

HENGYANG PETROCHEMICAL LOGISTICS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200807923K)
(the “**Company**”, and together with its subsidiaries, the “**Group**”)

**ANNOUNCEMENT PURSUANT TO RULE 704(4) OF THE CATALIST RULES IN RELATION TO
THE AUDITED FINANCIAL STATEMENTS**

**Emphasis of matter by the independent auditor on the audited financial statements for the
financial year ended 31 December 2015**

Pursuant to Rule 704(4) of Section B of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual (“**Catalist Rules**”), the Board of Directors (the “**Board**”) of the Company wishes to announce that the Company’s independent auditor, BDO LLP has without modifying their opinion, included in the Independent Auditor’s Report an emphasis of matter in respect of the Group’s and the Company’s ability to continue as going concerns on the audited financial statements of the Group for financial year ended 31 December 2015 (the “**Audited Financial Statements**”).

A copy of the Independent Auditor’s Report and an extract of Note 4 to the Audited Financial Statements are attached to this announcement for information. Shareholders of the Company are advised to read the Audited Financial Statements in its annual report for financial year ended 31 December 2015, which will be dispatched in due course.

By Order of the Board

Mr Gu Wenlong
Executive Chairman and Chief Executive Officer
30 March 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 SGX-ST, this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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

**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 the statement of financial position of the Company as at 31 December 2015, 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 42 to 93.

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 financial statements 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 financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of Matter

We draw your attention to Note 4 to the financial statements which indicates that the Group incurred a net loss of approximately RMB13,410,000 for the financial year ended 31 December 2015 and, as of that date, the Group's and the Company's current liabilities exceeded their current assets by approximately RMB430,884,000 and RMB16,869,000 respectively. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Group's and the Company's abilities to continue as going concerns. Our audit opinion is not qualified in respect of this matter.

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 2016

4. Going concern basis

As at 31 December 2015, the current liabilities of the Group and the Company have exceeded the current assets by RMB430,884,000 (2014: RMB324,182,000) and RMB16,869,000 (2014: RMB12,772,000) respectively. In addition, the Group has incurred a net loss of RMB13,410,000 (2014: RMB12,557,000) for the financial year ended 31 December 2015 and has been incurring losses for the past three consecutive financial years. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

Notwithstanding the above, the Directors of the Company are of the opinion that the Group and the Company are able to meet their obligations as and when they fall due having regard to the following:

- (a) The Directors of the Company have approved the cash flow forecasts of the Group for the financial years ending 31 December 2016 and 2017, which is based on the enlarged storage capacities and the expected orders from major customers of the Group's storage and transportation services. Based on such forecasts, the Directors of the Company are of the view that adequate liquidity exists to finance the working capital requirements of the Group and the Company for the next 12 months. In preparing the cash flow forecasts, the Directors of the Company have considered the operating cash requirements of the Group as well as other key factors, including the ability of the Group to generate sufficient cash or obtain additional funding to satisfy the Group's future working capital requirements, which may impact the operations of the Group;
- (b) The Directors of the Company expect the amount payable for land use rights acquired (Note 12) amounting to RMB81,689,000 will be waived by the local government in the People's Republic of China ("PRC") in line with the local investment promotion scheme;
- (c) With the completion of the initial phases of most of its construction projects, the Group has commenced trial operations in the strategic positions along the Yangtze River. Since the subsequent phases of the development projects are independent from the initial completed phases, the Group will have the ability to postpone some of its projects to subsequent periods until higher utilisation rates are achieved for its existing storage tanks or when its resources permit;
- (d) The related parties and Chairman of the Group have undertaken not to demand repayment of the outstanding amounts of RMB67,311,000 until the Group's resources permit although the amounts are repayable on demand; and
- (e) Subsequent to the end of the financial year, the Group has secured additional banking facilities of RMB40,000,000 and expects to renew a working capital loan of RMB18,000,000 which will mature in the financial year ending 31 December 2016, subject to certain terms and conditions being met. The Group is also negotiating with its suppliers and a bank to defer repayments due in the next financial year.

4. Going concern basis (Continued)

The Directors of the Company are of the opinion that, the Group has a competitive edge with its strategic position along the Yangtze River. Following the completion stages and commencement of trial operations of most of its construction projects during the financial year, the aggregated storage capacity of the Group increased significantly and therefore, the Directors of the Company believe that the prospects of the Group are positive and cash flow forecasts are achievable. With the proceeds of RMB40,000,000 received from additional bank borrowings after the financial year, its positive operational cash flows and the continuous support from the local PRC government authority, the related parties and Chairman of the Group, suppliers and banks, the use of going concern basis in the preparation of the Group's and the Company's financial statements is appropriate.

The going concern basis is largely dependent on the Group's ability to achieve the projected revenue and profits, to obtain additional financing facilities and to defer payments to its suppliers and banks in order to meet its future working capital requirements. If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and liabilities. No such adjustments have been made to these financial statements.