

恒阳

Hengyang Petrochemical Logistics Limited

ANNUAL REPORT 2019



INNOVATIVE
GROWTH
SOLUTIONS



This annual report has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("**Sponsor**") in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst. This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Yee Chia Hsing, Head, Catalyst, Investment Banking, CIMB Bank Berhad, Singapore Branch at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone: (65) 6337 5115.



CONTENTS

2	Corporate Profile
4	Chairman's Statement
8	Corporate Information
10	Operating and Financial Review
11	Financial Highlights
12	Board of Directors
14	Key Management
15	Group Structure
17	Report on Corporate Governance
50	Social Responsibility Report
52	Directors' Statement
56	Independent Auditor's Report
60	Consolidated Statement of Financial Position
61	Statement of Financial Position
62	Consolidated Statement of Comprehensive Income
63	Consolidated Statement of Changes in Equity
64	Consolidated Statement of Cash Flows
65	Notes to the Financial Statements
101	Statistics of Shareholdings
103	Notice of the Annual General Meeting Proxy Form



CORPORATE PROFILE

Established in 2002, Hengyang Petrochemical Logistics Limited and its subsidiaries (the “Group”) is a leading logistics service provider for the petrochemical industry in the People’s Republic of China (“PRC”). The Group provides storage and land transportation services for different types of bulk liquid petrochemicals, gases and oils such as Methanol, Acetic Acid, Phenol, Acetone, Styrene, Ethylene Glycol, Polyether Polyol, Propane, Butane, Gasoline, Diesel, Fuel Oil and Base Oil. The Group’s petrochemical storage business offers whole-tank leasing services for a fixed period of time (typically for one year) and spot leasing services for a period ranging from one month to three months.

The Group has a diverse clientele base of domestic and international customers, a majority of which are petrochemical manufacturers and distributors such as Dow Chemical (Shanghai) Co., Ltd., BASF-YPC Co., Ltd., Sinopec Chemical Products Sales Co., Ltd, China National Offshore Oil Corporation (“CNOOC”), CNOOC and Shell Petrochemicals Co., Ltd., Sinochem International Corporation, Mitsui & Co. Ltd., Zhejiang Petroleum & Chemical Co., Ltd., Hengli Petrochemical Co., Ltd., Shaanxi Changqing Energy & Chemical Co., Ltd., Chongqing Carbinol Chemical Industry Co., Ltd. and Jiangyin Golden Bridge Chemical Co., Ltd.

The Group has established five logistics facilities at Jiangyin City and Jingjiang City of Jiangsu Province, Wuhan City of Hubei Province, Yueyang City of Hunan Province and Changshou District of Chongqing City. We devote ourselves to building an integrated logistics network which includes water, land and railway services along the Yangtze River in order to provide an all-inclusive logistics service for our customers.

The Group’s storage facilities at Jiangyin (“Foreversun Facility”) and Jingjiang (“Deqiao Facility”) in the Jiangsu Province are strategically located on the southern and northern bank of the Yangtze River near the river mouth, providing easy access to vital business partners as well as industrial transportation and distribution networks for petrochemicals in the PRC.

The Group’s first terminal, the Foreversun Facility has a storage base of 49 storage tanks with an aggregate storage capacity of 139,600 cubic meters. With more than one third of these storage tanks being stainless steel, the Group owns one of the largest stainless steel storage facilities in the Yangtze Delta Region. Meanwhile, the Foreversun Facility is the first facility in the region that obtains the qualification for the storage, sub-contract and transit of food-grade additives.

The Deqiao Facility comprises 139 storage tanks with an aggregate capacity of 583,000 cubic meters and two petrochemical jetties, of which 21 are spherical tanks with a total capacity of 39,800 cubic meters for the storage of liquefied petroleum gases and olefins.

In recent years, the Group has further expanded its foothold to become a one-stop service and solutions provider along the Yangtze River with the inception of three subsidiaries in Wuhan City (“Wuhan Facility”), Chongqing City (“Chongqing Facility”) and Yueyang City (“Yueyang Facility”). These subsidiaries are located along the middle and upper reaches of the Yangtze River, where key petrochemical hubs are located.

Located in Yueyang City of Hunan Province, the Phase I of the Yueyang Facility was put into operation in August 2014, which comprises 40 storage tanks with an aggregate capacity of 72,000 cubic meters.

Located in the Chemical Industrial Park in Wuhan City of Hubei Province, the construction of Phase I of the Wuhan Facility has been completed and the trial operation has commenced in February 2015. The Phase I of the Wuhan Facility comprises 38 storage tanks with an aggregate capacity of 88,000 cubic meters.

In addition, a petrochemical jetty at the Chongqing Facility was put into operation in August 2014. The construction of the tank area had commenced at the end of 2019.

With the completion of Phase II of the Wuhan, Yueyang and Chongqing Facilities anticipated in the next one or two years, the Group is expected to continue to increase its storage capacity.

The Group has set the safety vision of “Pursue Essential Safety, Establish Industrial Benchmark”, and strictly upholds the safety policy of “Safety First, No Accident”. It aims to reach the goal of “No accident, No injury and No pollution” and build up favourable safety culture in order to become the leader in the industry with advanced HSSE management.

As a testament to their high standards of quality, the Foreversun Facility, Wuhan Facility and Yueyang Facility have been accredited by the Quality Certification Centre (“CQC”) and IQ Net for the compliance with the ISO9001:2015 and GB/T 19001-2016 standards.

In recognition of their commitment to corporate social responsibility, the Foreversun Facility, Wuhan Facility and Yueyang Facility have also been accredited by CQC and IQ Net for the compliance with their Environmental Management standards – OHSAS 18001:2007 and GB/T 28001-2011 and their Occupational Health and Safety Management standards – ISO 14001:2004 and GB/T24001-2004.



公司 简介



恒阳石化物流有限公司及其子公司（以下合称“集团”）成立于2002年，是中国一家领先的石化产业物流服务供应商，专业从事港口码头的建设与经营。集团为多种液体、气体类石化产品及油品提供仓储、运输及供应链服务。产品包括甲醇、醋酸、苯酚、丙酮、苯乙烯、乙二醇、聚醚多元醇、丙烷、丁烷、汽油、柴油、燃料油和基础油等。集团的仓储服务包括提供固定期限（一般是一年）的包罐租赁服务以及1-3个月的零租服务。

集团拥有多元化的国内外客户基础，与多家大型的国内外石化企业保持着稳定良好的合作关系，其中大多数为石化产品的制造商和分销商，例如陶氏化学（上海）有限公司、扬子石化-巴斯夫有限责任公司、中石化化工销售有限公司、中海油集团有限公司、中海壳牌石油化工有限公司、中化国际（控股）股份有限公司、三井物产（上海）贸易有限公司、浙江石油化工有限公司、恒力石化股份有限公司、陕西长青能源化工有限公司、重庆卡贝乐化工有限责任公司和江阴市金桥化工有限公司等。

目前，集团在江苏江阴、江苏靖江、湖北武汉、湖南岳阳、重庆长寿投资兴建了五家仓储公司、一家运输公司和一家供应链服务公司，致力于打造长江沿线一体化的物流网络，实现长江上下游联动、长江南北联动，继而进一步实现水、公、铁联动，为客户提供多方位的仓储物流服务及供应链服务。

集团在江苏省江阴市（以下简称“江阴项目”）和靖江市（以下简称“靖江项

目”）的两个仓储基地分别位于长江入海口附近的南北岸线——这一战略优势使得我们更加接近国内外的商业重要合作伙伴及中国石化产品的运输及分销中心。

集团源于江阴项目，该项目位于江苏省江阴市境内长江南岸，拥有49座储罐，总罐容13.96万立方米，其中超过三分之一的储罐为不锈钢材质，集团因而成为长江三角洲地区拥有最大不锈钢储罐罐容的罐区之一。同时，江阴项目是该地区内首家拥有承接食品级化学品仓储、分包和中转业务资质的物流企业。

德桥项目位于江苏省靖江市境内长江北岸，是集团规模最大综合性最强的项目，目前拥有2个石化专用码头及139座储罐，总罐容为58.30万立方米，包括罐容量为3.98万立方米的21座压力球罐，可以存放各类液化石油气及各类烯烃产品。

近年来，集团作为最早发展长江石化物流的战略投资者之一，进一步扩大规模，开始了沿长江发展战略，先后在武汉（以下简称“武汉项目”）、重庆（以下简称“重庆项目”）及岳阳（以下简称“岳阳项目”）成立了三家子公司。这三家子公司分别位于长江中上游地区的重要石化产业枢纽地带，使得集团成为沿长江流域的一站式的石化物流服务供应商。

岳阳项目位于湖南省岳阳市临港产业新区，一期的40座储罐和1个泊位已经于2014年8月投入运行，罐容为7.2万立方米。

武汉项目位于湖北省武汉市化学工业园区，是园区液体散化品唯一指定中转仓库。该项目一期工程拥有的38座储罐及2个泊位已经于2015年2月投入运行，罐容为8.8万立方米。

另外，重庆项目的化工码头已建设完成，其中的1个泊位已于2014年8月投入运营。该项目的罐区部分已于2019年年底开工建设。

在未来的一到两年内，随着武汉、岳阳二期项目的建成投运以及重庆项目罐区工程的完工，集团的总罐容将继续增加。

集团以“追求本质安全，树立行业标杆”为安全愿景，始终坚持“安全第一，没有万一”的安全方针，旨在实现“零事故、零伤亡、零污染”的安全目标，构建良好的安全文化氛围，保持行业内领先的HSE管理水平。

作为高标准的质量证明，江阴项目、武汉项目和岳阳项目均已荣获了中国质量认证中心和国际认证联盟联合颁发的ISO9001:2015和GB/T 19001-2016质量管理体系认证证书。

另外，作为一个有社会责任感的企业，江阴项目、武汉项目和岳阳项目还均荣获了由中国质量认证中心颁发的OHSAS18001:2007及GB/T28001-2011职业健康安全管理体系认证证书、ISO14001:2004及GB/T24001-2004环境管理体系认证证书。

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, Management and staff of Hengyang Petrochemical Logistics Limited ("Hengyang" or the "Group"), I would like to extend my sincere gratitude to our shareholders, clients and business partners for their valuable support which has served to tide us through the challenging business environment we have encountered during the financial year ended 31 December 2019 ("FY2019"). Your understanding and encouragement had enabled the Group to persevere and continue to develop during these difficult times.

Earlier this year, the worldwide COVID-19 pandemic not only threatened human lives, but also greatly impacted the world economy. In that regard, I would like to convey my well wishes to you and your families for good health and work success.

At present, the global economy is posed with multiple challenges resultant from the COVID-19 pandemic. An example of which involves drastic fluctuations in international oil prices. The Group intends to seek and seize opportunities, spot industry development trends, pay special attention to safety management and increase overall operation efficiency. In addition, the Group intends to engage in more in-depth study with regard to innovation and application of supply chain services with aims of providing our customers with increased value-added services.

STABLE DEVELOPMENT TREND

The Chinese economy grew 6.1% in 2019, which was within the official target of 6% to 6.5%. In the face of this complex situation,



coupled with increasing risks and challenges both domestically and internationally, the petrochemical industry developed stably in China during FY2019. Although the development of the logistics industry slowed down, there were positive news during this era of change, such as slower growth in cost expenditure, reduced pressure on inventories and a positive business outlook. Accordingly, we observed that the demand for our Group's road transportation services and storage services continued to increase from the previous year.

In FY2019, there was a loss of RMB36.3 million arising mainly from the Group's 51% shareholding interest in Jiangyin Foreversun Chemical Logistics Co., Ltd. ("China Holdco").

CHINA HOLDCO

China Holdco's revenue increased by 131.09% from RMB443.14 million in the financial year ended 31 December 2018 ("FY2018") to RMB1.024 billion in FY2019. To elaborate, revenue from the

transportation segment decreased by 9.54%, revenue from the storage segment increased by 12.07% and revenue from the supply chain business segment increased by RMB578.71 million, from RMB191.21 million in FY2018 to RMB769.92 million in FY2019. In line with the higher revenue, the cost of sales also increased by 133.58% or RMB569.83 million. The increase was mainly attributable to the cost of sales in the supply chain business segment which increased by RMB571.59 million. As a result, the gross profit increased by 66.89% from RMB16.55 million in FY2018 to RMB27.62 million in FY2019. In summary, China Holdco recorded a net loss of RMB65.14 million in FY2019.

IMPROVEMENT OF CORPORATE GOVERNANCE

Good corporate governance is key to the implementation of strategic initiatives and realizing future visions of the Group. Our Group is client-centric and we have continuously enhanced our corporate governance structure to improve customer

CHAIRMAN'S STATEMENT



construction milestones set for the phase two of each of the Wuhan and Yueyang Projects. That said, we are striving to pass the relevant authority's examinations and obtain the requisite approvals such that we are able to expedite the construction and operation process. We have obtained all the approvals and started the construction of the tank area for the Chongqing Project which is expected to be finished as soon as possible. After long-term rectification, the Deqiao Facility is expected to commence formal operation upon obtaining approval from the relevant Chinese governmental authority. In view of the aforementioned projects and their respective phases of development, the Group is expected to continue to increase its overall storage capacity in the future. These will hopefully enable us to become one of the major petrochemical logistics service players along the Yangtze River in the near future.

In addition, the Group implemented an integrated supply chain service, developed a sound risk control system and a new business development model so as to provide increased value-added services to our customers and enable the Group itself to become a one-stop logistics service and solutions provider in the petrochemical sector along the Yangtze River.

APPRECIATION AND ACKNOWLEDGEMENTS

In closing, on behalf of the Board and the Management, I wish to thank our staff, business partners, clients and other key stakeholders for their dedication and support and staying with us.

