HENGYANG PETROCHEMICAL LOGISTICS LIMITED

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

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR FINANCIAL PERIOD ENDED 30 JUNE 2015 ("1H2015")

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		
	2Q2015 RMB'000	2Q2014 RMB'000	% (+/-)	1H2015 RMB'000	1H2014 RMB'000	% (+/-)
Revenue	**53,756**	**53,933**	**(0.3)**	**101,471**	**106,980**	**(5.1)**
Cost of sales	(43,073)	(47,538)	(9.4)	(82,831)	(90,899)	(8.9)
Gross profit	**10,683**	**6,395**	**67.1**	**18,640**	**16,081**	**15.9**
Other income	534	1,673	(68.1)	855	3,132	(72.7)
Administrative expenses	(9,594)	(6,422)	49.4	(23,654)	(14,791)	59.9
Finance costs	(1,456)	(226)	nm*	(2,715)	(453)	nm*
(Loss)/Profit before income tax	**167**	**1,420**	**nm***	**(6,874)**	**3,969**	**nm***
Income tax expense	(1,223)	(1,694)	(27.8)	(2,234)	(3,919)	(43.0)
Net (loss)/profit, representing total comprehensive income for the period	**(1,056)**	**(274)**	**nm***	**(9,108)**	**50**	**nm***
(Loss)/Profit attributable to:						
Owners of the parent	(1,120)	(582)	92.4	(6,626)	(538)	nm*
Non-controlling interests	64	308	(79.2)	(2,482)	588	nm*
	(1,056)	**(274)**	**nm***	**(9,108)**	**50**	**nm***
Total comprehensive income attributable to:						
Owners of the parent	(1,120)	(582)	92.4	(6,626)	(538)	nm*
Non-controlling interests	64	308	(79.2)	(2,482)	588	nm*
	(1,056)	**(274)**	**nm***	**(9,108)**	**50**	**nm***

* nm denotes not meaningful

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

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

	2Q2015	2Q2014	%	1H2015	1H2014	%
	RMB'000	RMB'000	(+/-)	RMB'000	RMB'000	(+/-)
Depreciation and amortisation	6,777	6,511	4.1	13,528	12,570	7.6
Foreign exchange loss (gain), net	(1,978)**	(120)	nm*	465	(304)	(253.0)
Interest income	(57)	(879)	(93.5)	(102)	(1,879)	(94.6)
Other income	(477)	(590)	(19.2)	(753)	(865)	(12.9)
Interest expenses	1,456	226	nm*	2,715	453	nm*
Loss/(Gain) on disposal of plant and equipment	24	(84)	(128.6)	24	(84)	(128.6)
Provision for impairment of plant and equipment	3,000	-	nm*	3,000	-	nm*

* nm denotes not meaningful

** the exchange gain arose as a result of the strengthening of Singapore Dollar ("SGD") against RMB during the 2Q2015

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	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	1,427,579	1,422,362	28	36
Land use rights	266,116	269,045	-	-
Investments in subsidiaries	-	-	267,472	267,472
	1,693,695	1,691,407	267,500	267,508
Current assets				
Trade and other receivables	72,683	54,154	42	65
Amount owing by related parties	1,320	1,585	-	-
Amount owing by subsidiaries	-	-	201	6
Current income tax recoverable	6	6	-	-
Cash and cash equivalents	19,305	85,326	796	467
	93,314	141,071	1,039	538
Less:				
Current liabilities				
Trade and other payables	264,214	308,135	765	571
Amount owing to related parties	24,365	19,968	-	-
Amount owing to directors	5,686	1,502	1,284	1,372
Amount owing to a subsidiary	-	-	13,674	11,367
Amount owing to a former shareholder of a subsidiary	4,502	4,502	-	-
Bank borrowings	148,900	129,400	-	-
Current income tax payable	812	1,746	-	-
	448,479	465,253	15,723	13,310
Net current liabilities	(355,165)	(324,182)	(14,684)	(12,772)
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	582,410	602,760	-	-
Deferred tax liabilities	15,766	15,003	-	-
	702,369	721,956	-	-
Net assets	636,161	645,269	252,816	254,736
Equity				
Share capital	289,064	289,064	289,064	289,064
Statutory common reserve	13,526	13,526	-	-
Foreign currency translation account	(270)	(270)	-	-
Other reserve	83,004	83,004	-	-
Retained earnings/(Accumulated losses)	22,781	29,407	(36,248)	(34,328)
Equity attributable to owners of the parent	408,105	414,731	252,816	254,736
Non-controlling interests	228,056	230,538	-	-
Total equity	636,161	645,269	252,816	254,736

