



HENGYANG PETROCHEMICAL LOGISTICS LIMITED

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

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR FINANCIAL YEAR ENDED 31 DECEMBER 2015 ("FY2015")

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		
	FY2015 RMB'000	FY2014 RMB'000	% (+/-)
Revenue	212,359	186,783	13.7
Cost of sales	(167,173)	(159,519)	4.8
Gross profit	45,186	27,264	65.7
Other income	2,463	5,148	(52.2)
Administrative expenses	(50,128)	(36,204)	38.5
Finance costs	(5,211)	(1,299)	nm*
Loss before income tax	(7,690)	(5,091)	51.1
Income tax expense	(5,720)	(7,466)	(23.4)
Net loss for the period	(13,410)	(12,557)	6.8
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation difference	-	(415)	nm*
Other comprehensive income for the financial year, net of tax	-	(415)	nm*
Total comprehensive income for the financial year	(13,410)	(12,972)	3.4
Loss attributable to:			
Owners of the parent	(10,423)	(9,129)	14.2
Non-controlling interests	(2,987)	(3,428)	(12.9)
	(13,410)	(12,557)	6.8
Total comprehensive income attributable to:			
Owners of the parent	(10,423)	(9,399)	10.9
Non-controlling interests	(2,987)	(3,573)	(16.4)
	(13,410)	(12,972)	3.4

* nm denotes not meaningful

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

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

	FY2015	FY2014	%
	RMB'000	RMB'000	(+/-)
Depreciation and amortisation	27,343	27,698	(1.3)
Foreign exchange loss, net	448	56	nm*
Interest income	(122)	(3,498)	(96.5)
Other income	(2,341)	(1,567)	49.4
Interest expenses	5,211	1,299	nm*
Loss/(Gain) on disposal of plant and equipment	23	(83)	(127.7)
Write off of plant and equipment	7,629	-	nm*
Adjustment for (over)/under provision of income tax in respect of prior years	(1,316)	2	nm*

* nm denotes not meaningful

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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	
	31.12.2015 RMB'000	31.12.2014 RMB'000	31.12.2015 RMB'000	31.12.2014 RMB'000
Non-current assets				
Property, plant and equipment	1,466,558	1,422,362	22	36
Land use rights	263,187	269,045	-	-
Investments in subsidiaries	-	-	267,472	267,472
	1,729,745	1,691,407	267,494	267,508
Current assets				
Trade and other receivables	61,000	54,154	52	65
Amount owing by related parties	4,177	1,585	-	-
Amount owing by subsidiaries	-	-	291	6
Current income tax recoverable	172	6	-	-
Cash and cash equivalents	49,017	85,326	1,220	467
	114,366	141,071	1,563	538
Less:				
Current liabilities				
Trade and other payables	294,312	308,135	1,006	571
Amount owing to related parties	62,410	19,968	-	-
Amount owing to directors	10,971	1,502	1,370	1,372
Amount owing to a subsidiary	-	-	16,056	11,367
Amount owing to a former shareholder of a subsidiary	4,502	4,502	-	-
Bank borrowings	171,200	129,400	-	-
Current income tax payable	1,855	1,746	-	-
	545,250	465,253	18,432	13,310
Net current liabilities	(430,884)	(324,182)	(16,869)	(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	542,110	602,760	-	-
Deferred tax liabilities	16,899	15,003	-	-
	663,202	721,956	-	-
Net assets	635,659	645,269	250,625	254,736
Equity				
Share capital	289,064	289,064	289,064	289,064
Statutory common reserve	14,922	13,526	-	-
Foreign currency translation account	(270)	(270)	-	-
Other reserve	84,113	83,004	-	-
Retained earnings/(Accumulated losses)	17,592	29,407	(38,439)	(34,328)
Equity attributable to owners of the parent	405,421	414,731	250,625	254,736
Non-controlling interests	230,238	230,538	-	-
Total equity	635,659	645,269	250,625	254,736

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

RMB'000	As at 31 December 2015			As at 31 December 2014		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Repayable within one year ⁽¹⁾	171,200	71,813	243,013	129,400	24,600	154,000
Repayable after one year	555,610	90,693	646,303	616,260	90,693	706,953
Total	726,810	162,506	889,316	745,660	115,293	860,953

Note 1 Reconciliation:

Repayable within one year	As at 31 December 2015			As at 31 December 2014		
RMB'000	Secured	Unsecured	Total	Secured	Unsecured	Total
Per Group's statement of financial position	171,200	77,883	249,083	129,400	25,972	155,372
Non-borrowing liabilities	-	(6,070)	(6,070)	-	(1,372)	(1,372)
Total	171,200	71,813	243,013	129,400	24,600	154,000

Unsecured Borrowings:

As at 31 December 2015, the Group's unsecured borrowings which were repayable within one year amounted to RMB71.8 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 RMB9.6 million owing to Mr Gu Wen Long, the Company's chairman and CEO ("**Chairman**") comprising a) RMB0.6 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 RMB9.0 million.
- 3) An amount of RMB25.1 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 RMB0.1 million.
- 4) A total amount of RMB32.6 million short-term payables due to a related party – Jiangyin Jinqiao Chemical Co., Ltd ("**Jinqiao Chemical**") comprising a) RMB15.0 million of the accrued interest on loans of RMB93.1 million (refer to paragraph 6 for more information); and b) non-interest bearing loan of RMB17.6 million to partially fund Deqiao, Wuhan and Yueyang facilities.

As at 31 December 2015, 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, another supplementary agreement was signed to further extend the borrowings to 30 September 2018, and the borrowing bears interest at the prevailing prime lending rate set by People's Bank of China ("**PBC**").
- 6) 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, another supplementary agreement was signed to further extend the borrowings to 30 September 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 PBC. 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

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Co., Ltd's ("**Jiangyin Foreversun's**") tank facilities with a carrying value of RMB17.2 million as at 31 December 2015.

Secured Borrowings

As at 31 December 2015, the Group's secured borrowings amounted to RMB726.8 million comprising an amount of RMB13.5 million owing to **Jinqiao Chemical** (described in note 6 of the unsecured borrowings) and an amount of RMB713.3 million bank loans as stated below:

(RMB' million)	Loan A	Loan B	Loan C	Loan D	Loan E	Loan F	Loan G	Total
Nature	construction loan						working capital	
Loan facilities granted	400.0	150.0	427.0	120.0	40.0	100.0	18.0	1,255.0
Loan amount drawn down	400.0	150.0	230.0	100.0	40.0	71.6	18.0	1,009.6
Amounts repaid	(100.0)	(143.1)	(34.7)	(15.0)	(0.5)	(3.0)	(-)	(296.3)
Outstanding amounts	300.0	6.9	195.3	85.0	39.5	68.6	18.0	713.3
- Repayable within one year	80.0	-	43.7	10.0	1.5	18.0	18.0	171.2
- Repayable after one year	220.0	6.9	151.6	75.0	38.0	50.6	-	542.1

- 1) 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 RMB66.7 million) and property, plant and equipment ("PPE") excluding the phase II project (net carrying value of RMB233.1 million) owned by the Company's subsidiaries, **Jingjiang Shuangjiang** and **Jiangsu Deqiao Storage Co., Ltd. ("Jiangsu Deqiao")**.
- 2) 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 RMB339.1 million) of **Wuhan Hengyang Chemical Logistics Co., Ltd ("Wuhan Hengyang")**.
- 3) 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 and PPE (total net carrying value of RMB475.8 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) 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 RMB255.7 million) of **Yueyang Hengyang Petrochemical Logistics Co., Ltd ("Yueyang Hengyang")**.
- 5) Loan E 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 under construction of **Yueyang Hengyang** and its coastline use rights.
- 6) Bank loan F from the China Minsheng Banking Corp. Ltd., repayable progressively from December 2015 to August 2019, 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**.
- 7) Loan G from the Jiangyin Rural Commercial Bank, repayable in 1 year, is secured by mortgages against the land use rights (net carrying value of RMB16.9 million) of **Jiangyin Foreversun**.