On our part, we will continue to work diligently to become a top supply chain service provider which is trusted by our customers, supported by our shareholders and respected by the society; we will strive to ensure our efforts to reap long-term benefits for the Group and continue to deliver more value for the society as well as our various stakeholders.

Yours faithfully,

GU WEN LONG

Group Executive Chairman and CEO

satisfaction and maintain long-term effective and sustainable growth. Meanwhile, we are committed to upholding "safety first" in production, promoting improvements in our Health Safety and Environment Management System and team safety construction activities. We have established enhanced and comprehensive rules and regulations on safety production, which we are committed to strictly comply with in our business operations.

DEVELOPMENT OF VARIOUS PROJECTS

In line with the Group's strategy of entering the inland China market situated along the Yangtze River, the Group's current business covers the entire Yangtze River area. Both phase one of the Wuhan Project and phase one of the Yueyang Project have seen positive progress and have achieved their respective design requirements. Due to restrictions imposed by the "Yangtze River Protection Policy", we have not managed to obtain the requisite authority approvals or achieve the targeted



董事长 致辞



尊敬的各位股东：

大家好！

首先，请允许我代表恒阳石化物流有限公司（“恒阳”或“集团”）董事会全体成员、公司管理层和全体员工向全体股东、客户及合作伙伴致以最诚挚的谢意。是你们的理解与支持让我们做到了坚持和继续发展。

2020年初，这场席卷全球的新型冠状病毒肺炎疫情不仅威胁着每一个人的生命，还给全球的经济带来了巨大的冲击。在此，衷心祝愿您和家人身体健康，工作顺利。

目前全球经济在疫情和国际原油价格大幅波动的双重影响下经受着巨大的考验，集团将抓住机遇，看准行业发展趋势，强化安全管理，提高整体运营效率，并在发展中推动供应链服务的创新与应用，适应创新发展形势，为客户提供更多增值服务。

发展趋势稳步向前

2019年中国经济同比增长6.1%，实现了6%-6.5%的预期目标。面对国内外风险挑战明显上升的复杂局面，2019年中国石油和化工行业运行较为平稳，物流行业的发展速度虽然有所放缓，但随着“产业、消费升级”的外在推力和“降本、增效、提速”的内在动力共同作用下，危化品物流在化工产业多元与精细化的带动下快速发展。相应地，我们集团的仓储业务量及运输业务量较去年继续有了提升。

集团2019财政年度产生了3,630万元人民币的亏损，主要是由于集团持有其51%股份的合资公司江阴恒阳化工储运有限公司（以下简称“江阴恒阳”）所产生。

董事长 致辞

江阴恒阳

江阴恒阳2019财政年度的收入为10.24亿元人民币，同比2018财年的4.43亿元人民币增加了131.09%，其中仓储业务收入增长12.07%，运输业务收入减少9.54%。供应链业务由2018年1.91亿元增长至7.69亿元，同比增长5.78亿元。然而，收入增长的同时导致成本增加，2019年成本同期增长133.58%或者5.7亿元，主要由于供应链业务成本增长5.72亿元。江阴恒阳的毛利润从2018财年的1,655万元人民币增长至2,762万元人民币，同比增长66.89%。主要受困于德桥项目处于继续停产整改之中，江阴恒阳在2019财年产生了人民币6,514万元的亏损。

完善公司治理

良好的公司治理是落实一系列战略举措、实现未来愿景的重要保障。我们集团以客户为中心，持续改善公司治理架构，提升客户满意度，使公司长期保持有效增长。同时，我们始终将“安全”作为生产的第一要义，持续推进HSE管理提升和班组安全建设活动，建立了较完善的安全生产规章制度，严格按照操作规程进行作业。

项目进展

按照集团向沿江内陆市场开发的战略，集团目前的业务已较完整覆盖整个长江流域。武汉项目一期和岳阳项目一期运行状况良好，已经达到设计要求。受制于严格的“长江大保护政策”，武汉、岳阳二期项目审批和建设进度没有实现预期目标，我们正在全力以赴争取尽快完成审批手续并加快建设投运。重庆项目罐区部分在今年内完成了建设前期的所有审批手续，于年底前正式开工，争取加快建设投产。经过漫长的恢复整改，德桥项目进入了验收阶段，希望能够尽快进入正常生产。因此，集团的总库容有望在未来的一至两年内继续增加。这将使得我们在不久的将来有望成为长江沿线最大的石化物流服务供应商之一。

旨在为客户提供更多的增值服务，集团实施供应链服务一体化战略，制定了完善的风险控制制度，发掘了新的业务发展模式，为尽快实现使其成为长江沿线的一站式石化物流服务解决方案供应商。

致谢

最后，我谨代表管理层，衷心感谢我们的员工、业务伙伴、客户及股东与我们携手共进。我们也将不忘初心，继续努力，努力打造受客户信赖、受股东拥护、受社会尊重的一流供应链服务供应商，为集团获取长期利益，为社会和股东创造更大的价值！

此致，

顾文龙

集团董事长兼执行总裁



CORPORATE INFORMATION



BOARD OF DIRECTORS

Gu Wen Long
*(Executive Chairman and
Chief Executive Officer)*

Tee Tuan Sem
(Executive Vice Chairman)

Xie Yu
(Non-Executive Director)

Diong Tai Pew
(Lead Independent Director)

Anthony Ng Koon Leng
(Independent Director)

AUDIT COMMITTEE

Diong Tai Pew
(Chairman)

Xie Yu
Anthony Ng Koon Leng

REMUNERATION COMMITTEE

Anthony Ng Koon Leng
(Chairman)

Diong Tai Pew
Xie Yu

CORPORATE INFORMATION



NOMINATING COMMITTEE

Anthony Ng Koon Leng
(Acting Chairman)

Diong Tai Pew
Xie Yu

AUDITORS

BDO LLP

Public Accountants and Chartered Accountants

600 North Bridge Road
#23-01 Parkview Square
Singapore 188778

Partner-in-charge: Ng Kian Hui
(Appointed since the financial year ended 31 December 2018)

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

REGISTERED OFFICE

8 Robinson Road
#13-00 ASO Building
Singapore 048544

JOINT COMPANY SECRETARIES

Yap Lian Seng, LLB (Hons)

(Appointed from 30 May 2012)

Dr Qiu Yang (Chartered Secretary, ACS, ACIS)

(Appointed from 28 February 2019)

OPERATING AND FINANCIAL REVIEW



Since June 2017, the Group applied the equity accounting method for the remaining 51% interests in Jiangyin Foreversun Chemical Logistics Co., Ltd (the “China Holdco”). The Company is an investment holding company with no direct source of revenue and accounts for its share of results of China Holdco.

In FY2019, there was a loss of RMB33.45 million arising from share of results of joint venture resulting from its 51% share of the losses of the China Holdco, which increased by 55.36% or RMB11.92 million compared to a loss of RMB21.53 million in FY2018. As a result, the Group recorded a net loss of RMB36.3 million in FY2019 as compared to a loss of RMB25.41 million in FY2018.

CHINA HOLDCO

During the financial year, China Holdco had an increase in its revenue by 131.09% or RMB580.9 million from RMB443.14 million in FY2018 to RMB1.024 billion in FY2019. This was due to RMB14.64 million or 12.07% growth of storage service segment and RMB578.71 million or 302.66% growth of logistic service and RMB12.46 million or 9.54%

decrease in transportation segment.

The increased revenue from the storage service segment was mainly due to:

- (a) RMB9.74 million increase in revenue from Jiangyin Foreversun Chemical Logistics Co., Ltd. (“Jiangyin Hengyang”), arising from the growth of long term tank storage service fee and overdue fee charged to customers;
- (b) RMB3.83 million increase in revenue from Wuhan Hengyang Chemical Logistics Co.Ltd. (“Wuhan Hengyang”) arising from increase in long-term revenue and overdue fee charged to customers; and
- (c) RMB1.69 million increase in revenue from Yueyang Hengyang Petrochemical Logistics Co., Ltd. (“Yueyang Hengyang”) arising from the increase of tank storage service fee.

The substantial increase in revenue from logistic service was due to the development of Jiangsu Xinheng Supply Chain Management Services Co., Ltd.

(“Jiangsu Xinheng”). Jiangsu Xinheng was established in 2017, in line with the Group’s development strategy and has made a great progress in FY2019, and will maintain rapid development in the coming years.

The decrease of revenue from transportation segment was mainly due one of the major customers changed its transportation routine from inland waterway transportation to river-ocean combined transportation.

In line with the higher revenue, China Holdco’s cost of sales increased by 133.58% or RMB569.83 million from RMB426.58 million in FY2018 to RMB996.42 million in FY2019. The increase was mainly due to higher direct cost in logistic service segment which increased by 297.1% or RMB571.59 million, storage service segment which increased by 5.07% or RMB6.36 million.

The increase in cost of sales in the logistic segment is in in line with the increase in revenue.

The increased cost in storage service segment was mainly due to cost incurred for the restoration work in Deqiao facilities.

The administrative and other expense of China Holdco increased by 7.27% or RMB4.14 million from RMB56.88 million in FY2018 to RMB61.02 million in FY2019. The increase was mainly due to the increase in manpower cost.

The insurance claims of Deqiao Accident received amounted to RMB14.65 million in 1Q2018 was a one-off and non-recurring income.

Arising from the above, China Holdco recorded a net loss of RMB65.14 million for FY2019 as compared to a net loss of RMB42.15 million for FY2018, which increased by 54.54% or RMB22.99 million.

FINANCIAL HIGHLIGHTS

KEY FINANCIAL FIGURES

RMB'000	2019	2018
INCOME STATEMENT		
Loss for the financial year	(36,259)	(25,409)
Loss attributable to owners of the parent	(24,652)	(17,846)
BALANCE SHEET		
Cash and cash equivalents	84,845	87,851
Total assets	621,575	657,974
Total liabilities	6,350	6,454
Total equity	615,225	651,520
CASH FLOW STATEMENT		
Net cash used in operating activities	(4,803)	(5,977)
Net cash from investing activities	1,854	1,090
Net cash used in financing activities	(57)	–
KEY RATIO		
Cash to total assets	13.65%	13.35%



BOARD OF DIRECTORS

MR GU WEN LONG (顾文龙)

EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Gu Wen Long (“**Mr Gu**”) is our Executive Chairman and Chief Executive Officer.

Mr Gu has been the Chief Executive Officer of Jiangyin Foreversun since November 2002. He was appointed to our Board on 23 April 2008. He is responsible for the daily operations of the Company and the formulation of the overall business strategies and policies for our Group. Mr Gu started his career in 1988 in the Jiangyin City Planning Committee, where he served as the deputy section chief, mainly involved in the implementation of relevant governmental plans. From 1993 to 1996, Mr Gu was appointed as the vice general manager of Jiangyin City Third Industry Development Co., Ltd., where his primary responsibility was to oversee the business of coal trading. From 1996 to 2002, Mr Gu served as the manager of the credit loan management department of Shanghai Pudong Development Bank (Jiangyin Branch) where he was in charge of personal and corporate loan management.

Mr Gu graduated from Nanjing University in 1988 with a bachelor's degree in Economics.

MR TEE TUAN SEM

EXECUTIVE VICE CHAIRMAN

Mr Tee Tuan Sem (“**Mr Tee**”) is our Vice Chairman and Executive Director and was appointed to our Board on 15 August 2008.

Prior to joining our Group, Mr Tee was an audit manager in Tet. O Chong & Co., (an established firm of public accountants) from 1976 to 1980, where he was mainly in charge of statutory audit and tax matters. Mr Tee joined Integrated Forwarding & Shipping Berhad (whose main business includes freight forwarding, transportation and distribution and which is a subsidiary of Integrated Logistics Berhad (“**ILB**”), a logistics conglomerate listed on Bursa Malaysia) as the company's chief accountant in 1981. He was subsequently promoted to the position of finance director in 1998 and chief executive officer of ILB in 2001, a position which he currently holds. One of Mr Tee's main responsibilities as the chief executive officer at ILB is overseeing and leading the strategic growth of the company's operations in China and Dubai.

Mr Tee graduated from Tunku Abdul Rahman College in 1976. He is a Fellow Member of the Association of Chartered Certified Accountants and a member of Malaysian Institute of Accountants.

MR XIE YU (谢瑀)

NON-EXECUTIVE DIRECTOR

Mr Xie Yu (“**Mr Xie**”) is our Non-Executive Director and was appointed to our Board on 19 November 2008. He is a member of our Audit Committee, Nominating Committee and Remuneration Committee.

Mr Xie started his career in 1988 as the head of the enterprise department in Jiangsu Province State-Owned Properties Management Bureau. In 1998, he assumed the position of deputy general manager at the Nanjing Branch of Nanfang Securities, a position he held until 2002. At Nanfang Securities, he was mainly in charge of investment banking and securities trading related matters. From 2003 to 2006, he was the chairman of Shanghai Kanghong Investment Co., Ltd.. Mr Xie is currently a director of Shenzhen Runwave Investment Co., Ltd. and Jiangsu Fuyou Technology Co., Ltd respectively, vice chairman of Hunan Shixin New Material Co., Ltd and honorary vice-chairman of Zhejiang(s) Entrepreneurs Association.

Mr Xie obtained his Bachelor of Economics degree from Nanjing University in 1988 and his graduation certification for a Master's programme in Public Finance from Suzhou University in 1995.

BOARD OF DIRECTORS

MR DIONG TAI PEW

NON-EXECUTIVE AND LEAD INDEPENDENT DIRECTOR

Mr Diong Tai Pew (**"Mr Diong"**) is our Non-Executive, Lead Independent Director and was appointed to the Board on 19 November 2008. He is the Chairman of our Audit Committee and a member of our Nominating Committee and Remuneration Committee.