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

	As at 30 June 2015			As at 31 December 2014		
	Secured RMB'000	Unsecured RMB'000	Total RMB'000	Secured RMB'000	Unsecured RMB'000	Total RMB'000
Repayable within one year [(1)]	148,900	32,042	180,942	129,400	24,600	154,000
Repayable after one year	595,910	90,693	686,603	616,260	90,693	706,953
Total	744,810	122,735	867,545	745,660	115,293	860,953

Note1 Reconciliation:

	As at 30 June 2015			As at 31 December 2014		
	Secured RMB'000	Unsecured RMB'000	Total RMB'000	Secured RMB'000	Unsecured RMB'000	Total RMB'000
Repayable within one year per Group's statement of financial position	148,900	34,553	183,453	129,400	25,972	155,372
Non-borrowing liabilities	-	(2,511)	(2,511)	-	(1,372)	(1,372)
Repayable within one year per Group's borrowings [(1)]	148,900	32,042	180,942	129,400	24,600	154,000

Unsecured Borrowings:

As at 30 June 2015, the Group's unsecured borrowings which were repayable within one year amounted to RMB32.0 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 RMB4.4 million owing to Mr Gu Wen Long, the Company's chairman and CEO ("**Chairman**") comprising a) RMB0.3 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 RMB4.1 million.

3) A total amount of RMB23.1 million short-term payables due to the Group's related party – Jiangyin Jinqiao Chemical Co., Ltd ("**Jinqiao Chemical**") comprising a) RMB12.1 million of the 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 RMB11.0 million to partially fund Deqiao and Yueyang facilities.

As at 30 June 2015, the Group's non-current unsecured borrowings amounted to RMB90.7 million, and comprised the following:

4) 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.

5) An amount of RMB93.1 million owing to **Jinqiao Chemical** for partial funding of the 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 RMB17.8 million as at 30 June 2015.

Secured Borrowings

As at 30 June 2015, the Group's secured borrowings amounted to RMB744.8 million. The secured borrowings comprised an amount of RMB13.5 million owing to **Jinqiao Chemical** described in note 5 of the unsecured borrowings and an amount of RMB731.3 million bank loans as stated below:

(RMB' million)	Loan A	Loan B	Loan C	Loan D	Loan E	Loan F	Total
Nature	construction loan					working capital loan	
Loan facilities granted	**400.0**	**150.0**	**427.0**	**120.0**	**100.0**	**15.0**	**1,212.0**
Loan amount drawn down	400.0	150.0	230.0	100.0	71.6	15.0	**966.6**
Amounts repaid	(65.0)	(143.1)	(17.2)	(10.0)	(-)	(-)	**(235.3)**
Outstanding amounts	**335.0**	**6.9**	**212.8**	**90.0**	**71.6**	**15.0**	**731.3**
- Repayable within one year	75.0	-	37.9	10.0	11.0	15.0	**148.9**
- Repayable after one year	260.0	6.9	174.9	80.0	60.6	-	**582.4**

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 RMB67.5 million) and property, plant and equipment ("PPE") excluding the phase II project (net carrying value of RMB242.0 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 RMB314.4 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 March 2020, is secured by corporate guarantees furnished by **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 (carrying value of RMB138.1 million) and PPE (net carrying value of RMB314.4 million) of **Wuhan Hengyang**, pledge of **Wuhan Hengyang**'s deposit amounted to RMB10 million and the entire equity interest of Wuhan Hengyang owned by **HHPL**.