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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	
	FY2015 RMB'000	FY2014 RMB'000
Operating activities		
Loss before income tax	(7,690)	(5,091)
Adjustments for:		
Depreciation of property, plant and equipment	26,206	26,311
Amortisation for land use rights	1,137	1,387
Loss/(Gain) on disposal of plant and equipment	23	(83)
Write off of plant and equipment	7,629	-
Interest income	(122)	(3,498)
Interest expense	5,211	1,299
Unrealised foreign exchange loss (gain), net	499	(119)
Operating cash flows before working capital changes	32,893	20,206
Working capital changes:		
Trade and other receivables (including related parties)	(9,496)	(10,180)
Trade and other payables	11,980	3,493
Foreign currency translation difference	-	(415)
Cash generated from operations	35,377	13,104
Interest paid	(1,163)	(473)
Income tax paid	(3,882)	(1,866)
Net cash from operating activities	30,332	10,765
Investing activities		
Acquisition of property, plant and equipment	(39,784)	(352,372)
Acquisition of land use rights	-	(5,723)
Proceeds from disposal of property, plant and equipment	40	200
Interest paid and capitalised	(52,085)	(17,713)
Interest received	181	3,656
Net cash used in investing activities	(91,648)	(371,952)
Financing activities		
Proceeds from issue of ordinary shares by a subsidiary to a non-controlling shareholder	3,800	-
Proceeds from bank borrowings	263,000	276,560
Repayment of bank borrowings	(281,850)	(62,400)
Fixed deposits pledged in financial institutions	(38,806)	39,100
Amount owing to related parties	31,670	-
Amount owing to a director	8,870	(349)
Net cash from/(used in) financing activities	(13,316)	252,911
Net change in cash and cash equivalents	(74,632)	(108,276)
Cash and cash equivalents at beginning of the period ⁽¹⁾	82,406	190,571
Effect of exchange rate changes on cash and cash equivalents	(483)	111
Cash and cash equivalents at end of the period ⁽¹⁾	7,291	82,406

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Note:

1) Reconciliation:

	Group	
	As at 31 Dec 2015 RMB'000	As at 31 Dec 2014 RMB'000
Cash and cash equivalents per consolidated statement of financial position	49,017	85,326
Restricted cash in bank	(41,726)	(2,920)
Cash and cash equivalents per consolidated statement of cash flows	7,291	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.

<u>Company (RMB'000)</u>	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Total equity</u>
(Unaudited)			
Balance as at 1 January 2015	289,064	(34,328)	254,736
Loss for the financial year	-	(4,111)	(4,111)
Balance as at 31 December 2015	<u>289,064</u>	<u>(38,439)</u>	<u>250,625</u>

<u>Company</u>	<u>Share Capital</u>	<u>Accumulated losses</u>	<u>Total Equity</u>
	RMB'000	RMB'000	RMB'000
(Audited)			
Balance as at 1 January 2014	289,064	(31,680)	257,384
Loss for the financial year	-	(2,648)	(2,648)
Balance as at 31 December 2014	<u>289,064</u>	<u>(34,328)</u>	<u>254,736</u>

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Consolidated Statement of Changes in equity

Group (RMB'000)	Attributable to owners of the company							Total equity
	Share capital	Statutory common reserve	Foreign currency translation account	Other reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling Interests	
(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 financial year	-	-	-	-	(10,423)	(10,423)	(2,987)	(13,410)
Loss for the financial year	-	-	-	-	(10,423)	(10,423)	(2,987)	(13,410)
Changes in ownership interests in a subsidiary	-	-	-	1,109	4	1,113	2,687	3,800
Dilution of interest in a subsidiary	-	-	-	1,109	4	1,113	(1,113)	-
Capital injection by a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	3,800	3,800
Others	-	1,396	-	-	(1,396)	-	-	-
Transfer to statutory common reserve	-	1,396	-	-	(1,396)	-	-	-
Balance as at 31 December 2015	289,064	14,922	(270)	84,113	17,592	405,421	230,238	635,659
(Audited)								
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 financial year	-	-	(270)	-	(9,129)	(9,399)	(3,573)	(12,972)
Loss for the financial year	-	-	-	-	(9,129)	(9,129)	(3,428)	(12,557)
Foreign currency translation difference	-	-	(270)	-	-	(270)	(145)	(415)
Contribution by owners	-	-	-	-	-	-	26,936	26,936
Conversion of convertible loan	-	-	-	-	-	-	26,936	26,936
Others	-	611	-	-	(611)	-	-	-
Transfer to statutory common reserve	-	611	-	-	(611)	-	-	-
Balance as at 31 December 2014	289,064	13,526	(270)	83,004	29,407	414,731	230,538	645,269

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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 September 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.

	<u>31.12.2015</u>	<u>31.12.2014</u>
Total number of issued 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 31 December 2014. 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.

There is no change in the accounting policies and methods of computation.