Mr Diong began his career in 1976 in a chartered accountants' firm in Singapore. He is now practising as a public accountant in Singapore under CA Diong. Mr Diong is currently a non-executive independent director of V.S. International Group Ltd (**"VSIG"**), a public listed company in Hong Kong, a non-executive independent director of V.S. Industry Berhad (**"VSIB"**), and a senior non-executive independent director of SIG Gases Berhad (**"SIG"**). Both VSIB and SIG are listed on Bursa Malaysia. He is the chairman of the Audit Committee of VSIB and SIG.

Mr Diong obtained his Diploma in Commerce from Tunku Abdul Rahman College, Malaysia in 1976. He is currently a Fellow Member of the Institute of Singapore Chartered Accountants, a Member of the Malaysian Institute of Accountants and a Fellow Member of the Chartered Tax Institute of Malaysia.

MR ANTHONY NG KOON LENG

NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Mr Anthony Ng Koon Leng (**"Mr Ng"**) is our Independent Director and was appointed to our Board on 19 November 2008. He is the Chairman of our Remuneration Committee and a member of our Audit Committee and Nominating Committee.

Prior to joining the Group, Mr Ng started his career as a ship's officer on merchant navy vessels serving in the worldwide trade. In 1984, he joined SGS Singapore (Pte) Ltd. (a member of the SGS Group, which is engaged in inspection, verification, testing and certification globally). In 1997, Mr Ng was seconded to SGS China Co., Ltd. based in Shanghai as a director in charge of the OGC division for China and Hong Kong. In 2001, he left the SGS Group to join BP Singapore Pte Ltd as the Regional Logistics Technical & Safety manager responsible for the Asia Pacific region. In 2007, he eventually re-joined the SGS Group as a vice president in charge of Asia Pacific, OGC business development and sales. In 2019, Mr Ng left the SGS group to join CAC Logistics Services Pte Ltd as Managing Director. Mr Ng graduated from the School of Nautical Studies in 1978 and obtained a Diploma in Business Administration from the National Productivity Board, Singapore in 1993.



KEY MANAGEMENT

MR WANG WEIZHONG (王伟忠)

CHIEF OPERATING OFFICER (“COO”)

Mr Wang Weizhong (“Mr Wang”) is our Chief Operating Officer in charge of the day-to-day operations as well as sales and marketing of the Group. Mr Wang was appointed to his present role on 19 June 2015. Mr Wang has extensive experience, qualifications and knowledge in the petrochemical logistics industry in the People’s Republic of China (“PRC”).

Mr Wang worked for Jiangsu Province Light Industrial Products Import/Export Co., Ltd. (江苏省轻工业品进出口公司) as a staff from July 1985 to July 1991 and subsequently joined Zhongshan Light Industry Product Co., Ltd. (香港钟山轻工业品有限公司) as a sales manager responsible for import and export business in light industrial products from July 1991 to April 1992. From April 1992 to December 1998, he went back to Jiangsu Province Light Industrial Products Import/Export Co., Ltd. as department head, where he was responsible for daily operations of the company. From December 1998, Mr Wang joined Hong Kong Shanshui Outdoor Equipment Co., Ltd. (香港山水户外用品有限公司) as a deputy general manager until November 2003, where his main responsibilities included production, sales and marketing, quality control, accounting and human resources management. From 2003 to 2011, Mr Wang was with our Group and was promoted to be the Group’s COO since 2009 and was responsible for the day-to-day operations and sales and marketing of our Group. From 2011 to 2014, Mr Wang was with High Hope Zhongding Corporation as its deputy general manager, responsible for its daily operations. Mr Wang rejoined our Group as COO in June 2015.

Mr Wang graduated from Nanjing University (南京大学) with an associate degree in international trading in 1993. He received his qualification as Export Salesman from the Ministry of Foreign Trade and Economic Cooperation of the PRC in 1988.

MR XIN FENG (辛峰)

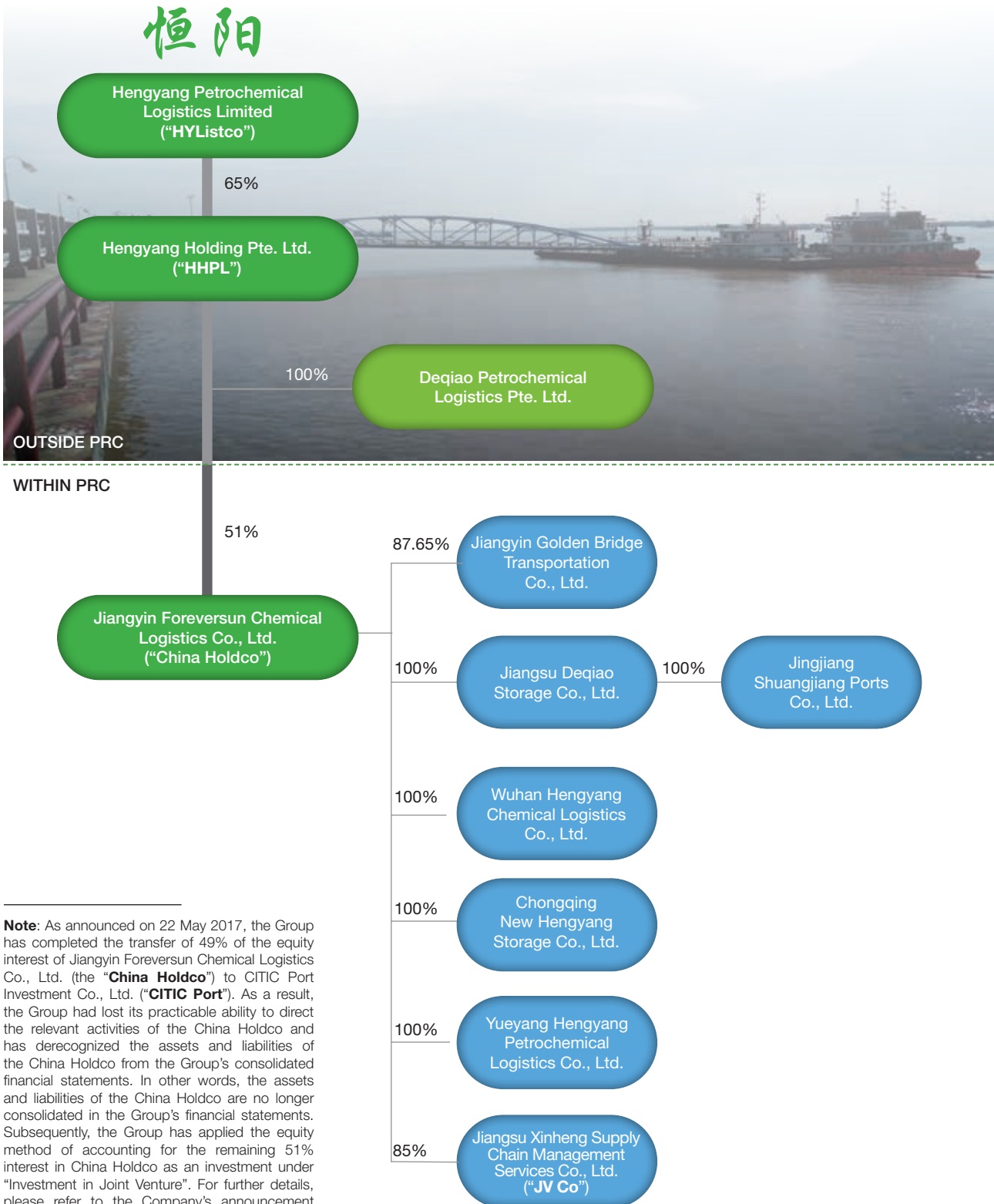
VICE GENERAL MANAGER (“VGM”)

Mr Xin Feng (“Mr Xin”) is our Vice General Manager in charge of construction of projects and quality and quantity control of the projects. He was appointed to his present role on 30 April 2012. Mr Xin has extensive experience, qualifications and knowledge in the petrochemical logistics industry in the PRC.

Mr Xin worked at Jiangyin Saisheng Polyester New Materials Co., Ltd. from 2002 to 2008 as the assistant general manager, where he was mainly in charge of construction of the projects and management of, *inter alia*, the property, plant and equipment. From 2008 until he joined our Group in 2012, Mr Xin worked at Nanjing Kangyang Chemical Logistics Co., Ltd. as the vice general manager in charge of the overall management of the facilities.

Mr Xin obtained his bachelor degree in Chemical Engineering from Nanjing University of Technology in 1996 and his Master of Business Administration degree from Nanjing University in 2005.

GROUP STRUCTURE



Note: As announced on 22 May 2017, the Group has completed the transfer of 49% of the equity interest of Jiangyin Foreversun Chemical Logistics Co., Ltd. (the "China Holdco") to CITIC Port Investment Co., Ltd. ("CITIC Port"). As a result, the Group had lost its practicable ability to direct the relevant activities of the China Holdco and has derecognized the assets and liabilities of the China Holdco from the Group's consolidated financial statements. In other words, the assets and liabilities of the China Holdco are no longer consolidated in the Group's financial statements. Subsequently, the Group has applied the equity method of accounting for the remaining 51% interest in China Holdco as an investment under "Investment in Joint Venture". For further details, please refer to the Company's announcement on the unaudited financial statements for the six months ended 30 June 2017 released via the SGXNet on 7 August 2017.

“We will continue to work diligently to become a top supply chain service provider which is trusted by our customers, supported by our shareholders and respected by the society.”



REPORT ON CORPORATE GOVERNANCE

Hengyang Petrochemical Logistics Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is committed to maintaining a high standard of corporate governance. The Company understands that good corporate governance is an integral element of a sound corporation and enables us to be more transparent and forward-looking. In addition, sound corporate governance is an effective safeguard against fraud and dubious financial engineering, and hence helps to protect our shareholders’ interests. This also helps the Company create long-term value and returns for our shareholders.

CORPORATE GOVERNANCE REPORT (THE “REPORT”)

The Company was admitted to the Catalist Board of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 8 October 2009 (“**Listing**”). The Monetary Authority of Singapore (“**MAS**”) issued a revised Code of Corporate Governance 2018 (“**2018 Code**”) on 6 August 2018, which applies to annual reports of listed entities with financial years commencing from 1 January 2019. The 2018 Code emphasised the need for more disclosure in areas, among other things, board independence, diversity and remuneration. To this end, the 2018 Code supersedes and replaces the previous Code of Corporate Governance 2012 (“**2012 Code**”). For the avoidance of doubt, this Report shall reference the principles and provisions laid down in the 2018 Code.

The Company also refers to the disclosure guide (“**Disclosure Guide**”) issued by the SGX-ST in January 2015 and has incorporated answers to the questions set out in the Disclosure Guide in this Report.

The Company is committed to adhering to the 2018 Code, and ensures that it is upheld throughout the Group. For the financial year ended 31 December 2019 (“**FY2019**”), the Group has largely complied in all material respects with the principles and provisions laid down in the 2018 Code, and where there is any deviation, appropriate explanation has been provided for such variations and how the existing practices adopted are consistent with the intent, aim and philosophy of the relevant principles of the 2018 Code. For ease of reference, the specific principles in the 2018 Code are specifically identified and discussed in this Report. In addition, the last section of this Report sets out the summary of disclosures of the Company’s corporate governance practices with specific reference to the requirements in both the principles and provisions of the 2018 Code. Further, this Report should be read as a whole as other sections of this Report may also have an impact on the specific disclosures.

1. THE BOARD’S CONDUCT OF AFFAIRS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

At the helm of the decision-making process of the Company is our board of directors (the “**Board**”). The Board comprises the following members, all possessing the appropriate core competencies and diversity of experience, which enable them to effectively contribute to the Group.

Name	Position	Date of Initial Appointment	Date of Last Re-election or Re-appointment
Gu Wen Long	Executive Chairman of the Board & Chief Executive Officer	23 April 2008	23 April 2018
Tee Tuan Sem	Executive Vice-Chairman of the Board	15 August 2008	26 April 2019
Xie Yu	Non-Executive Director	19 November 2008	28 April 2017
Diong Tai Pew	Lead Independent Director	19 November 2008	23 April 2018
Anthony Ng Koon Leng	Independent Director	19 November 2008	26 April 2019
Ho Chew Thim*	Independent Director	08 September 2009	28 April 2017

* Mr Ho Chew Thim passed away on 6 August 2019. On that date, he ceased to be an Independent Director of the Company. Please refer to the Company’s two announcements dated 7 August 2019 for further information.

REPORT ON CORPORATE GOVERNANCE

All Directors are required to discharge their duties and responsibilities objectively at all times as fiduciaries in the best interests of the Company.

Besides carrying out its statutory responsibilities, the principal functions of the Board are, as follows:

- to provide entrepreneurial leadership, set strategic objectives, which should include appropriate focus on value creation, innovation and sustainability;
- to ensure that the necessary resources are in place for the Company to meet its strategic objectives;
- to establish and maintain an adequate system of internal control and risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and company performance;
- to constructively challenge Management and review its performance;
- to instil an ethical corporate culture and ensure that the Company's values, standards policies and practices are consistent with the culture; and
- to ensure transparency and accountability to key stakeholder groups;

The approval of the Board is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, release of the Group's quarterly, half year and full year results and interested person transactions of a material nature. Matters requiring board approval has been clearly communicated to the Management in writing and is provided further in this report.

The Board has clear policies and procedures for dealing with conflicts of interest. All Directors are required to disclose their business interests and any potential or actual conflicts of interest that they are aware of, or as soon as such conflicts become apparent at a meeting of the Directors or send a written notice to the Company. In any situation that involves a conflict of interest with the Company, Directors must recuse themselves from participating in any discussion and decision on the matter.