4) Bank loan D from the Bank of China, repayable over 8 years till December 2020, is secured by corporate guarantees furnished by **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 RMB244.8 million) of Yueyang Hengyang Petrochemical Logistics Co., Ltd ("**Yueyang Hengyang**").

5) Bank loan E from the China Minsheng Banking Corp. Ltd., repayable progressively from December 2015 to December 2018, is secured by corporate guarantees furnished by **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**.

6) Bank loan F from the Jiangyin Rural Commercial Bank, repayable in 1 year, is secured by mortgages against the land use rights (net carrying value of RMB17.1 million) of **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	
	2Q2015 RMB'000	2Q2014 RMB'000	1H2015 RMB'000	1H2014 RMB'000
Operating activities				
Profit/(Loss) before income tax	167	1,420	(6,874)	3,969
Adjustments for:				
Depreciation of property, plant and equipment	6,511	6,227	12,995	12,000
Amortisation for land use rights	266	284	533	570
Loss/(Gain) on disposal of plant and equipment	24	(84)	24	(84)
Provision for impairment of plant and equipment	3,000	-	3,000	-
Interest income	(57)	(879)	(102)	(1,879)
Interest expense	1,456	226	2,715	453
Operating cash flows before working capital changes	11,367	7,194	12,291	15,029
Working capital changes:				
Trade and other receivables (including related parties)	(10,495)	18,271	(18,323)	(2,258)
Trade and other payables	(682)	(12,500)	12,211	(901)
Cash generated from operations	190	12,965	6,179	11,870
Interest paid	(400)	-	(592)	-
Income tax paid	(1,304)	(1,065)	(2,405)	(1,065)
Net cash (used in)/from operating activities	(1,514)	11,900	3,182	10,805
Investing activities				
Acquisition of property, plant and equipment	(9,318)	(76,162)	(60,054)	(221,077)
Proceeds from disposal of property, plant and equipment	32	-	32	-
Interest paid and capitalised	(6,477)	(12,597)	(12,441)	(26,220)
Interest received	123	2	160	27
Net cash used in investing activities	(15,640)	(88,757)	(72,303)	(247,270)
Financing activities				
Proceeds from bank borrowings	170,000	60,000	205,000	180,000
Repayment of bank borrowings	(203,750)	(18,400)	(205,850)	(18,400)
Fixed deposits pledged in financial institutions	43,935	(2,142)	(8,080)	(7,297)
Amount owing to related parties	(3,000)	-	-	-
Amount owing to a director	3,950	-	3,950	-
Net cash from/(used in) financing activities	11,135	39,458	(4,980)	154,303
Net change in cash and cash equivalents	(6,019)	(37,399)	(74,101)	(82,162)
Cash and cash equivalents at beginning of the period [1]	14,324	145,808	82,406	190,571
Cash and cash equivalents at end of the period [1]	8,305	108,409	8,305	108,409

Note:

1) Reconciliation:

	Group	
	As at 30 June 2015 RMB'000	As at 31 Dec 2014 RMB'000
Cash and cash equivalents per consolidated statement of financial position	19,305	85,326
Restricted cash in bank	(11,000)	(2,920)
Cash and cash equivalents per consolidated statement of cash flows	8,305	82,406

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 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**

Company	Share Capital	Accumulated losses	Total Equity
	RMB'000	RMB'000	RMB'000
(Unaudited)			
Balance as at 1 January 2014	**289,064**	**(31,680)**	**257,384**
Loss for the period	-	(393)	(393)
Balance as at 31 March 2014	**289,064**	**(32,073)**	**256,991**
Loss for the period	-	(1,157)	(1,157)
Balance as at 30 June 2014	**289,064**	**(33,230)**	**255,834**