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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.**

Earnings per ordinary share:	Group	
	FY2015	FY2014
Weighted average number of ordinary shares used in computation of basic EPS	203,461,883	203,461,883
(a) Basic EPS (RMB cents)	(5.12)	(4.49)
(b) Diluted EPS (RMB cents)	(5.12)	(4.49)

Notes:

- (a) Basic earnings per share is calculated by dividing the net loss 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	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Net asset value per ordinary share (RMB cents)	199.3	203.8	123.2	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 FY2015 compared to FY2014

Revenue

During FY2015, 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. 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.

RMB'000	FY2015	Trial Operations	FY2015 Including Trial Operations	FY2014	Trial Operations	FY2014 Including Trial Operations	% (+/-)
Revenue	212,359	28,337	240,696	186,783	2,134	188,917	27.4

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The Group's revenue, including the revenue generated from the various trial operations, increased by 27.4% or RMB51.8 million from RMB188.9 million in FY2014 to RMB240.7 million in FY2015.

The increase was mainly due to the additional revenue of RMB10.1 million from the Group's transportation services segment and the additional revenue of RMB41.7 million from the storage services segment.

The increase of RMB10.1 million from the transportation service segment was a result of:

- (a) more trips undertaken arising from large-scale methanol delivered for the customer in FY2015, especially in 3Q2015; and
- (b) new long-distance-service projects secured in FY2015.

The increase of RMB41.7 million from the storage services segment was a result of:

- (a) Additional RMB26.2 million contributed from the various trial operations as mentioned above;
- (b) RMB11.8 million contributed from the existing storage service operations which arose from higher storage volume from customers and new customers secured during the year; and
- (c) additional revenue amounted RMB3.7 million generated from the food-grade tanks which commenced operation in the second half year of FY2014.

Cost of sales

In line with the higher revenue, the Group's cost of sales increased by 4.8% or RMB7.7 million from RMB159.5 million in FY2014 to RMB167.2 million in FY2015.

The increase in cost of sales was mainly due to the increase in cost of sales of RMB8.6 million from the Group's transportation services segment in line with the higher revenue in FY2015.

With Wuhan Facility commencing its trial operation at the beginning of 2015, the transport services segment leased storage tanks from Wuhan Facility instead of from third party tanks. Such leasing cost amounted to RMB7.1 million has been eliminated at the Group level. (See table under "Gross Profit" paragraph below)

In addition, the increase was also due to the increase of cost of sales for the storage segment amounted to RMB6.4 million in line with the higher revenue in FY2015. The increase was mainly due to higher safety and maintenance cost, higher production cost such as consumables and nitrogen cost in view of higher storage volume in FY2015, as well as higher manpower cost in line with the general labour market and more overtime required for more production.

Gross profit

As a result of the above (excluding revenue from trial operations), the Group's gross profit increased by 65.7% or RMB17.9 million from RMB27.3 million in FY2014 to RMB45.2 million in FY2015.

RMB'000	Storage		Transportation		Elimination		Total	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
Revenue	83,456	67,689	129,175	119,094	(272)	-	212,359	186,783
Cost of sales	(54,227)	(47,840)	(120,284)	(111,679)	7,338	-	(167,173)	(159,519)
Gross profit	29,229	19,849	8,891	7,415	7,066	-	45,186	27,264
Gross profit margin	35.0%	29.3%	6.9%	6.2%			21.3%	14.6%

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The overall gross profit margin increased to 21.3% in FY2015 as compared to 14.6% in FY2014.

The profit margin of storage service segment increased to 35.0% in FY2015 as compared to 29.3% in FY2014. This was because the fixed costs portion of cost of sales was not affected by changes in revenue level.

The profit margin of transportation service segment increased to 6.9% in FY2015 as compared to 6.2% in FY2014. The increase was mainly due to higher tank-truck utilisation and lower fuel price, as well as better cost control.

Other operating income

The Group's other operating income amounted to RMB2.5 million in FY2015 and comprised mainly railway management fee of RMB0.8 million, service charges of RMB0.5 million received from the local Port Authority for collecting port fees from common clients on behalf of the Authority, subsidies of RMB0.5 million received from the Government for logistics companies, rebate of value added tax ("VAT") and other incentives of RMB0.3 million received from the local Government and interest income of RMB0.1 million.

The Group's other operating income recorded in FY2014 comprised mainly an interest income of RMB3.5 million, service charges of RMB0.9 million received from the local Port Authority for collecting port fees from common clients on behalf of the Authority, income from scrapping off old motor vehicles and selling waste materials of RMB0.3 million, subsidies of RMB0.2 million received from Government for proper and safe disposal of retired tank trucks and sundry income of RMB0.2 million.