To assist in the execution of its responsibilities, our Board has established three Board Committees comprising an Audit Committee (the "**AC**"), a Nominating Committee (the "**NC**") and a Remuneration Committee (the "**RC**"). These committees are chaired by Independent Directors and function within clearly defined written terms of reference and operating procedures, which will be reviewed on a regular basis. Information on the AC, NC and RC (collectively, the "**Board Committees**") and their respective terms of reference can be found in the subsequent sections of this report.

Non-Executive Directors are routinely briefed by the Executive Directors or the Executive Officers at Board meetings or at separate sessions, and are provided with all necessary updates on regulatory and policy changes as well as developments affecting the Company and the Group. All Non-Executive Directors may request for additional information from the Executive Directors, Management and/or the Joint Company Secretaries to familiarise themselves with the Group's business and have access to the Executive Directors, Management and Joint Company Secretaries.

REPORT ON CORPORATE GOVERNANCE

A formal letter of appointment is sent to all newly appointed Directors of the Company upon their appointment, setting out the duties and obligations as a Director, including, where appropriate, how to deal with conflicts of interest. All newly appointed Directors of the Company will be receiving comprehensive and tailored induction and training on their duties as a Director and how to discharge those duties. The Company also ensures that Directors are continually and regularly updated on the Company's business and the regulatory as well as industry-specific environment in which the Company operates. First-time Directors who have no prior experience as a director of a listed company will be provided with a comprehensive briefing on the roles, duties and responsibilities of a listed company director as prescribed under Section B: Rules of Catalyst of the SGX-ST Listing Manual (the "**Catalist Rules**").

The Board meets at least four (4) times a year. Ad hoc meetings will be convened as and when warranted by particular circumstances between the scheduled meetings. The Constitution of the Company provides for meetings of the Board to be held by way of telephone or video conference or by means of similar communication equipment. The numbers of meetings of the Directors for FY2019 were as follows:

	Board	Board Committees		
		Audit	Nominating	Remuneration
Number of meetings held	4	4	1	1
	Number of meetings attended			
Gu Wen Long	4	4*	–	–
Tee Tuan Sem	4	4*	–	–
Xie Yu	4	4	1	1
Diong Tai Pew	4	4	1	1
Anthony Ng Koon Leng	4	4	1	1
Ho Chew Thim**	2	2	–	–

* Attended the meeting as an invitee.

** Mr Ho Chew Thim passed away on 6 August 2019. On that date, he ceased to be an Independent Director of the Company. Please refer to the Company's two announcements dated 7 August 2019 for further information.

To enable the Board to fulfil its responsibilities, the Management strives to provide Board members with complete and adequate information for Board meetings on a timely and ongoing basis. For example, management accounts of the Group's performance, position, and prospects are provided to the Executive Directors on a monthly basis and to all members of the Board on a quarterly basis. Directors are further entitled to request from the Management and should be provided with such additional information as needed to make informed decisions. The Board has unrestricted access to the Company's records and information.

Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information necessary, including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations, for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon.

As a general rule, notices are sent to the Directors in advance of Board meetings, followed by the Board papers and related materials, in order for the Directors to be adequately prepared for the meetings.

REPORT ON CORPORATE GOVERNANCE

The Board (whether individually or as whole) has separate and independent access to the Management and the Joint Company Secretaries at all times, and may seek independent professional advice if necessary, at the expense of the Company. The Joint Company Secretaries generally attend all Board meetings and ensures that all Board procedures are followed. Where the Joint Company Secretaries are unable to attend any Board meeting, a suitable replacement is arranged in attendance and that proper minutes of the same are taken and kept. The Joint Company Secretaries also ensure that the Company complies with the requirements of the Companies Act, Chapter 50 of Singapore (“**Companies Act**”) and Catalist Rules. Under the direction of the Executive Chairman, the Joint Company Secretaries’ responsibilities include ensuring good information flow within the Board and its committees and between senior management and Non-Executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required.

The appointment and removal of the Joint Company Secretaries are subject to the Board’s approval.

The Directors, whether as a group or individually, may seek independent professional advice as considered necessary in the furtherance of their duties, and the cost of such professional advice is borne by the Company.

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the company.

The 2018 Code defines an “independent” director as one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere with the exercise of the director’s independent business judgement in the best interests of the Company. The 2018 Code also clarifies that a director who falls under the circumstances described in Rule 406(3)(d) of the Catalist Rules is not independent. Such circumstances apply to, *inter alia*, the following: (i) a director being employed by the company or any of its related corporations for the current or any of the past three financial years; (ii) a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the company or any of its related corporations and whose remuneration is determined by the RC.

Mr Gu Wen Long, being the Executive Chairman and Chief Executive Officer (“**CEO**”) of the Company, as well as part of the management team, does not fall within the definition of “independent” as defined in the 2018 Code. As such, Provision 2.2 of the 2018 Code requires majority of the Board to be made up of independent directors. In this regard, the Board notes the following:

- (a) From 1 January 2019 (the commencement date of FY2019) until 6 August 2019 (the date that Independent Director Mr Ho Chew Thim (“**Mr Ho**”) passed away), the Board comprised six directors, three of whom were independent. In other words, during this period, the independent directors, namely, Messrs Diong Tai Pew, Anthony Ng Koon Leng and Ho Chew Thim made up half of the Board.
- (b) Since the demise of Mr Ho on 6 August 2019, the composition of the Board currently comprises five directors, two of whom (being Messrs Anthony Ng Koon Leng and Diong Tai Pew) are independent.
- (c) Notwithstanding that independent directors do not make up majority of the Board, given the current scope and size of the operations of the Group, the Board considers the present composition and size of the Board to be adequate to facilitate effective decision making. Further, the Board is of the view that it is still currently able to exercise independent judgment on corporate affairs, provide Management with a diverse and objective perspective on issues, and that there is no individual or small group of individuals who/which dominates the Board’s decision making.

REPORT ON CORPORATE GOVERNANCE

Since Mr Ho's demise on 6 August 2019, the Company has been actively searching for an appropriate candidate to appoint as new independent director to fill in the vacancy. Multiple interviews had been conducted in the second half of 2019. However, due to the worsening of the COVID-19 situation and the lockdown measures imposed on the relevant jurisdictions, the process of selecting an appropriate independent director, who has the relevant experience, sound track record and is familiar with the petrochemical logistics industry, has inevitably been delayed. The Board continues to assess the feasibility of appointing additional independent directors during this period. The Company will release relevant announcement(s) via SGXNet as and when there are any material developments on this matter.

The Board has examined its size and composition, and is of the view that it is an appropriate size, and comprises directors, who as a group, provide the appropriate balance and mix of skills, knowledge, experience and other aspects of diversity so as to avoid groupthink and foster constructive debate. In this regard, the Board also took into account the scope and nature of the operations of the Company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and the Board Committees. Although the Company does not currently have a board diversity policy, the Company has put in place and made efforts in practicing the aspects of it in assessing the appropriate size, skills, knowledge and experience of the Board and Board Committees.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The Board, as a group, comprises members with core competencies in accounting and finance, business and management experience, industry knowledge, strategic planning and customer-based experience. The independence of each Director is also reviewed by the NC annually.

The profiles of our Directors are set out on pages 12 and 13 of this Annual Report.

The Board and Management openly discuss issues of the Company at Board and Board Committee meetings. The Non-Executive Directors and Independent Directors actively participated in such meetings held in FY2019. Minutes of the Board and Board Committee meetings are circulated to the Board so that Directors are kept aware and updated of the matters discussed. The Independent Directors meet regularly without the presence of Management and provides feedback to the Board as appropriate.

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Mr Gu Wen Long ("**Mr Gu**") currently holds the dual positions of Executive Chairman and CEO of the Company. The Board believes that Mr Gu is the most appropriate person to undertake these positions, given his vast experience, expertise and familiarity with both our organisation and the industry, and that such an arrangement is in the best interests of the Group. As all major decisions made by Mr Gu are reviewed by the respective Board Committees, the Board is of the view that there are sufficient safeguards to ensure accountability and independent decision-making.

While the roles and responsibilities of the Executive Chairman and CEO are vested in Mr Gu, major decisions are made in consultation with the Board. The Board takes the view that it possess a strong and independent element, and believes that there are adequate measures in place against any uneven concentration of power and authority in one individual. Mr Gu is responsible for the daily operations of the Company and the formulation of the overall business strategies and policies for our Group. As Chairman, Mr Gu leads the Board to ensure its effectiveness in all aspects of its role; sets the agenda and ensures adequate time for discussion of all agenda items, particularly strategic issues; promotes a culture of openness and debate in the Board; ensures the Directors receive complete, adequate and timely information; ensures effective communication with shareholders; encourages constructive relations within the Board and between the Board and Management; facilitates the effective contribution of Non-Executive Directors in particular; and promotes high standards of corporate governance.

REPORT ON CORPORATE GOVERNANCE

As the Executive Chairman and CEO are the same person, Mr Diong Tai Pew (“**Mr Diong**”) serves as our Lead Independent Director pursuant to Provision 3.3 of the 2018 Code. Mr Diong is available to our shareholders who have concerns when contact through the normal channels of our Executive Chairman and CEO or Chief Financial Officer (“**CFO**”) has failed to resolve such concerns or when circumstances are such that it would be more appropriate to contact him directly. Periodically, Mr Diong will convene meetings of the Independent Directors, without the presence of the Executive Directors and Management, and will provide feedback to the Executive Chairman after such meetings.

4. BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC is guided by written terms of reference clearly setting out its authority and duties. The NC is responsible for making recommendations on all board appointments and re-nominations having regard to the contribution and performance of the Director seeking re-election.

As at the date of this report, the NC comprises Mr Anthony Ng Koon Leng, as the acting Chairman of the NC¹, and Messers Xie Yu and Diong Tai Pew, as the Committee members, all of whom are Non-Executive Directors and a majority of whom are independent. The Lead Independent Director, Mr Diong Tai Pew, is a member of the NC.

As discussed above, the Board is currently actively assessing the feasibility of appointing new independent directors. As and when a new independent director is appointed, the Board intends to reorganize the Board Committees and re-designate the new independent director as Chairman of the NC. The Company will release relevant announcement(s) via SGXNet as and when there are any material development on this matter.

Briefly, our NC is responsible for:

- 1) reviewing and recommending the nomination or re-nomination of our Directors, including making recommendations on the composition and progressive renewal of the Board, as well as having regard to the Director’s competencies, commitment, contribution and performance;
- 2) determining on an annual basis whether or not a Director is independent;
- 3) assessing the performance of the Board and contribution of each Director to the effectiveness of the Board;
- 4) determining whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representation;
- 5) deciding on how the Board’s performance may be evaluated and proposing objective performance criteria;
- 6) reviewing the appropriate size of the Board;
- 7) reviewing the training and professional development programmes for the Board on an annual basis;
- 8) reviewing board succession plans for all Directors which includes the appointment and re-appointment of the Directors; and
- 9) reviewing and approving any new employment of related persons and the proposed terms of their employment.

¹ Mr Ho Chew Thim was the Chairman of the NC until his demise on 6 August 2019.

REPORT ON CORPORATE GOVERNANCE

The NC conducts reviews of Directors' independence annually and as and when circumstances require. In accordance with Guideline 2.4 of the 2012 Code, which shall apply to this Report until rule 410(3)(d)(iii) of the Catalist Rules comes into effect on 1 January 2022², the independence of Directors who have served on the Board for more than nine (9) years are subject to particularly rigorous review. As at the date of this Report, all Independent Directors, namely Messrs Diong Tai Pew and Anthony Ng Koon Leng, have served on the Board for more than nine (9) years.

Having regard to Guideline 2.4 of the 2012 Code which is applicable to this Report as explained above, and the definition of "independent" director as defined in the 2018 Code, the NC recommends, with the concurrence of the Board, that the key considerations in determining a Director's independence are his ability to exercise independent and objective judgement in the discharge of his responsibilities as a Director of the Company, and to act honestly and in the best interests of the Group. When assessing objectivity and independent judgment, the NC and the Board consider, *inter alia*, the approach and attitude of each non-executive independent Director, including whether such Director:

- (i) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, interfere with the exercise of the Director's independent business judgment in the best interest of the Group; and
- (ii) has any material contractual or de facto relationship/arrangement with the Group other than as a Director.

After careful and rigorous assessment, the NC and the Board are of the view that Messrs Diong Tai Pew and Anthony Ng Koon Leng are independent, and have demonstrated strong independence in professionalism and judgement in the discharge of each of their responsibilities as a Director of the Company over the years, notwithstanding that they have served on the Board for more than nine (9) years. Messrs Diong Tai Pew and Anthony Ng Koon Leng have also abstained from deliberating on their own independence.

The NC has reviewed the training needs of the Directors in FY2019 and has encouraged Directors to attend relevant training courses that could enhance the knowledge of Directors in the performance of their duties as Directors of the Company.

The Company has in place procedures for the appointment of new Directors, which includes the criteria used to identify and evaluate potential directors and the channels used in searching for appropriate candidates. In the search, nomination and selection process for new Directors, the NC identifies the key attributes that an incoming director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. The matrix of attributes includes relevant experience, skillsets, technological expertise as well as diversity in competencies, age, gender and geography. After endorsement by the Board of the key attributes, the NC taps on the resources of directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, recommendations from the Singapore Institute of Directors may also be considered and executive recruitment agencies may be appointed to assist in the search process.

² Under Rule 406(3)(d)(iii), which comes into effect on **1 January 2022**, a director will not be independent if he has been a director for an aggregate period of more than nine (9) years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the listing applicant, and associates of such directors and chief executive officer. For the purpose of the resolution referred to in (B), the directors and the chief executive officer of the listing applicant, and their respective associates, must not accept appointment as proxies unless specific instructions as to voting are given. Such resolutions may remain in force until the earlier of the following:– (X) the retirement or resignation of the director; or (Y) the conclusion of the third annual general meeting of the listing applicant following the passing of the resolutions. Prior to 1 January 2022, the corresponding Guideline 2.4 in the 2012 Code will continue to apply.