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 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**
(Unaudited)								
Balance as at 1 January 2014	**289,064**	**12,915**	**-**	**83,004**	**39,147**	**424,130**	**207,175**	**631,305**
Total comprehensive income for the period	-	-	-	-	44	44	280	324
Balance as at 31 March 2014	**289,064**	**12,915**	**-**	**83,004**	**39,191**	**424,174**	**207,455**	**631,629**
Total comprehensive income for the period	-	-	-	-	(582)	(582)	308	(274)
Balance as at 30 June 2014	**289,064**	**12,915**	**-**	**83,004**	**38,609**	**423,592**	**207,763**	**631,355**

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

There were no changes to the Company's share capital since the end of the previous period reported on, this being 31 March 2015.

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

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

	30.06.2015	31.12.2014
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.

Except as disclosed in Note 5 below, the Group and the Company have applied the same accounting policies and methods of computation to the financial statements for the current financial year and the most recent audited annual financial statements for the financial year ended 31 December 2014.

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 2015.

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 shares:	2Q2015	2Q2014	1H2015	1H2014
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)	(0.55)	(0.29)	(3.26)	(0.26)
(b) Diluted EPS (RMB cents)	(0.55)	(0.29)	(3.26)	(0.26)

Notes:

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

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

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

	Group		Company	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Net asset value per ordinary share (RMB cents)	200.6	203.8	124.3	125.2

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 1H2015 compared to 1H2014

Revenue

During 1H2015, the following facilities were in trial operation stage: Phase I of the Yueyang and Wuhan Facility, Phase II and Phase III of the Deqiao Facility, and a petrochemical jetty of the Chongqing Facility. In accordance with Financial Reporting Standards, the sales generated from these trial operations were recorded in the construction-in-progress.

For the purpose of analysis, the table below shows revenue for all storage facilities including those under trial operation.

	1H2015	Trial Operations	1H2015 Include Trial Operations	1H2014	%
	RMB'000	RMB'000	RMB'000	RMB'000	(+/-)
Revenue	101,471	8,779	110,250	106,980	3.1

The Group's revenue, including the revenue generated from the various trial operations, increased by 3.1% or RMB3.3 million from RMB107.0 million in 1H2014 to RMB110.3 million in 1H2015.

The increase was mainly due to the additional revenue of RMB8.8 million from the Group's storage service segment arising from the various trial operations as mentioned above.

Excluding the revenue contributed by the trial operations, the Group's revenue reduced by 5.1% or RMB5.5 million from RMB107.0 million in 1H2014 to RMB101.5 million in 1H2015.

This decrease was mainly due to the decline of RMB5.8 million from the Group's transportation service segment as a result of:

(a) less methanol transported arising from lower transaction done by the customer in 1H2015; and

(b) fewer trips undertaken arising from the customers' factory overhaul maintenance during 2015 Chinese New Year period.

The above decrease was partially offset by the increase of RMB0.3 million from the Group's existing storage service operations which arose from higher storage volume from customers.

Cost of sales

In line with the lower revenue, the Group's cost of sales decreased by 8.9% or RMB8.1 million from RMB90.9 million in 1H2014 to RMB82.8 million in 1H2015.

The decrease in cost of sales was mainly due to the decrease in cost of sales of RMB8.4 million from the Group's transportation services segment in line with the lower revenue in 1H2015 as well as lower in fuel price. In addition, with Wuhan Facility commenced its trial operation at the beginning of 2015, the transport services segment leased storage tanks from Wuhan Facility instead of third party tanks. Such leasing cost amounted to RMB2.3 million has been eliminated at the Group level.

The above decrease was partially offset by the increased cost of sales for the storage segment amounted to RMB2.6 million. The increase was mainly due to higher depreciation arising from the additional PPE purchased in FY2014, higher safety and maintenance cost, higher production cost such as consumables and nitrogen cost, as well as higher manpower cost.