Administrative expenses

The Group's administrative expenses increased by 38.5% or RMB13.9 million from RMB36.2 million in FY2014 to RMB50.1 million in FY2015. This was mainly due to:

- (a) write-off of plant and equipment amounted to RM7.6 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 and related expenses amounted to RMB3.5 million mainly arising from bonus rewarded to the transport service segment employees during the reporting year for their contribution to the Group, increased headcount resulted from the Group's business development and expansion, as well as increased base salary in line with the general labour market;
- (c) 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 year; and
- (d) higher land use tax and property tax incurred by the Group's PRC subsidiaries amounted to RMB0.7 million as the relevant tax relief year for some subsidiaries had expired.

Finance costs

The Group's finance costs increased by RMB3.9 million from RMB1.3 million in FY2014 to RMB5.2 million in FY2015. The finance costs for FY2015 comprised interest for the working capital loan of RMB1.2 million and interest amounted RMB4.0 million for the related party loan, which terms had been revised to interest bearing with effect from 1 January 2015. The finance costs for FY2014 comprised mainly the imputed interest for the **MEGCIF5** Convertible Loan amounted RMB0.8 million.

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Income tax expense

The Group's income tax expense decreased by 23.34% or RMB1.7 million from RMB7.5 million in FY2014 to RMB5.7 million in FY2015. The decrease was mainly resulted from lower profit generated by its profitable subsidiaries in FY2015 and lower deferred tax liabilities recorded in FY2015 as the temporary difference between the Group's accounting carrying value and tax carrying value reduced.

Net loss

As a result of the above, the Group recorded a net loss of RMB13.4 million in FY2015 as compared a net loss of RMB12.6 million in FY2014.

The net loss attributable to owners of the parent was at RMB10.4 million in FY2015 as compared RMB9.1 million in FY2014.

Statement of financial position of the Group as at 31 December 2015

Non-current assets

As at 31 December 2015, the Group's non-current assets amounted to RMB1.7 billion, and accounted for 93.8% of the Group's total assets.

	31.12.2015	31.12.2014
	RMB'000	RMB'000
Construction in-progress	892,944	1,075,285
Land use rights	263,187	269,045
Tank facilities	285,245	199,808
Buildings on leasehold land	113,043	69,055
Jetties	113,968	55,687
Electronic system and equipment	54,398	13,951
Furniture and fixture	167	183
Motor vehicles	6,793	8,393
	1,729,745	1,691,407

The increase of RMB38.3 million in FY2015 was mainly due the additional expenditure incurred for the construction of development projects which was partially offset by the depreciation and amortisation charged in the current financial year.

Current assets

As at 31 December 2015, the Group's current assets amounted to RMB114.4 million comprising trade and other receivables, amount owing by related parties, current income tax recoverable and cash and cash equivalents, and accounted for 6.2% of its total assets.

As at 31 December 2015, a total of RMB61.0 million in trade and other receivables were recorded, of which,

- (a) RMB31.5 million was trade receivables from third party customers;
- (b) RMB0.7 million was note receivables from financial institutions;
- (c) RMB20.0 million was deductible VAT; and
- (d) RMB8.8 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.

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The increase in trade and other receivables was in line with higher revenue, higher VAT receivables (as those subsidiaries under construction or just commenced trial operation incurred further input tax in FY2015), as well as higher prepayment made to third-party transport service providers as more services were engaged.

As at 31 December 2015, the amounts owing by related parties amounted to RMB4.2 million representing trade receivables for the provision of petrochemical storage and transportation services. The main reason for the increase was higher sales transacted in the second half year of FY2015.

The Group's cash and cash equivalents were denominated in RMB, SGD and USD. The Group's cash and cash equivalents as at 31 December 2015 stood at RMB49 million, a decrease of RMB36.3 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, repayment of bank loans and interests. Please refer to the cashflow analysis for more information.

Current liabilities

As at 31 December 2015, the Group's current liabilities amounted to RMB545.3 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 45.1% of its total liabilities.

As at 31 December 2015, a total of RMB294.3 million trade and other payables were recorded. This mainly comprised:

- (a) RMB266.8 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) RMB19.6 million of trade payables which included RMB17.6 million payable to third-party transport companies for leasing of tank trucks.