REPORT ON CORPORATE GOVERNANCE

The NC, in considering the re-appointment of a Director, will evaluate such Director's contribution and performance, such as his attendance at meetings of the Board and/or Board committees, participation, candour and any special contribution. The NC will also have regard to such Director's performance and contribution to the Group and whether such Director has adequately carried out his duties as a Director.

Pursuant to the Constitution of the Company, each Director is required to retire at least once every three (3) years by rotation and all newly appointed Directors who are appointed by the Board are required to retire at the next annual general meeting following their appointment. The retiring Directors are eligible to offer themselves for re-election.

The NC has deliberated and has decided to recommend to the Board the nomination of Messrs Diong Tai Pew and Xie Yu who will be retiring as Directors at the forthcoming annual general meeting, for re-election.

The Non-Executive Directors have multiple board representations. However, the NC is satisfied that the Directors have been able to devote adequate time and attention to fulfil their duties as Directors of the Company, in addition to their multiple board representations. The NC and the Board are of the view that setting a maximum number of listed company board representations a Director should have is not meaningful as the contribution of each Director would depend on their individual circumstances, including whether they have a full time vocation or other responsibilities. The NC and the Board will review the requirement to determine the maximum number of listed board representation as and when it deems fit.

There are no alternate directors appointed to the Board.

The directorships and chairmanships held by the Directors in other listed companies, as well as other major appointments, both present (as at 31 December 2019) and held over the preceding three years (from 31 December 2016 to 31 December 2019), are as follows:

Name	Directorships	Major Appointments (other than Directorships)
Gu Wen Long	<u>Present</u> Nil	<u>Present</u> Nil
	<u>In the Past 3 years</u> Nil	<u>In the Past 3 years</u> Nil
Tee Tuan Sem	<u>Present</u> Integrated Logistics Berhad	<u>Present</u> Integrated Logistics Berhad (Chief Executive Officer)
	<u>In the Past 3 years</u> Nil	<u>In the Past 3 years</u> Nil
Xie Yu	<u>Present</u> Nil	<u>Present</u> Zhejiang(s) Entrepreneurs Association (Honorary Vice-Chairman)
	<u>In the Past 3 years</u> Nil	<u>In the Past 3 years</u> Nil

REPORT ON CORPORATE GOVERNANCE

Name	Directorships	Major Appointments (other than Directorships)
Diong Tai Pew	<u>Present</u> V.S. International Group Ltd. V.S. Industry Berhad SIG Gases Berhad	<u>Present</u> CA Diong (Practicing Chartered Accountant)
	<u>In the Past 3 years</u> Nil	<u>In the Past 3 years</u> Nil
Anthony Ng Koon Leng	<u>Present</u> Nil	<u>Present</u> Nil
	<u>In the Past 3 years</u> Nil	<u>In the Past 3 years</u> SGS Group (Vice President, OGC Asia Pacific)

5. BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The effectiveness of the Board as a whole, the Board Committees and the contribution by each Director to the effectiveness of the Board are assessed annually. The purpose of the evaluation is to increase the overall effectiveness of the Board.

Board performance is linked to the overall performance of the Group. The Board complies with the applicable laws and members of our Board are required to act in good faith, with due diligence and care in the best interests of the Company and its shareholders.

Our NC is responsible for recommending a framework for the evaluation of the Board's and each individual Director's performance for the approval of the Board. Each member of our NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination.

The NC reviews the criteria for evaluating the Board's performance. The performance criteria for the Board evaluation include an evaluation of the size and composition of the Board, the Board's access to information, accountability, the Board's processes, the Board's performance in relation to discharging its principal responsibilities, communication with the Management and the standard of conduct of the Directors.

The Board and the NC have endeavoured to ensure that Directors appointed to the Board possess the background, experience, business knowledge, finance and management skills critical to the Company's business. They have also ensured that each Director, with his special contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

In determining each individual Director's performance, the following process is adopted: each Director will be required to complete a tailor-made self-assessment form. The responses of each Director will be collated, analysed and reported by the NC Chairman to the NC and thereafter to the Board. The individual evaluation will assess whether each Director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties). Feedback arising from the process will be provided by the NC Chairman (in consultation with the NC) directly to the Director concerned. The evaluation will be taken into account in the appointment or re-election of the Directors. Based on the NC's review, the Board and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

REPORT ON CORPORATE GOVERNANCE

6. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The RC makes recommendations to the Board on the framework of remuneration, and the specific remuneration packages for each Director and the CEO.

The RC comprises Mr Anthony Ng Koon Leng, as the Chairman, and Messrs Diong Tai Pew and Xie Yu, as the Committee members, all of whom are Non-Executive Directors with the majority of them being independent.

The duties and powers of the RC are, as follows:

- 1) to recommend to the Board a framework of remuneration for the Directors and Executive Officers which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind;
- 2) to review and recommend specific remuneration packages for each Executive Director as well as for the key management personnel;
- 3) to recommend to the Board the remuneration of the Non-Executive Directors, which should be appropriate to the level of their respective contributions, taking into account factors such as the effort and time spent, and their responsibilities;
- 4) to determine the targets for any performance-related pay schemes in respect of the Executive Directors of the Group, and to review and recommend to the Board the terms of renewal of their service contracts; and
- 5) to review the Company's obligations arising in the event of termination of the Executive Directors' and Non-Executive Directors' contracts of service and to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The members of the RC are familiar with executive compensation matters as they manage their own businesses and/or are holding other directorships. The RC's recommendations will be submitted for endorsement by our Board. Each member of the RC refrains from voting on any resolutions in respect of the assessment of his remuneration. No Director is involved in deciding his own remuneration. The RC has access to advice regarding executive compensation matters, if required.

The remuneration packages of the Executive Directors are based on service contracts. The Non-Executive and Independent Directors are paid yearly directors' fees and these fees are subject to shareholders' approval at the annual general meeting. In setting the remuneration packages of the Executive Directors, the Company takes into account the performance of the Group and that of the Executive Directors which are aligned with long term interest and risk policies of the Group. The RC shall review the compensation annually and ensure the remuneration of the Executive Directors is commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. If necessary, the RC will consider expert advice outside the Company on remuneration of all Directors.

In considering the remuneration of all Directors, the RC has not sought external professional advice nor appointed independent remuneration consultants.

REPORT ON CORPORATE GOVERNANCE

7. LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors. Director's fees are subject to the approval of shareholders at the annual general meeting. No Director is involved in deciding his own remuneration.

Our Non-Executive Directors and Independent Directors receive directors' fees commensurate to their effort and time spent, responsibilities and contribution to the Board, subject to shareholders' approval at annual general meetings. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive. The Company has no share option plans. Accordingly, no share option has been granted to its Directors and Executive Officers.

The remuneration for our Executive Directors comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and his individual performance:

- a. the Company has entered into a service agreement with Mr Gu Wen Long ("**Mr Gu**"), our Executive Chairman and CEO on 9 September 2009 (the "**Service Agreement**"). The Service Agreement was for an initial term of three (3) years commencing from the date of the listing of the Company on the Catalist, and will continue thereafter unless terminated by not less than three (3) months' notice in writing served by either party on the other, which notice shall not expire until after the initial fixed term. Pursuant to the Service Agreement, Mr Gu is entitled to an annual basic salary of RMB1.0 million which may be subject to such increase as the RC may determine at its absolute discretion. Under the Service Agreement, any annual incentive bonus of Mr Gu is subject to the review and discretion of the RC after accounts of our Group for the immediate preceding financial year have been audited; and
- b. the Company has also entered into a service agreement with Mr Tee Tuan Sem ("**Mr Tee**") on 6 July 2010 (the "**Other Service Agreement**"), for an initial term of three (3) years commencing from 6 July 2010, and will continue thereafter unless terminated by not less than three (3) months' notice in writing served by either party on the other, which notice shall not expire until after the initial fixed term. Pursuant to the Other Service Agreement, Mr Tee is entitled to an annual basic salary of RMB500,000, which may be subject to such increase as the RC may determine at its absolute discretion.

There are, at present, no long-term incentive schemes in place for executive directors and key management personnel. The RC will continue to consider whether to adopt the guideline with respect to long-term incentive schemes under Practice Guidance 7 of the 2018 Code in due course.

There are, at present, no provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and Non-Executive Directors in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

REPORT ON CORPORATE GOVERNANCE

8. DISCLOSURE ON REMUNERATION

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Generally, the Company's Director's remuneration takes into account the level and quality of effort and contribution to the Board, respective responsibilities, attendance and time spent, subject to shareholders' approval at annual general meetings. The Company also takes into account pay and employment conditions within the same industry and in comparable companies.

The remuneration paid or payable to the Directors and Executive Officers for services rendered during FY2019 by percentage is, as follows:

Remuneration Bands	Performance		Fee	Other Allowances	Other Benefits	Total
	Salary	Bonus				
	%	%	%	%	%	%
Directors						
Below S\$250,000						
Gu Wen Long ⁽¹⁾	100	–	–	–	–	100
Tee Tuan Sem ⁽¹⁾	100	–	–	–	–	100
Xie Yu	–	–	100	–	–	100
Diong Tai Pew	–	–	100	–	–	100
Anthony Ng Koon Leng	–	–	100	–	–	100
Ho Chew Thim ⁽²⁾	–	–	100	–	–	100
Executive Officers						
Below S\$250,000						
Wang Weizhong ⁽¹⁾	100	–	–	–	–	100
Xin Feng ⁽¹⁾	100	–	–	–	–	100

Notes:

- (1) The Company is of the view that its key executive officers only comprise its Executive Directors, Mr Gu Wen Long and Mr Tee Tuan Sem, and Executive Officers Mr Wang Weizhong and Mr Xin Feng. As such, the Company only disclosed the remuneration of Mr Wang Weizhong and Mr Xin Feng, the only two (2) Executive Officers who are not Directors or the CEO of the Company.
- (2) Mr Ho Chew Thim passed away on 6 August 2019, following which he ceased to be an Independent Director of the Company. As such, the remuneration for Mr Ho Chew Thim disclosed in the table above are for services he rendered to the Company prior to his passing. Please refer to the Company's announcements both dated 7 August 2019 for more information.

The remuneration of each individual executive officer (who is not a Director or CEO of the Company) and the remuneration of the Non-Executive Director (Mr Xie Yu) and Independent Directors (Messrs Diong Tai Pew, Anthony Ng Koon Leng and Ho Chew Thim) are not disclosed to the nearest thousand dollar in the Annual Report as the Company does not believe it to be in its interest to disclose the breakdown of each individual's remuneration as such, having regard to the highly competitive human resource environment, the confidential nature of staff remuneration matters and so as not to hamper the Company's efforts to retain and nurture its talent pool. For the same reasons, the Company does not believe it to be in its best interest to disclose the key performance indicators that are linked to the remuneration package, including any termination, retirement and post-employment benefits.

The aggregate amount of the total remuneration paid to the executive officers (who are not Directors or CEO) is S\$240,000.

REPORT ON CORPORATE GOVERNANCE

In accordance with Provision 8.2 of the 2018 Code, the Company will disclose the names and remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000. In this connection, for FY2019, there were no employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year.

9. RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Internal Controls

The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of assets. Procedures are in place to identify major business risks and evaluate potential financial effects, as well as for the authorisation of capital expenditure and investments, and also to determine the Company's level of risk tolerance and risk policies.

Following the completion of the capital increase and stake transfer of Jiangyin Foreversun Chemical Logistics Co., Ltd. ("**Jiangyin Hengyang**" or "**China Holdco**") by and to CITIC Port Investment Co., Ltd. ("**CITIC Port**") (the "**Transaction**"), where CITIC Port became a 49% shareholder in Jiangyin Hengyang, an internal audit department was established in 2017 to oversee the internal audit matters of the entire Group. The Company's internal audit department comprises one internal auditor with an average of seven years of the relevant experience in the internal audit sector. In FY2019, the Company's internal audit department carried out a follow-up review of the previous year's internal audit issues of the Group, as well as a review of the budget and cash flow management and interested person transactions within the Group. The operation of Deqiao Facility (defined below) has been suspended since 22 April 2016 following the Accident (defined below) and has not resumed to date. Therefore, the scope of internal audit performed was limited to that of the other Group subsidiaries.

In wake of the Accident (defined below) at the Deqiao Facility (defined below), ensuring that safety management standards are in place is of utmost importance to the Group. The audit of safety management of the Group's operations were always one of focuses of the internal audit. The internal audit department is responsible for the internal audit and internal control of the Group. In addition, an independent professional party (experts from a renowned Chinese university) was engaged to conduct a safety assessment of some selected storage facility of the Group in FY2019, and a detailed assessment report has been issued.

The Board has received assurances from the CEO and Finance Manager that: (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems in place are adequate and effective.

The Board is satisfied that the system of internal controls maintained by the Group's Management provides reasonable assurance for the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, complying with legislation, regulations and best practices and the identification and management of business risks, as well as providing reasonable assurance against material financial misstatements or loss. The Board, with the concurrence of the AC, is therefore of the view that the system of internal controls and risk management maintained by the Group is adequate and effective to safeguard shareholders' investments, the Group's assets and addresses financial, operational, compliance and information technology controls, and risk management systems of the Group.

REPORT ON CORPORATE GOVERNANCE

The Board notes that no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

The Company has a whistle-blowing framework endorsed by the AC, where employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. There were no whistle-blowing letters received during the year and until the date of this Report.

Risk Management

Under the 2018 Code, the Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the Company's assets, and should determine the nature and extent of significant risks which the Board is willing to take in achieving its strategic objectives.

