs in 1H2015 was the bank interest of Jiangyin Hengyang and Transportation's working capital loan.

Income tax expense

The Group's income tax expense decreased by 21.0% or RMB0.7 million from RMB3.5 million in 9M2015 to RMB2.7 million in 9M2016. The decrease mainly resulted from business lower profit from of Jinqiao Transportation.

Net Profit

As a result of the above, the Group recorded a net loss of RMB23.1 million in 9M2016 as compared a net loss of RMB7.0 million in 9M2015.

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

Non-current assets

As at 30 September 2016, the Group's non-current assets amounted to RMB1,715.1 million, and accounted for 96.5% of the Group's total assets.

	30.9.2016	31.12.2015
	RMB'000	RMB'000
Construction in-progress	909,593	892,943
Land use rights	258,931	263,187
Tank facilities	271,511	285,245
Buildings on leasehold land	111,195	113,043
Jetties	111,033	113,968
Electronic system and equipment	47,134	54,398
Furniture and fixture	313	168
Motor vehicles	5,345	6,793
	1,715,055	1,729,745

The decrease of RMB14.7 million in 9M2016 was mainly due to the depreciation charged and return of downpayment for the purchase of land use rights in Chongqing offset by continued capital expenditure incurred and capitalization of interest

Current assets

As at 30 September 2016, the Group's current assets amounted to RMB62.6 million comprising trade and other receivables, amount owing by related parties and cash and cash equivalents, and accounted for 3.5% of its total assets.

As at 30 September 2016, a total of RMB47.5 million in trade and other receivables were recorded, of which,

(a) RMB20.1 million was trade receivables from third party customers;

(b) RMB0.6 million was note receivables from financial institutions;

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

(d) RMB8.3 million was other receivables which included prepayments for purchase of PPE and transportation services, deposits for the acquisition of land use rights and utilities services, and advance to staff.

The decrease of the trade and other receivables was mainly to lower revenue and faster collections.

As at 30 September 2016, the amounts owing by related parties amounted to RMB6.8 million representing trade receivables for the provision of petrochemical storage and transportation services.

The Group's cash and cash equivalents were denominated in RMB, USD and SGD. The Group's cash and cash equivalents as at 30 September 2016 stood at RMB8.4 million, a decrease of RMB40.6 million as compared to RMB49.0 million as at 31 December 2015. The decrease was mainly due to the payment made for the cost of construction of the development projects offset by drawdown of bank borrowings. Please refer to the cashflow analysis for more information.

Current liabilities

As at 30 September 2016, the Group's current liabilities amounted to RMB578.7 million comprising trade and other payables, amount owing to related parties, amount owing to directors, amount due to a former shareholder of a subsidiary, current portion of bank borrowings, and current income tax payable. This accounted for 49.7% of its total liabilities.

As at 30 September 2016, a total of RMB250.3 million trade and other payables were recorded. This mainly comprised:

(a) RMB236.5 million due to contractors and government authorities in relation to the various construction projects, of which an amount of RMB81.7 million were related to the land use rights acquired. The Group expects that the Government authority will waive the amount payable in line with the local investment promotion scheme; and

(b) RMB13.8 million of trade payables which included RMB7.1 million payable to third-party transport companies for leasing of tank trucks, RMB5.0 million employee welfare and bonus payables and RMB1.7 million daily operation payables.

The Group's trade and other payables as at 30 September 2016 decreased by RMB44.0 million as compared to that of 31 December 2015 mainly due to the payment made to construction suppliers during the reporting period.

As at 30 September 2016, the Group had a total of RMB60.6 million short-term unsecured borrowings. This comprised:

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

(b) RMB10.0 million due to the **Chairman**;

(c) RMB26.4 million short-term borrowing from its related party **Wuhan Kangyang**; and

(d) RMB19.7 million due to its related party **Jinqiao Chemical**.

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

Other than the amount due to the **Chairman**, included in the amount owing to directors were an amount of RMB1.3 million owing to a director of the Company in respect of the consultancy services incurred in previous years and accrued directors' fees and salary amounting RMB1.1 million as at 30 September 2016.

The Group's short-term bank borrowings as at 30 September 2016 amounted to RMB263.2 million which were the short-term working capital loan of RMB38 million for its transportation segment; RMB20 million for Wuhan Hengyang and the current portion of the various construction loans as disclosed in section 1(b)(ii), secured borrowings.

As at 30 September 2016, the Group had RMB1.9 million in current income tax payable.

Non-current liabilities

As at 30 September 2016, the Group's non-current liabilities amounted to RMB586.6 million, made up 50.3% of its total liabilities, and comprising:

(a) RMB464.3 million of long-term bank borrowings, net of the portion classified under current liabilities of RMB263.2 million as disclosed above. Please refer to section 1(b)(ii) for more details on the Group's borrowings.

(b) RMB93.1 million due to a related party – **Jinqiao Chemical**;

(c) RMB11.1 million owing to the **Chairman**; and

(d) RMB18.1 million of deferred tax liabilities.

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

As at 30 September 2016, the Group had an amount of RMB18.1 million in deferred tax liabilities. The deferred tax liabilities arose from temporary difference between the Group's accounting carrying value and tax carrying values of the property, plant and equipment.