The Group's trade and other payables as at 31 December 2015 decreased by RMB13.8 million as compared to that of 31 December 2014 as construction had been completed for most plants.

As at 31 December 2015, the Group had a total of RMB71.8 million short-term unsecured borrowings. This comprised:

- (a) RMB4.5 million owing to a former shareholder of a subsidiary;
- (b) RMB9.6 million due to the **Chairman**;
- (c) RMB25.1 million due to its related party **Wuhan Kangyang**; and
- (d) RMB32.6 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 RMB0.6 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 RMB0.8 million as at 31 December 2015.

Other than the short-term unsecured borrowings as disclosed (c) above, included in the amount owing to related parties was an amount of RMB4.7 million advance payment received from a related party.

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The Group's short-term bank borrowings as at 31 December 2015 amounted to RMB171.2 million. Please refer to Section 1(b)(ii) for more details.

As at 31 December 2015, the Group had RMB1.9 million in current income tax payable.

Non-current liabilities

As at 31 December 2015, the Group's non-current liabilities amounted to RMB663.2 million, made up 54.9% of its total liabilities, and comprising:

- (a) RMB542.1 million of long-term bank borrowings, net of the portion classified under current liabilities of RMB171.2 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) RMB16.9 million of deferred tax liabilities.

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

As at 31 December 2015, the Group had an amount of RMB16.9 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 31 December 2015, the Group's equity attributable to owners of the parent was RMB405.4 million, mainly comprising:

- (a) share capital of RMB289.1 million;
- (b) statutory common reserve of RMB14.9 million;
- (c) other reserve of RMB84.1 million comprising 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 RMB1.1 million arising from dilution of interest in a subsidiary, Jiangyin Golden Bridge Transportation Co., Ltd. ("**Golden Bridge**") as a result of the new shares issued by **Golden Bridge** to a non-controlling shareholder in FY2015 ; and
- (d) retained earnings of RMB17.6 million.

As at 31 December 2015, the Group' non-controlling interests was RMB230.2 million, comprising mainly **MEGCIF5**'s 35% interest in the Group's subsidiary, **HHPL**.

Working capital

As at 31 December 2015, the Group was in a net current liabilities position of RMB430.9 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 RMB9.6 million due to its Chairman which is repayable only when the Group's internal resources permit; and (c) the RMB62.4 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 RMB277.2 million as at 31 December 2015.

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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 proceeds received from additional bank borrowings of RMB20 million immediately after the year-end, the Group's unutilised banking facilities of RMB245.4 million where all conditions precedent had been met, 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 FY2015

As at 31 December 2015, the Group recorded cash and cash equivalents of RMB49.0 million as compared to RMB85.3 million as at 31 December 2014.

Net cash flows generated from operating activities for FY2015, after meeting working capital requirements and paying income tax and interest expenses, were RMB30.3 million for FY2015.

Net cash used in financing activities for the FY2015 amounted to RMB13.3 million, was the net effect of additional bank loan drawdowns of RMB263.0 million, short-term borrowings of RMB40.5 million received from its Chairman and related parties proceeds of RMB3.8 million from the issuance of ordinary shares by a subsidiary to a non-controlling shareholder offset by bank loan repayments of RMB281.8 million and deposit of RMB38.8 million pledged in a bank.

Net cash used in investing activities for the FY2015, amounted to RMB91.6 million, was mainly 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.

Chinese economy expanded by 6.9% in 2015¹, lower than 7.4% in 2014 and the weakest since 1990. The figure was in line with market expectations as strength in services and consumption were more than offset by weaker manufacturing and exports. The market remains challenging as Chinese economy faces increasing downward pressure amid global economic uncertainty.

On 7 November, the agreement of the China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity was signed. The project, themed on "modern interconnectivity and modern service industry", would have seamless connection with the Chinese national strategies of "western development", "the Belt and Road Initiative" and "the Yangtze River economic zone". The Group foresees more business opportunities from the project.

China's economic outlook remains challenging. The Group continues to operate under such challenging business environment. In the short term, the Group will also be affected by the depreciation charge and interest expenses as the various projects come on-stream. It will focus on further improving its operational efficiency, and continues to strive towards becoming an all-rounded logistics supply chain service provider in the petrochemical sector by bundling transportation and storage services together to provide value-added service to the customers.

¹ <http://www.tradingeconomics.com/china/gdp-growth-annual>

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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 FY2015.

(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 FY2014.

