

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

CLARIFICATION ANNOUNCEMENT

In response to the queries from The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 31 March 2016 regarding the announcement released by the Company on 30 March 2016 in relation to the emphasis of matter by the independent auditor on the audited financial statements for the financial year ended 31 December 2015, the Board of Directors (the “**Board**”) of the Company wishes to provide the following clarifications:

SGX-ST’s Query 1:

The Board’s opinion if the Company will be able to operate as going concern and basis for the Board’s view.

Clarification from the Company:

The Board is of the view that the Company will be able to operate as a going concern and the basis for the Board’s view is as set out in an extract of Note 4 to the Audited Financial Statements, as attached to the announcement dated 30 March 2016 and this announcement.

SGX-ST’s Query 2:

The Board’s confirmation that all material disclosures have been provided for trading of the Company’s shares to continue under Catalist Rule 1303(3)(c).

Clarification from the Company:

The Board confirms that all material disclosures have been provided for trading of the Company’s shares to continue.

By Order of the Board

Mr Gu Wenlong
Executive Chairman and Chief Executive Officer
31 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.

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.