Gross profit

As a result of the above, the Group's gross profit increased by 15.9% or RMB2.5 million from RMB16.1 million in 1H2014 to RMB18.6 million in 1H2015.

	Storage		Transportation		Elimination		Total	
	1H2015	1H2014	1H2015	1H2014	1H2015	1H2014	1H2015	1H2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	37,457	37,115	64,014	69,865	-	-	101,471	106,980
Cost of sales	(27,300)	(24,641)	(57,868)	(66,258)	2,337	-	(82,831)	(90,899)
Gross profit	10,157	12,474	6,146	3,607	-	-	18,640	16,081
Gross profit margin	27.1%	33.6%	9.6%	5.2%			18.4%	15.0%

The overall gross profit margin increased to 18.4% in 1H2015 as compared to 15.0% in 1H2014. This was mainly due to the high-margin storage service, which accounted for 34.7% in 1H2014, increased to 36.9% of the overall sales in 1H2015.

Other operating income

The Group's other operating income amounted to RMB0.9 million in 1H2015 and comprised mainly railway management fee of RMB0.4 million, subsidies of RMB0.2 million received from the Government for logistics companies, and interest income of RMB0.1 million.

The Group's other operating income recorded in 1H2014 comprised mainly an interest income of RMB1.9 million, service charges of RMB0.4 million received from the local Port Authority for collecting port fees from common clients on behalf of the Authority, and foreign exchange gain of RMB0.3 million.

Administrative expenses

The Group's administrative expenses increased by 59.9% or RMB8.9 million from RMB14.8 million in 1H2014 to RMB23.7 million in 1H2015. This was mainly due to:

(a) a provision for impairment of plant and equipment amounted to RM3.0 million in relation to the 6 storage tanks and related demolition cost of RMB1.2 million. These tanks were demolished to make way for the construction of liquid ammonia storage tanks on the same site;

(b) higher manpower expenses amounted to RMB2.7 million mainly arising from bonus rewarded to the transport service segment employees during the reporting period for their contribution to the Group, as well as increased headcount resulted from the Group's business development and expansion;

(c) higher administrative cost of RMB1.1 million incurred for Chongqing, Yueyang and Wuhan projects as these projects had begun trial operations in the second half of 2014 and 1Q2015;

(d) a foreign exchange loss of RMB0.5 million recorded for the bank balances denominated in Singapore Dollar ("SGD") as a result of the weakening of SGD against RMB during the reporting period; and

(e) higher land use tax and property tax incurred by the Group's PRC subsidiaries amounted to RMB0.2 million as the relevant tax relief period had expired.

Finance costs

The Group's finance costs increased by RMB2.2 million from RMB0.5 million in 1H2014 to RMB2.7 million in 1H2015. The finance costs for 1H2015 comprised interest for the working capital loan of RMB0.6 million and interest for the related party loan, which terms had been revised to interest bearing with effect from 1 January 2015. The finance costs for 1H2014 comprised the imputed interest for the **MEGCIF5** Convertible Loan.

Income tax expense

The Group's income tax expense decreased by 43% or RMB1.7 million from RMB3.9 million in 1H2014 to RMB2.2 million in 1H2015. The decrease was mainly resulted from the lower profit generated by its profitable subsidiaries in 1H2015 as compared to 1H2014.

Net loss

As a result of the above, the Group recorded a net loss of RMB9.1 million in 1H2015 as compared a net profit of RMB50,000 in 1H2014.

The net loss attributable to owners of the parent was at RMB6.6 million in 1H2015 as compared RMB0.5 million.

Statement of financial position of the Group as at 30 June 2015

Non-current assets

As at 30 June 2015, the Group's non-current assets amounted to RMB1,693.7 million, and accounted for 94.8% of the Group's total assets.