As of the date of the Annual Report, the Company does not have a Risk Management Committee. However, the Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC.

Accident at the Deqiao Facility

The Company announced via the SGXNET on 25 April 2016 that an industrial fire had occurred at the storage facility ("**Deqiao Facility**") of the Company's subsidiary company, Jiangsu Deqiao Storage Co., Ltd., ("**Accident**"). On 4 November 2016, the Company announced that the Taizhou City Government (being the governmental authority leading the investigation) had on 1 November 2016 released an investigation report ("**Investigation Report**") with respect to the Accident. The Company also provided an unofficial English translation of the Investigation Report on 21 December 2016. For further details on the Investigation Report, please refer to the Company's announcements dated 4 November 2016 and 21 December 2016 released via the SGXNET.

Subsequent to the occurrence of the Accident, the Company had engaged and worked with reputable safety experts to substantially review safety procedures of all its subsidiary companies and had reinforced safety training and control of both internal and external personnel. The Company also enhanced the management of safety production at all subsidiary companies with, *inter alia*, measures as follows:

- revision and improvement of safety management procedures at all storage facilities by implementing stricter guidelines to be imposed on both internal and external personnel who conduct work at all storage facilities;
- periodic test run and debugging of emergency shutdown valves of storage tanks at all storage facilities to ensure that these valves are set in automatic status to shut down in the event of emergency and that the manual operation of these valves are functional;
- periodic conduct of safety inspection by both internal personnel and external third party inspection agencies;
- periodic conduct of emergency exercises at all storage facilities without notification in advance; and
- debugging and enhancement of the automatic delivery system to ensure the trigger of an alarm system and interlocking of pumps in the event of an oil spill.

REPORT ON CORPORATE GOVERNANCE

The Company views the Accident with utmost seriousness and is continually working to reinforce and enhance the safety management procedures of all subsidiaries to safeguard shareholders' investments and the Group's assets.

10. AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

The AC comprises Mr Diong Tai Pew, as the Chairman, and Messrs Xie Yu, Anthony Ng Koon Leng as the Committee members, all of whom are Non-Executive Directors with majority being independent.

The Board is of the view that at least two (2) members of the AC, including the AC Chairman, have the requisite qualifications, recent and relevant financial management knowledge, expertise and experience to discharge their responsibilities properly and effectively.

The AC members attend training sessions on the updates to accounting requirements as well as related market developments and emerging trends. AC members are regularly updated on changes to accounting standards and issues related to financial reporting through, *inter alia*, their meetings with the internal and external auditors of the Company.

Updates on changes in accounting standards and issues which have a direct impact on financial statements are prepared by external auditors and circulated to members of the AC periodically.

The Board has approved the written terms of reference of the AC. The main duties and responsibilities of the AC are, as follows:

- 1) to review with the external auditors their scope of audit, their audit plan, their evaluation of the system of internal accounting controls, their audit report, their letter to Management and Management's response;
- 2) to review and ensure the integrity of the half-year and full year, and quarterly if applicable, financial statements and results announcements before submission to our Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements;
- 3) to review the internal control procedures (including reviewing the procedures implemented by our Group to ensure that all requisite licenses and approvals are obtained prior to commencement of the appropriate phases of each project, as well as ensuring that such procedures are adequate) and ensure co-ordination between the external auditors and our Management, and review the assistance given by our Management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of our Management, where necessary);
- 4) to review and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
- 5) to review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, that they may come across during the audit, which has or is likely to have a material impact on our Group's operating results or financial position, and our Management's response;
- 6) to consider and evaluate the performance of independent auditors and recommend the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors, as well as approve the remuneration and terms of engagement of the external auditors;

REPORT ON CORPORATE GOVERNANCE

- 7) to review the Mandated Transactions (as defined in the Company's Shareholders' Mandate, being the Appendix to the Annual Report of the Company for the Financial Year ended 31 December 2013), (including credit terms, status of outstanding receivables and any payments or disbursements to the interested person) and interested person transactions ("IPTs") (if any) falling within the scope of Chapter 9 of the Catalist Rules to ensure that the IPTs are valid, on normal commercial terms and not prejudicial to the interests of the Company and the minority shareholders. In particular, the AC is to commission the external auditors (or such other reputable and independent audit firm as the AC deems suitable) as special auditors ("**Special Auditors**") for the purposes of reviewing of the Mandated Transactions in accordance with the established procedures. The AC is to review and discuss the special audit report presented by the Special Auditors on an annual basis. In addition, the AC shall also review periodically with the Special Auditors their terms of appointment and scope of work, for the purposes of determining the effectiveness of the special review;
- 8) to review internal audit plans;
- 9) to review the procedures by which employees of our Group may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigations and follow-up actions in relation thereto;
- 10) to review potential conflicts of interest, if any;
- 11) to undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- 12) generally to undertake such other functions and duties as may be required by the relevant laws, the 2018 Code, or the Catalist Rules, and by such amendments made thereto from time to time; and
- 13) to review our key financial risk areas, with a view of providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXNET.

The AC has full authority to investigate any matter within its terms of reference, full access to and co-operation from the Management and external and internal auditors and full discretion to invite any Director, Executive Officer or other employee of the Group to attend its meetings, and is given reasonable resources to enable it to discharge its functions properly and effectively.

The AC meets with the external auditors and internal auditors, without the presence of the Company's Management, at least annually for a review and discussion of any key issues raised. The AC discusses regularly with the Management on key operational matters, appropriateness of accounting treatment for significant transactions and important risk and control measures. The AC is also further updated by the Management and external auditors of changes to the Catalist Rules and other regulations which could have an impact on the Group's financial statements.

The AC undertakes such further functions as may be agreed to by the AC and the Board from time to time.

During the course of FY2019, the AC's activities included, *inter alia*, the following:

- (i) review of the quarterly, half yearly and annual results of the Group before submission to the Board for approval;
- (ii) review of internal control policies implemented by the Group;

REPORT ON CORPORATE GOVERNANCE

- (iii) review of the annual audit plan proposed by the external auditors and approving any changes as necessary;
- (iv) review of the appointment of independent internal auditor;
- (v) review of the appointment of independent external auditor;
- (vi) review of interested person transactions falling within the scope of Chapter 9 of the Catalist Rules; and
- (vii) review of the Group's financial and operational results and accounting policies.

External Auditors

BDO LLP, the external auditors of the Company, was responsible for providing services in connection with the audit of the financial statements of the Group for FY2019. For FY2019, the total remuneration in respect of audit services and non-audit services provided by BDO LLP for the Company is disclosed in section 18 of this Report.

The AC undertook the review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit services provided and the fees paid to them. The AC is satisfied that the external auditors have not provided any non-audit services to the Company during FY2019 that will prejudice their independence and objectivity.

The AC has reviewed arrangements by which the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action.

The Company confirms that it is in compliance with Rule 712 and Rule 715 of the Catalist Rules in relation to its auditing firms. No former partner or director of BDO LLP is a member of the AC, and none of the members of the AC hold any financial interest in BDO LLP.

Significant matters	How the AC reviewed these matters and what decisions were made
Impairment assessment of investment in a Joint Venture	The AC considered the approach and methodology applied to the impairment assessment of the investment in the China Holdco Group. The AC reviewed the reasonableness of key assumptions and analysis used by the Management in the assessment.

The above significant matters have been identified by the external auditors as key audit matters for FY2019. Please refer to page 56 of this Annual Report for further information.

Internal Auditors

Following the completion of the capital increase and stake transfer of Jiangyin Foreversun Chemical Logistics Co., Ltd. ("**Jiangyin Hengyang**" or "**China Holdco**") by and to CITIC Port Investment Co., Ltd. ("**CITIC Port**") (the "**Transaction**") in 2017, where CITIC Port became a 49% shareholder in Jiangyin Hengyang, an internal audit department was established in 2017 to oversee the internal audit matters of the entire Group. The Company's internal audit department comprises one internal auditor with an average of seven years of the relevant experience in the internal audit sector.

REPORT ON CORPORATE GOVERNANCE

The internal auditor carries out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The internal auditor reports directly to the AC and reports administratively to the CEO. The internal auditor's scope of work and its internal audit findings will be submitted to the AC for review.

The AC also evaluates the adequacy and effectiveness of the internal audit function at least annually. The AC is of the view that the internal audit function is independent, effective and adequately resourced.

11. SHAREHOLDER RIGHTS AND ENGAGEMENT – SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company is committed to establishing a corporate governance culture that promotes fair and equitable treatment of all shareholders. All shareholders are treated fairly and equitably, and enjoy specific rights under the Companies Act and the Company's Constitution.

These rights include, amongst others, pecuniary rights, for example, the right to participate in profit distributions and membership rights such as the right to participate in general meetings and the right to exercise their voting rights. Currently, under the Company's Constitution, all shareholders are entitled to attend and vote at the general meetings by person or proxy, and may appoint up to a maximum of two proxies, who need not be shareholders of the Company to attend and vote at general meetings.

In addition, as of 3 January 2016, the Companies Act has been amended to, amongst other things, allow certain members who are "relevant intermediaries" to attend and participate in general meetings without being constrained by the two-proxy requirement. A "relevant intermediary" as defined under the Companies Act includes corporations holding licenses in providing nominee and custodial services and who hold shares in that capacity and the CPF Board which purchases shares on behalf of the CPF investors.

Shareholders are given notice of general meetings with the sufficient notice period as required in the Companies Act as well as in the Constitution, and are informed of the relevant rules and procedures governing general meetings, including voting procedures. Shareholders are informed of shareholders' meetings through notices published in newspapers and annual reports or circulars sent to all shareholders. These notices are also published on the SGXNET. Shareholders are encouraged to attend, participate and vote at the Company's annual general meetings and extraordinary general meetings, where they are allowed to vote in person or in absentia. They are further encouraged to raise relevant questions or give views of the Company through open question and answer sessions.

Separate resolutions are proposed on each substantially separate issue at such general meetings. All the resolutions at the general meetings are single item resolutions. Shareholders are provided with the opportunity to raise questions and participate effectively at such general meetings on any issues that they may have with respect to the resolutions to be passed.

The Company respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure. All material information and changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares are disclosed in a timely manner via SGXNET announcements.

REPORT ON CORPORATE GOVERNANCE

All Directors, and in particular the chairpersons of the AC, NC and RC will be present at the annual general meeting of the Company (“**AGM**”) to address any relevant queries from shareholders. The Company’s external auditors, BDO LLP, will also be invited to attend the AGM and are available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors’ report.

All resolutions at the general meetings are put to vote by poll. Announcements of the detailed results of voting showing the number of votes cast for and against each resolution and the respective percentages are also made after each general meeting.

The minutes of the general meetings are prepared by the Company Secretary and include substantial comments or queries from shareholders and responses from the Executive Chairman, the Board and the Management. These minutes are available to shareholders of the Company at their request, as the Company does not maintain a corporate website.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company’s earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to shareholders via announcements released on SGXNET. The Company has not declared or recommended any dividend in respect of FY2019 as the Group needs to conserve cash for operational requirements, further investment and development of its infrastructural facilities as well as to repay borrowings.

Accountability

In presenting the quarterly, half yearly and annual financial statements and announcements to shareholders, the Board aims to provide shareholders with a detailed and balanced analysis and explanation of the Group’s financial position and prospects. The Board also ensures that adequate steps are taken to ensure compliance with legislative and regulatory requirements. The AC has been tasked to review the Company’s financial information to ensure that the objective is met.

The Management currently provides the Board with appropriately detailed management accounts of the Group’s performance, position and prospects on a regular basis and as the Board may require from time to time. The Board will update the shareholders on the operations and financial position of the Company through quarterly and full year announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

12. ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company recognises that effective communication leads to transparency and enhances accountability. As such, the Company is committed to regular and proactive communication with its shareholders in line with continuous disclosure obligations of the Company according to the Catalist Rules.

The Company does not have an Investor Relations Policy in place. Notwithstanding, the Board’s policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNET on an immediate basis, in line with the Group’s disclosure obligations pursuant to the Catalist Rules. While the Company does not have a dedicated investor relations team or an investor relations policy in place, it does have management personnel who are responsible for the Company’s communication with shareholders. Furthermore, before and after every general meeting, the Executive Chairman and other members of the Board engage in dialogue with shareholders, to gather views or inputs, and address shareholders’ questions and concerns. The Board is of the view that the current communication channels are sufficient as well as cost-effective.

REPORT ON CORPORATE GOVERNANCE

The Company regularly conveys pertinent information, gathers views or input, and addresses shareholders' concerns. In this regard, the Company provides timely information to its shareholders via SGXNET announcements and news releases and ensures that price-sensitive information is publicly released, and is announced within the mandatory period. The Company does not practise selective disclosure.

Shareholders may contact the company by email at contact@hyplc.com if there are any questions.

13. MANAGING STAKEHOLDERS RELATIONSHIPS – ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interest of the company are served.

The Board recognises the interests of other parties such as customers, employees, suppliers and the larger community are essential as part of value creation for the Group. The Company has arrangements in place to enable it to identify and engage with their material stakeholders so as to better understand and address their needs and interests.

The Company's key focus areas during the reporting period are ensuring customer satisfaction, enhancing employees' well-being, engaging in responsible and ethical business practices, managing supply chain sustainability and contributing to community development.

While the Company does not maintain a corporate website, it engages with its key stakeholders (which include, but are not limited to, shareholders, suppliers, customers, employees, and regulators) through formal and informal channels of communication to understand their needs and concerns. Such channels include written communication by email or otherwise, telephone communications, the publishing of the Company's annual report and making of announcements on SGXNET, and the holding of the Company's annual general meeting.