Shareholders' equity

As at 30 September 2016, the Group's equity attributable to owners of the parent was RMB388.8 million, mainly comprising:

(a) share capital of RMB289.1 million;

(b) statutory common reserve of RMB14.9 million;

(c) foreign currency translation reserve negative RMB0.3 million

(d) other reserve of RMB84.1 million arising from dilution of interest in a subsidiary, **HHPL** as a result of the new shares issued by **HHPL** to a non-controlling shareholder in FY2013 and

(e) retained earnings of RMB1.0 million.

As at 30 September 2016, the Group' non-controlling interests was RMB223.6 million, comprising mainly **MEGCIF5**'s 35% interest in the Group's subsidiary, **HHPL**.

Working capital

As at 30 September 2016, the Group was in a net current liabilities position of RMB516.0 million as compared to net current liabilities of RMB430.9 million as at 31 December 2015. Excluding a) the RMB81.7 million for the land use rights acquired, which the Group expects the Government authority to waive in line with the local investment promotion scheme; b) the RMB9.1 million due to its Chairman which is repayable only when the Group's internal resources permit; and c) the RMB19.7 million due to its related parties, which the related parties are willing to give the Group financial support, the Group's net working capital deficit would be RMB405.5 million as at 30 September 2016.

Statement of Cash flows of the Group for 9M2016

As at 30 September 2016, the Group recorded cash and cash equivalents of RMB8.4 million as compared to RMB49.0 million as at 31 December 2015.

Net cash flows generated from operating activities for 9M2016, after meeting the working capital requirements and paying income tax and interest, were RMB18.9 million.

Net cash from financing activities for the 9M2016, amounted to RMB34.7 million, was the net effect of additional bank loan drawdowns of RMB40.0 million, refund of restricted deposit with bank of RMB41.7 million, payment made to the related parties of RMB21.3 million and bank loan repayments of RMB25.8 million.

Net cash used for investing activities for the 9M2016, amounted RMB52.3 million, was for the Group's construction projects and paying the bank loan interest.

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

No forecast or prospect statement had been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

China recorded a 6.7% third quarter year-on-year growth rate, same as the second quarter of 2016[1]. The market condition remains challenging as Chinese economy faces increasingly downward pressure amid global economic uncertainty.

Deqiao facility suspended its operation since 22 April 2016 and the Group financial performance will continue to be significantly and adversely affected going forward.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No dividend has been declared or recommended for 9M2016.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No dividend has been declared or recommended for 9M2015.

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

No dividend has been declared for 9M2016.

13. Interested Person Transactions

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandated pursuant to Rule 920)(5)	Aggregate value of all interested person transactions conducted under the existing shareholders ' mandated pursuant to Rule 920 (excluding transactions less than $100,000)
	RMB'000	RMB'000
Provision of Petrochemical storage services and land transport services (1)		
· Jinqiao Chemical	-	7,236
· Shanghai Kangyang(2)	-	364
· Golden Hope(3)	-	185
Intereste expense charged		
· Jinqiao Chemical	-	3,927
· Wuhan Kangyang(2)	-	1,294
Gu Wenlong		397

Notes:

(1) Jinqiao Chemical is wholly-owned by Ms Sun Fang, the spouse of the **Chairman**.

(2) Shanghai Kangyang, Wuhan Kangyang, and Jiangyin Saisheng are controlled by Jinqiao Chemical.

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

(3) Golden Hope is controlled by Mr Gu Wen Long, the **Chairman** of the Group.

The Company had obtained a renewal of the shareholders' mandate ("**Shareholders' Mandate**") at its annual general meeting held on 22 April 2016. The Shareholders' Mandate applies to the Mandated Transactions, as defined in the next paragraph, that are carried out between any member of the Group, with Mr Gu Wen Long and/or his associates, including but not limited to, Golden Hope and/or Jinqiao Chemical and its subsidiaries and associated companies, as the case may be ("**Interested Persons**").

The Mandated Transactions covered by the Shareholders' Mandate are: a) provision of petrochemical storage services and land transport services by the Group to the Interested Persons; and/or b) receiving financing support in the form of borrowing of funds from the Interested Persons. Transactions which do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist.

Guarantees provided for the Group Companies:

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

14. Confirmation By The Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm that to the best of the knowledge of the Directors of the Company, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for 1H2016 to be false or misleading in any material aspect.

15. Updates to the Industrial Fire Which Happened on 22 April 2016 ("Accident")

Reference is made to the Company's announcement released on 25 April 2016 entitled "Industrial Accident at Deqiao Facility". On 04 November 2016, a further announcement entitled "Update on the Industrial Accident at Deqiao Facility" was made to inform that the Taizhou City Government (being the governmental authority leading the Investigation) had on 01 November relased an Investigation report with respect to the Accident.

The Company is not able to quantify the losses caused by the Accident at this point in time. Accordingly, the 9MH2016 results announcement only included the impact of the revenue reduction due to Deqiao's suspension and site cleaning expenses to date. It did not include any damaged fixed assets to be written off nor any future repairs and refurbishment to damaged tank and equipment. It also did not include any compensation payable or any governmental penalties and fines. Neither does it includes recovery costs (eg insurance), if any. The Board and the Management are currently working actively to come up with new strategies to enable the Group to recover as soon as practicable from the Accident as well as evaluating all options to meet the Group's financial obligations.

GU WEN LONG
Chairman and Chief Executive Officer

DIONG TAI PEW
Lead Independent Director (AC Chairman)

BY ORDER OF THE BOARD

GU WEN LONG
Chairman and Chief Executive Officer

11 November 2016

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor"), for compliance with the relevant rules of the

Singapore Exchange Securities Trading Limited ("SGX-ST"), this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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