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

No dividend has been declared for FY2015.

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⁾	-	9,896
- Shanghai Kangyang Petrochemical Co., Ltd. ("Shanghai Kangyang") ⁽²⁾	-	725
- Jiangyin Saisheng New Material Co., Ltd. ("Jiangyin Saisheng") ⁽²⁾	-	224
- Golden Hope Industrial Co., Ltd. ("Golden Hope") ⁽³⁾	-	212
Interest expense payable to		
- Jinqiao Chemical ⁽¹⁾	-	6,000
- Wuhan Kangyang ⁽²⁾	-	72
- Gu Wen Long	-	601

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**").

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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.

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PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

14 (a)(i) Business segments

	Service		Transportation		Development stage		Others		Elimination		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	83,456	67,689	129,175	119,094	-	-	-	-	(272)	-	212,359	186,783
Segment results	(4,050)	(682)	5,683	4,581	(5,213)	(5,260)	(6,087)	(5,929)	7,065	-	(2,602)	(7,290)
Interest income	26	294	48	-	-	-	684	4,739	(635)	(1,535)	123	3,498
Finance costs	(4,048)	-	(1,163)	(473)	-	-	-	(2,361)	-	1,535	(5,211)	(1,299)
Operating (loss)/profit	(8,072)	(388)	4,568	4,108	(5,213)	(5,260)	(5,403)	(3,551)	6,430	-	(7,690)	(5,091)
Income tax expense	(3,423)	(6,208)	(1,234)	(1,053)	(1,041)	-	(22)	(205)	-	-	(5,720)	(7,466)
Net (loss)/profit for the financial year	(11,495)	(6,596)	3,334	3,055	(6,254)	(5,260)	(5,425)	(3,756)	6,430	-	(13,410)	(12,557)
Segment assets	1,215,927	1,213,454	72,302	57,117	988,743	892,465	927,894	928,075	(1,360,927)	(1,258,639)	1,843,939	1,832,472
Segment liability	771,340	769,583	49,704	40,922	703,157	601,667	19,031	13,585	(353,534)	(255,297)	1,189,698	1,170,460
Other information												
Capital expenditure	18,300	201,496	377	27	54,628	192,956	-	-	6,430	-	79,735	394,479
Depreciation of property, plant and equipment	24,346	24,208	1,289	1,812	557	277	14	14	-	-	26,206	26,311
Amortisation charge of land use rights	1,137	1,387	-	-	-	-	-	-	-	-	1,137	1,387

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Reconciliation of reportable segment's liabilities to total liabilities:

	31.12.2015 RMB'000	31.12.2014 RMB'000
Segment liabilities	1,189,698	1,170,460
Deferred tax liabilities	16,899	15,003
Current income tax payables	1,855	1,746
Total liabilities	1,208,452	1,187,209

14 (a)(ii) Geographical segments

As the business of the Group is engaged entirely in the People's Republic of China, no reporting by geographical segments is presented.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

The Group is a petrochemical logistics provider, principally engaged in the storage and transportation of liquid petrochemical products.

In FY2015, revenue from petrochemical storage services and land transportation services contributed 39.3% and 60.8% respectively to the Group's revenue.

In FY2014, revenue from petrochemical storage services and land transportation services contributed 36.2% and 63.8% respectively to the Group's revenue.

Please refer to paragraph 8 of this announcement for a detailed commentary of the Group's financial performance in FY2015 compared to FY2014.

16. A breakdown of sales of the Group as follows:

	FY2015 RMB'000	FY2014 RMB'000	Increase/ (Decrease) %
(a) Sales reported for first half year	101,471	106,980	(5.1)
(b) (Loss)/Profit after tax reported for first half year	(9,108)	50	nm
(c) Sales reported for second half year	110,888	79,803	39.0
(d) Loss after tax reported for second half year	(4,302)	(12,607)	(65.9)

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable.

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- 18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Pursuant to Rule 704(10) of the Listing Manual of the Catalist Rules, the Board of Directors of the Company would like to confirm that none of the persons occupying managerial positions in the Company or its principal subsidiaries are related to a Director or Chief Executive Officer or Substantial Shareholder of the Company, for the financial year ended 31 December 2015.

- 19. Confirmation pursuant to Appendix 7.7 under Rule 720(1) of the Listing Manual**

The Board of Directors of the Company confirms that the undertakings from all its directors and executive officers as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.

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

26 February 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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