14. DEALINGS IN SECURITIES

In compliance with the relevant rules of the Catalist Rules, the Company has devised its own internal compliance code to provide guidance to its officers with regard to dealings in listed securities of the Company by the officer. Directors and employees of the Company are advised not to deal in the Company's shares on short-term considerations or when they are in the possession of unpublished price-sensitive information.

The Company prohibits dealings in its shares by its officers and employees during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three (3) quarters of its financial year, or one (1) month before the announcement of the Company's full financial year results, as the case may be, and ending on the day of the announcement of the relevant results.

15. MATERIAL CONTRACTS

Save as disclosed below and in Section 16 of this Report, neither the Company nor any of its subsidiaries have entered into any material contract involving the interests of the CEO, each Director or controlling shareholder either still subsisting at the end of the financial year ended 31 December 2019 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2018.

The Group has no borrowings as of FY2019. The borrowings which exist in the China Holdco Group and the assets and liabilities of the China Holdco Group are no longer consolidated in the Group's financial statements. Accordingly, where such loans have personal guarantees or corporate guarantees, such details are no longer disclosed in the Company's results announcements.

REPORT ON CORPORATE GOVERNANCE

16. INTERESTED PERSON TRANSACTIONS

As a listed company on the SGX-ST, the Company has taken the following steps to ensure compliance with the requirements of Chapter 9 of the Catalist Rules (“**Chapter 9**”) on interested person transactions, including ensuring that interested person transactions are properly reviewed, approved, and conducted on an arm’s length basis:

- 1) the Board meets quarterly to review if the Group will be entering into any interested person transaction. If the Group is intending to enter into an interested person transaction, the Board will ensure that the Group complies with the requisite rules under Chapter 9; and
- 2) the AC also meets quarterly to review if the Group will be entering into any interested person transaction, and if so, the AC ensures that the relevant rules under Chapter 9 are complied with.

When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

For the period under review, the Group has carried out interested person transactions with the following persons:

Information required pursuant to Rule 907

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920) (RMB’000)	Aggregate value of all interested person transactions conducted under the existing shareholders’ mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (RMB’000)
Jiangyin Golden Bridge Chemical Co., Ltd. (“ Jinqiao Chemical ”) ⁽¹⁾ – Provision of petrochemical storage services and land transport services – Purchase of petrochemical products	– Jinqiao Chemical is a company established and wholly-owned by Ms Sun Fang, the spouse of the Company’s Executive Chairman and Chief Executive Officer, Mr Gu Wen Long.	– 1,048	9,850 –
Wuhan Kangyang Petrochemical Co., Ltd. (“ Wuhan Kangyang ”) ⁽¹⁾ – Provision of petrochemical storage services and land transport services	– Wuhan Kangyang is controlled by Jinqiao Chemical.	–	96

REPORT ON CORPORATE GOVERNANCE

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (RMB'000)	Aggregate value of all interested person transactions conducted under the existing shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (RMB'000)
Interest expense payable to: – Jinqiao Chemical – Wuhan Kangyang – Gu Wen Long	– Jinqiao Chemical is wholly-owned by Ms Sun Fang, the spouse of the Company's Executive Chairman and CEO, Mr Gu Wen Long. – Wuhan Kangyang is controlled by Jinqiao Chemical – Gu Wen Long is the Executive Chairman of the Board and Chief Executive Officer of the Company.	– – –	5,037 574 767
Interest income charged: – Jinqiao Chemical	– Jinqiao Chemical is wholly-owned by Ms Sun Fang, the spouse of the Company's Executive Chairman and CEO, Mr Gu Wen Long.	–	593

Note:

- (1) The Company had obtained a renewal of the modified shareholders' mandate ("**Shareholders' Mandate**") at its annual general meeting held on 26 April 2019. 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 Industrial Co., Ltd. ("**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 with interested persons which do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Catalist Rules.

17. SPONSORSHIP

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is CIMB Bank Berhad, Singapore Branch ("**CIMB**").

For FY2019, CIMB did not provide any other non-sponsor services to the Company and no non-sponsor fees were paid during the financial year.

REPORT ON CORPORATE GOVERNANCE

18. AUDIT AND NON-AUDIT FEES

For FY2019, the remuneration paid or payable to the Group's external auditors for providing audit and other non-audit services are as follows:

	RMB'000
Audit fees paid/payable to	
– auditor of the Company	440
– other auditors	430
Non-audit fees paid/payable to	
– auditor of the Company	–
– other auditors	–

19. SUMMARY OF DISCLOSURES – CORPORATE GOVERNANCE

Rule 710 of the Catalist Rules requires Singapore listed companies to describe their corporate governance practices with specific reference to the 2018 Code in their annual reports for financial years commencing on or after 1 January 2019. This summary of disclosure describes the Company's corporate governance practices with specific reference to the express disclosure requirements in the principles and provisions of the 2018 Code.

Principles and provisions of the 2018 Code – Express disclosure requirements	Section and Paragraph reference
<p>Principle 1</p> <p>The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.</p>	Section 1
<p>Provision 1.1</p> <p>Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.</p>	Section 1, Paragraphs 2 – 5
<p>Provision 1.2</p> <p>Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.</p>	Section 1, Paragraphs 3 & 7 – 8
<p>Provision 1.3</p> <p>The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed in the company's annual report.</p>	Section 1, Paragraph 4

REPORT ON CORPORATE GOVERNANCE

Principles and provisions of the 2018 Code – Express disclosure requirements	Section and Paragraph reference
<p>Provision 1.4</p> <p>Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.</p>	Section 1, Paragraph 6
<p>Provision 1.5</p> <p>Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.</p>	Section 1, Paragraph 9
<p>Provision 1.6</p> <p>Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.</p>	Section 1, Paragraphs 10 – 12
<p>Provision 1.7</p> <p>Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.</p>	Section 1, Paragraphs 13 – 15
<p>Principle 2</p> <p>The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.</p>	Section 2
<p>Provision 2.1</p> <p>An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.</p>	Section 2, Paragraph 1
<p>Provision 2.2</p> <p>Independent directors make up a majority of the Board where the Chairman is not independent.</p>	Section 2, Paragraphs 2 – 3

REPORT ON CORPORATE GOVERNANCE

Principles and provisions of the 2018 Code – Express disclosure requirements	Section and Paragraph reference
Provision 2.3 Non-executive directors make up a majority of the Board.	Section 1, Paragraph 1
Provision 2.4 The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.	Section 2, Paragraphs 4 – 5
Provision 2.5 Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.	Section 2, Paragraph 7
Principle 3 There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.	Section 3
Provision 3.1 The Chairman and the CEO are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.	Section 3, Paragraphs 1 – 2
Provision 3.2 The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.	Section 3, Paragraphs 1 – 2
Provision 3.3 The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.	Section 3, Paragraph 3

REPORT ON CORPORATE GOVERNANCE

Principles and provisions of the 2018 Code – Express disclosure requirements	Section and Paragraph reference
<p>Principle 4</p> <p>The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.</p>	Section 4
<p>Provision 4.1</p> <p>The Board establishes a NC to make recommendations to the Board on relevant matters relating to:</p> <ul style="list-style-type: none"> (a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel; (b) the process and criteria for evaluation of the performance of the Board, its board committees and directors; (c) the review of training and professional development programmes for the Board and its directors; and (d) the appointment and re-appointment of directors (including alternate directors, if any). 	Section 4, Paragraphs 1 & 4
<p>Provision 4.2</p> <p>The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.</p>	Section 4, Paragraphs 2 – 3
<p>Provision 4.3</p> <p>The company discloses process for selection, appointment and re-appointment of Directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidate in the company's annual report.</p>	Section 4, Paragraphs 9 – 10
<p>Provision 4.4</p> <p>The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.</p>	Section 4, Paragraphs 5 – 8

REPORT ON CORPORATE GOVERNANCE

Principles and provisions of the 2018 Code – Express disclosure requirements	Section and Paragraph reference
<p>Provision 4.5</p> <p>The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.</p>	Section 4, Paragraphs 12 – 15
<p>Principle 5</p> <p>The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.</p>	Section 5
<p>Provision 5.1</p> <p>The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.</p>	Section 5, Paragraphs 1-5
<p>Provision 5.2</p> <p>The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.</p>	Section 5, Paragraphs 3-6
<p>Principle 6</p> <p>The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.</p>	Section 6
<p>Provision 6.1</p> <p>The Board establishes a Remuneration Committee (“RC”) to review and make recommendations to the Board on:</p> <p>(a) a framework of remuneration for the Board and key management personnel; and</p> <p>(b) the specific remuneration packages for each director as well as for the key management personnel.</p>	Section 6, Paragraphs 3 & 5
<p>Provision 6.2</p> <p>The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.</p>	Section 6, Paragraph 2

REPORT ON CORPORATE GOVERNANCE

Principles and provisions of the 2018 Code – Express disclosure requirements	Section and Paragraph reference
<p>Provision 6.3</p> <p>The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.</p>	Section 6, Paragraphs 3 – 5
<p>Provision 6.4</p> <p>The Company discloses the engagement of any remuneration consultants and their independence in the company's annual report.</p>	Section 6, Paragraph 6
<p>Principle 7</p> <p>The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.</p>	Section 7
<p>Provision 7.1</p> <p>A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.</p>	Section 7, Paragraphs 3 – 5
<p>Provision 7.2</p> <p>The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.</p>	Section 7, Paragraph 2
<p>Provision 7.3</p> <p>Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.</p>	Section 7, Paragraphs 2 – 4
<p>Principle 8</p> <p>The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.</p>	Section 8
<p>Provision 8.1</p> <p>The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:</p> <ul style="list-style-type: none"> (a) each individual director and the CEO; and (b) at least the top five key management personnel (who are not Directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel. 	Section 8, Paragraphs 1 – 4

REPORT ON CORPORATE GOVERNANCE

Principles and provisions of the 2018 Code – Express disclosure requirements	Section and Paragraph reference
<p>Provision 8.2</p> <p>The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or substantial shareholder of the company, and whose remuneration exceeds S\$100,000, during the year, in bands no wider than S\$100,000. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.</p>	Section 8, Paragraphs 2 – 5
<p>Provision 8.3</p> <p>The Company discloses in its annual report all forms of remunerations and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company, and also discloses details of employee share schemes.</p>	Section 8, Paragraph 5
<p>Principle 9</p> <p>The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.</p>	Section 9
<p>Provision 9.1</p> <p>The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.</p>	Section 9, Paragraphs 8 – 9
<p>Provision 9.2</p> <p>The Board requires and discloses in the company's annual report that it has received assurance from:</p> <p>(a) the CEO and the CFO that the financial record have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and</p> <p>(b) the CEO and the other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.</p>	Section 9, Paragraph 4

REPORT ON CORPORATE GOVERNANCE

Principles and provisions of the 2018 Code – Express disclosure requirements	Section and Paragraph reference
<p>Principle 10</p> <p>The Board has an Audit Committee (“AC”) which discharges its duties objectively.</p>	Section 10
<p>Provision 10.1</p> <p>The duties of the AC include:</p> <ul style="list-style-type: none"> (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company’s financial performance; (b) reviewing at least annually the adequacy and effectiveness of the company’s internal controls and risk management systems; (c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements; (d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors; (e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company’s internal audit function; and (f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns. 	Section 10, Paragraph 5
<p>Provision 10.2</p> <p>The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.</p>	Section 10, Paragraphs 1 – 2
<p>Provision 10.3</p> <p>The AC does not comprise former partners or directors of the company’s existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.</p>	Section 10, Paragraph 13

REPORT ON CORPORATE GOVERNANCE

Principles and provisions of the 2018 Code – Express disclosure requirements	Section and Paragraph reference
<p>Provision 10.4</p> <p>The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.</p>	Section 10, Paragraphs 5, 15 – 17
<p>Provision 10.5</p> <p>The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.</p>	Section 10, Paragraph 7
<p>Principle 11</p> <p>The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.</p>	Section 11
<p>Provisions 11.1</p> <p>The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.</p>	Section 11, Paragraphs 1 – 4
<p>Provision 11.2</p> <p>The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.</p>	Section 11, Paragraph 5
<p>Provision 11.3</p> <p>All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.</p>	Section 11, Paragraph 7
<p>Provision 11.4</p> <p>The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.</p>	Section 11, Paragraph 4

REPORT ON CORPORATE GOVERNANCE

Principles and provisions of the 2018 Code – Express disclosure requirements	Section and Paragraph reference
<p>Provision 11.5</p> <p>The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.</p>	Section 11, Paragraph 9
<p>Provision 11.6</p> <p>The company has a dividend policy and communicates it to shareholders.</p>	Section 11, Paragraph 10
<p>Principle 12</p> <p>The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.</p>	Section 12
<p>Provision 12.1</p> <p>The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.</p>	Section 12, Paragraphs 3 – 4
<p>Provision 12.2</p> <p>The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.</p>	Section 12, Paragraph 2
<p>Provision 12.3</p> <p>The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.</p>	Section 12, Paragraphs 2 – 4
<p>Principle 13</p> <p>The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.</p>	Section 13
<p>Provision 13.1</p> <p>The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.</p>	Section 13, Paragraph 1

REPORT ON CORPORATE GOVERNANCE

Principles and provisions of the 2018 Code – Express disclosure requirements	Section and Paragraph reference
Provision 13.2 The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	Section 13, Paragraph 2
Provision 13.3 The company maintains a current corporate website to communicate and engage with stakeholders.	Section 13, Paragraph 3

SOCIAL RESPONSIBILITY REPORT

At Hengyang, we do not only focus on profitability, but also on conducting our business in a socially responsible manner. At the heart of everything we do is our commitment to our people, our environment and our community.

OUR PEOPLE

We believe in investing in recruiting, training and retaining good employees. We have made every effort to create a working culture and environment that inspires our people to stay with us. We have adopted sound human resource policies and practices in our workplace by providing safe working conditions, rewarding and recognising performance, encouraging teamwork and work-life balance, and offering career growth opportunities and a conducive workplace.