	30.06.2015	31.12.2014
	RMB'000	RMB'000
Construction in-progress	1,094,490	1,075,286
Land use rights	266,116	269,045
Tank facilities	190,736	199,809
Buildings on leasehold land	68,280	69,055
Jetties	54,765	55,687
Electronic system and equipment	11,773	13,950
Furniture and fixture	174	182
Motor vehicles	7,361	8,393
	1,693,695	1,691,407

The increase of RMB2.3 million in 1H2015 was the net impact of the additional expenditure incurred for the construction of development projects and the depreciation and amortisation charged in the current financial period.

Current assets

As at 30 June 2015, the Group's current assets amounted to RMB93.3 million comprising trade and other receivables, amount owing by related parties, current income tax recoverable and cash and cash equivalents, and accounted for 5.2% of its total assets.

As at 30 June 2015, a total of RMB72.7 million in trade and other receivables were recorded, of which,

(a) RMB38.8 million was trade receivables from third party customers;

(b) RMB1.0 million was note receivables from financial institutions;

(c) RMB20.9 million was deductible VAT; and

(d) RMB12.0 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 increase of the trade and other receivables was mainly due to the trade receivables from the trial operations which mainly commenced in 1Q2015, higher VAT receivables as those subsidiaries under construction or just commenced trial operation incurred higher input tax in 1H2015, as well as higher prepayment made to third-party transport service providers.

As at 30 June 2015, the amounts owing by related parties amounted to RMB1.3 million representing trade receivables for the provision of petrochemical storage and transportation services. The main reason for the decrease was lower sales transacted in 1H2015.

The Group's cash and cash equivalents were denominated in RMB, SGD and USD. The Group's cash and cash equivalents as at 30 June 2015 stood at RMB19.3 million, a decrease of RMB66.0 million as compared to RMB85.3 million as at 31 December 2014. The decrease was mainly due to the payment made for the cost of construction of the development projects and their related bank loan interest. Please refer to the cashflow analysis for more information.

Current liabilities

As at 30 June 2015, the Group's current liabilities amounted to RMB448.5 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 39.0% of its total liabilities.

As at 30 June 2015, a total of RMB264.2 million trade and other payables were recorded. This mainly comprised:

(a) RMB232.9 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) RMB22.1 million of trade payables which included RMB20.8 million payable to third-party transport companies for leasing of tank trucks.

The Group's trade and other payables as at 30 June 2015 decreased by RMB43.9 million as compared to that of 31 December 2014 due to payment made for construction during the reporting period.

As at 30 June 2015, the Group had a total of RMB32.0 million short-term unsecured borrowings. This comprised:

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

(b) RMB4.4 million due to the **Chairman;** and

(c) RMB23.1 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 RMB0.7 million owing to a director of the Company in respect of the consultancy services incurred in previous years and accrued directors' fees and salary amounted to RMB0.6 million as at 30 June 2015.

Other than the short-term unsecured borrowings as disclosed (c) above, included in the amount owning to related parties was an amount of RMB1.2 million advance payment received from a related party.

The Group's short-term bank borrowings as at 30 June 2015 amounted to RMB148.9 million which were the short-term working capital loan of RMB15 million for its transportation segment, and the current portion of the various construction loans as disclosed in section 1(b)(ii), secured borrowings.

As at 30 June 2015, the Group had RMB0.8 million in current income tax payable.

Non-current liabilities

As at 30 June 2015, the Group's non-current liabilities amounted to RMB702.4 million, made up 61.0% of its total liabilities, and comprising:

(a) RMB582.4 million of long-term bank borrowings, net of the portion classified under current liabilities of RMB148.9 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) RMB15.8 million of deferred tax liabilities.

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

As at 30 June 2015, the Group had an amount of RMB15.8 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 PPE.

Shareholders' equity

As at 30 June 2015, the Group's equity attributable to owners of the parent was RMB408.1 million, mainly comprising:

(a) share capital of RMB289.1 million;

(b) statutory common reserve of RMB13.5 million;

(c) other reserve of RMB83.0 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

(d) retained earnings of RMB22.8 million.

As at 30 June 2015, the Group' non-controlling interests was RMB228.1 million, comprising mainly **MEGCIF5**'s 35% interest in the Group's subsidiary, **HHPL**.

Working capital

As at 30 June 2015, the Group was in a net current liabilities position of RMB355.2 million as compared to net current liabilities of RMB324.2 million as at 31 December 2014.

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 RMB4.4 million due to its Chairman which is repayable only when the Group's internal resources permit; and (c) the RMB23.1 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 was RMB246.0 million as at 30 June 2015.

In view of the foregoing, the Directors are of the opinion that, barring any unforeseen circumstances and after taking into consideration the net cash expected to be generated from the Group's future operating activities, the Group's unutilised banking facilities of RMB245.4 million where all conditions precedent had been met, the Group had received additional bank borrowing of RMB18.0 million and RMB40.0 million in July 2015 and August 2015 respectively, and additional banking facilities which the Group is currently negotiating with, the Group can meet its debt obligations for the next twelve months.

Statement of Cash flows of the Group for 1H2015

As at 30 June 2015, the Group recorded cash and cash equivalents of RMB19.3 million as compared to RMB85.3 million as at 31 December 2014.

Net cash flows generated from operating activities for 1H2015, after meeting working capital requirements and paying income tax and interest expenses, were RMB3.2 million for 1H2015.

Net cash used in financing activities for the 1H2015 amounted to RMB5.0 million, was the net effect of additional bank loan drawdowns of RMB205.0 million and short-term borrowings of RMB4.0 million received from its Chairman, offset by bank loan repayments of RMB205.9 million and deposit of RMB8.1 million pledged in a bank.

Net cash used in investing activities for the 1H2015, amounted to RB72.3 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.

The Group has not issued any forecast. There has been no significant variance in the business environment in which the Group operated.

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.

In 2014, the Chinese government announced the 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 construction of three new petrochemical storage plants in Wuhan, Yueyang, and Chongqing. This first mover advantage is likely to enable us to capitalize on the growing need for petrochemical transportation and storage services in these regions.

In 2014, one petrochemical jetty of the Chongqing Facility and Phase I of the Yueyang Facility had commenced trial operations. In 1H2015, Phase I of the Wuhan Facility, Phase II and Phase III of the Deqiao Facility had also commenced their trial operations. Together with 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. Hopefully these will enable us to become one of the major petrochemical logistics service providers along the Yangtze River in the near future. However, in the short term, the Group will also be affected by the depreciation charge and interest expenses as the various projects come on-stream.

China's economic outlook remains challenging. The Group continues to operate under such challenging business environment. It will focus on further improving its operational efficiency, and continues to strive towards becoming an all-round logistics service provider in the petrochemical sector by bundling transportation and storage services together to provide more value-added service to the customers.

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 1H2015.

(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 1H2014.

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

No dividend has been declared for 1H2015.

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)	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		
- Jiangyin Jinqiao Chemical Co., Ltd. ("Jinqiao Chemical")(1)	-	3,185
- Shanghai Kangyang Petrochemical Co., Ltd. ("Shanghai Kangyang")(2)	-	363
- Jiangyin Saisheng New Material Co., Ltd. ("Jiangyin Saisheng")(2)	-	212
- Golden Hope Industrial Co., Ltd. ("Golden Hope")(3)	-	7
Interest expense payable to		
- Jinqiao Chemical(1)	-	3,189
- Gu Wen Long	-	323

Notes:

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

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

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

The Company had obtained a renewal of the shareholders' mandate ("**Shareholders' Mandate**") at its annual general meeting held on 22 April 2015. 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 that 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 1H2015 to be false or misleading in any material aspect.

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

14 August 2015

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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