Hengyang is also committed to ensuring the safety and security, as well as the health and well-being of our people. We have in place a training programme for our people on safety standards and procedures, as well as on health and hygiene standards at the workplace.

Jiangyin Foreversun, Wuhan Hengyang and Yueyang Hengyang hold the Occupational Health and Safety Management System Certificate issued by the China Quality Certification Centre.

In January 2019, the Group Chairman, Mr Gu Wen Long (“**Mr Gu**”), was awarded as an excellent entrepreneur by the Jiangyin and Jingjiang local governments.

OUR ENVIRONMENT

Being in the petrochemical industry, Health, Safety, and Environment (“**HSE**”) standards are of utmost importance to us. Hengyang has a long-standing HSE commitment to the highest standards for the health and safety of our people and customers, as well as for the protection of the environment in the communities which we live and work.

We have obtained all environmental permits and approvals necessary to conduct our business, such as the pollutant discharge permit and operating permit for the loading and unloading of dangerous chemicals. We also comply with all applicable environmental laws and have not breached any applicable laws or regulations since our incorporation. In order to ensure continued compliance with the relevant environmental laws and regulations, we have appointed specialised personnel to oversee environmental protection related matters within our Group.

Apart from complying with all the relevant environmental laws and regulations, we have gone a step further to minimise our impact on the environment by undertaking a wide range of self-initiated measures to build a greener future. For instance, we install fireproofing walls between the maintenance room and sewage treatment plant; we build storage shed for solid waste and temporary shed for barrels; we have also installed gas recovery system at the loading stations.

In addition, our companies have been awarded the following accreditations and commendations:

- In 2019, Jiangyin Foreversun was recognised for its excellent HSE management by the China National Offshore Oil Corporation and Shell Petrochemicals Company Limited.
- In September 2019, Wuhan Hengyang was appraised as the “AAA Logistics Enterprise” by China Federation of Logistics and Purchasing.

SOCIAL RESPONSIBILITY REPORT

- In 2019, the Company was awarded the Excellent Enterprise of the industry by China National Chemicals and Light Industry Material Logistics Association.
- In 2019, the Company was awarded the Golden Tank Award for its excellent HSE management by China Federation of Logistics and Purchasing.
- In December 2015, Jiangyin Foreversun was accredited by the China Quality Certification Centre for Compliance with Food Safety Management System standards – ISO 22000:2005 and GB/T 22000-2006.
- Jiangyin Foreversun, Wuhan Hengyang and Yueyang Hengyang hold the Environmental Management System Certificate issued by the China Quality Certification Centre for compliance with the standards ISO14001:2004 and GB/T 24001-2004.
- Jiangyin Foreversun has also obtained the Chemical Distribution Institute – Terminals (“**CDI-T**”) attestation accredited by the Chemical Distribution Institute (London) in December 2015.

OUR COMMUNITY

Hengyang and its people embrace the philosophy of giving back to the community by encouraging proactive involvement in the Group’s corporate social responsibility (“**CSR**”) initiatives. We strive to be a responsible corporate neighbour and active contributor in our community.

In particular, we are a strong believer in quality education for all children. Accordingly, we have partnered with Jiangyin Charity and Jingjiang Charity, two non-profit voluntary welfare organisations, to support students from low income families and empower young learners to be successful, active citizens. In 2019, Hengyang also made a donation of RMB50,000 and RMB54,000 to the Jiangyin Charity and Jingjiang Charity respectively.

DIRECTORS' STATEMENT

The Directors of Hengyang Petrochemical Logistics Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

1. Opinion of the Directors

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Gu Wen Long	(Executive Chairman and Chief Executive Officer)
Tee Tuan Sem	(Executive Director and Vice Chairman)
Xie Yu	(Non-Executive Director)
Diong Tai Pew	(Lead Independent Director)
Anthony Ng Koon Leng	(Independent Director)

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company for the purposes of Section 164 of the Act, none of the Directors of the Company holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations except as detailed below:

	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	Balance as at	Balance as at	Balance as at	Balance as at
	1 January	31 December	1 January	31 December
	Number of ordinary shares			
	2019	2019	2019	2019
Company				
Gu Wen Long	–	–	114,100,000	114,100,000
Diong Tai Pew	475,300	475,300	–	–
Xie Yu	1,950,000	1,950,000	–	–
Ultimate holding company				
<i>Foreversun Holdings Co., Ltd.</i> ⁽¹⁾				
Gu Wen Long	50,000	50,000	–	–

⁽¹⁾ Gu Wen Long owns the entire issued share capital of Foreversun Holdings Co., Ltd.

By virtue of Section 7 of the Act, Mr Gu Wen Long is deemed to have an interest in the shares of all the subsidiaries of the Company as at the beginning and end of the financial year.

In accordance with the continuing listing requirement of the Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the register of directors' shareholding, the Directors' interests as at 21 January 2020 in the shares of the Company have not changed from those disclosed as at 31 December 2019.

5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

DIRECTORS' STATEMENT

6. Audit committee

The Audit Committee of the Company is chaired by Mr Diong Tai Pew, an Independent Director. Other members of the Audit Committee are Mr Xie Yu, who is a non-executive director and Mr Anthony Ng Koon Leng who is Independent Director. The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has carried out its functions in accordance with section 201B(5) of the Companies Act in Singapore, including reviewing the following, where relevant, with the executive Directors and external and internal auditors of the Company:

- (a) the audit plans of the internal and external auditors and the reports of the examination and evaluation of the Company's and the Group's systems of internal controls issued by the internal auditors;
- (b) the Company's and the Group's financial and operating results and accounting policies;
- (c) the statement of financial position of the Company and the consolidated financial statements of the Group before their submission to the Directors of the Company and external auditor's report on those financial statements;
- (d) the quarterly and full year results announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) the co-operation and assistance given by the management to the Company's external auditor;
- (f) the re-appointment of the external auditor of the Company; and
- (g) interested person transactions (as defined in Chapter 9 of the Listing Manual).

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

7. Additional disclosure requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited

The auditor of the subsidiaries of the Company is disclosed in Note 6 to the financial statements. In the opinion of the Board of Directors and the Audit Committee, Rules 712 and 715 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited have been complied with.

DIRECTORS' STATEMENT

8. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Gu Wen Long

Director

Singapore
2 June 2020

Diong Tai Pew

Director

INDEPENDENT AUDITOR'S REPORT

To the Members of Hengyang Petrochemical Logistics Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hengyang Petrochemical Logistics Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 60 to 100 which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of Investment in a Joint Venture

As at 31 December 2019, the Group's carrying amount of investment in a joint venture was approximately RMB536,471,000 which comprised 86% of the total assets of the Group. There are indications of impairment as certain subsidiaries of Jiangyin Foreversun Chemical Logistics Co., Ltd. have been incurring losses and its largest storage facilities in Jiangsu Deqiao Storage Co., Ltd. have not resumed operations as at the end of the financial year.

For the purpose of impairment testing, management has determined the recoverable amount using the value-in-use ("VIU") method. The VIU calculations were prepared by estimating the expected future cash flows using management's view of the revenue growth rates, earnings before interest, tax, depreciation and amortisation margins, discount rate and terminal growth rate to determine the present value of those cash flows.

We focused on this area as a key audit matter owing to the significant judgement and key assumptions applied by management in the determination of the recoverable amount of investment in a joint venture.

INDEPENDENT AUDITOR'S REPORT

To the Members of Hengyang Petrochemical Logistics Limited

Key Audit Matters (Continued)

Impairment assessment of Investment in a Joint Venture (Continued)

Related Disclosures

Refer to Notes 3.2 and 7 to the financial statements for the disclosures in relation to impairment assessment of investment in a joint venture.

Audit Response

Our procedures included, amongst others:

- We evaluated management's impairment assessment, their basis for recoverable amount and key assumptions used in the VIU calculations approved by Board of Directors;
- We compared underlying data used in the VIU calculations against historical actual performance for reasonableness;
- We engaged our internal valuation specialist to evaluate the reasonableness of the discount rate used by management;
- We performed sensitivity analysis on the key assumptions used in management's computation; and
- We assessed the adequacy of the related disclosures in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

To the Members of Hengyang Petrochemical Logistics Limited

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

To the Members of Hengyang Petrochemical Logistics Limited

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ng Kian Hui.

BDO LLP

Public Accountants and
Chartered Accountants

Singapore
2 June 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group	
	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Plant and equipment	5	–	–
Investment in a joint venture	7	536,471	569,920
Right-of-use asset	8	49	–
		<u>536,520</u>	<u>569,920</u>
Current assets			
Other receivables	9	15	15
Amount owing by related parties	10	195	188
Cash and cash equivalents	12	84,845	87,851
		<u>85,055</u>	<u>88,054</u>
Less:			
Current liabilities			
Other payables	13	1,163	1,186
Lease liability	14	50	–
Amount owing to Directors	15	771	902
Derivative financial instrument	16	4,366	–
		<u>6,350</u>	<u>2,088</u>
Net current assets		78,705	85,966
Less:			
Non-current liability			
Derivative financial instrument	16	–	4,366
Net assets		615,225	651,520
Equity			
Share capital	17	289,064	289,064
Other reserve	18	83,004	83,004
Retained earnings		36,840	61,492
Equity attributable to owners of the parent		408,908	433,560
Non-controlling interests		206,317	217,960
Total equity		615,225	651,520

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Company	
		2019 RMB'000	2018 RMB'000
Non-current assets			
Plant and equipment	5	-	-
Investments in subsidiaries	6	<u>267,472</u>	<u>267,472</u>
		<u>267,472</u>	<u>267,472</u>
Current assets			
Amount owing by related parties	10	6	6
Amount owing by a subsidiary	11	10,851	10,542
Cash and cash equivalents	12	<u>47,516</u>	<u>49,831</u>
		<u>58,373</u>	<u>60,379</u>
Less:			
Current liabilities			
Other payables	13	809	660
Amount owing to a subsidiary	11	31,043	30,037
Amount owing to Directors	15	<u>771</u>	<u>902</u>
		<u>32,623</u>	<u>31,599</u>
Net current assets		<u>25,750</u>	<u>28,780</u>
Net assets		<u>293,222</u>	<u>296,252</u>
Equity			
Share capital	17	289,064	289,064
Retained earnings		<u>4,158</u>	<u>7,188</u>
Total equity		<u>293,222</u>	<u>296,252</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Other income	19	1,854	1,405
Administrative and other expenses		(4,695)	(5,251)
Interest expense	14	(5)	–
Share of results of joint venture	7	(33,449)	(21,526)
Loss before income tax	20	(36,295)	(25,372)
Income tax expense	22	–	(37)
Loss for the financial year, representing total comprehensive income for the financial year		(36,295)	(25,409)
Total comprehensive income attributable to:			
Owners of the parent		(24,652)	(17,846)
Non-controlling interests		(11,643)	(7,563)
		(36,295)	(25,409)
Loss per share (cents):			
– Basic	23	(12.12)	(8.77)
– Diluted	23	(12.12)	(8.77)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Equity attributable to owners of the parent RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2019	289,064	83,004	61,492	433,560	217,960	651,520
Loss for the financial year, representing total comprehensive income for the financial year	-	-	(24,652)	(24,652)	(11,643)	(36,295)
Balance as at 31 December 2019	<u>289,064</u>	<u>83,004</u>	<u>36,840</u>	<u>408,908</u>	<u>206,317</u>	<u>615,225</u>
Balance as at 1 January 2018	289,064	83,004	79,338	451,406	225,523	676,929
Loss for the financial year, representing total comprehensive income for the financial year	-	-	(17,846)	(17,846)	(7,563)	(25,409)
Balance as at 31 December 2018	<u>289,064</u>	<u>83,004</u>	<u>61,492</u>	<u>433,560</u>	<u>217,960</u>	<u>651,520</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Operating activities			
Loss before income tax		(36,295)	(25,372)
Adjustments for:			
Amortisation of right-of-use asset		53	–
Change in fair value of derivative financial instrument		–	(315)
Interest expense		5	–
Interest income		(1,854)	(1,090)
Share of results of joint venture		33,449	21,526
Operating cash flows before working capital changes		(4,642)	(5,251)
Working capital changes:			
Trade and other receivables (including related parties)		(7)	(3)
Trade and other payables (including Directors and related parties)		(154)	(706)
Cash used in operations		(4,803)	(5,960)
Income tax paid		–	(17)
Net cash used in operating activities		(4,803)	(5,977)
Investing activity			
Interest received, representing net cash from investing activity		1,854	1,090
Financing activities			
Repayment of obligations under lease		(52)	–
Interest paid		(5)	–
Net cash used in financing activities		(57)	–
Net change in cash and cash equivalents		(3,006)	(4,887)
Cash and cash equivalents at beginning of the financial year		87,851	92,738
Cash and cash equivalents at end of the financial year	12	84,845	87,851

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

These notes form an integral part of and should be read in conjunction with the financial statements.

1. GENERAL CORPORATE INFORMATION

Hengyang Petrochemical Logistics Limited (the “Company”) is a public limited liability company, incorporated and domiciled in Singapore with its registered office located at 8 Robinson Road, #13-00 ASO Building, Singapore 048544. The Company’s registration number is 200807923K. The principal place of business is 1 Hengyang Road, Shizhuang Industrial Park, New Harbor City, Jiangyin, Jiangsu Province, People’s Republic of China (“PRC”) 214446. The Company is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

The immediate and ultimate holding company is Foreversun Holdings Co., Ltd., a company incorporated in the British Virgin Islands. The ultimate controlling party is Mr Gu Wen Long, whose interest in the Company is held through his shareholdings in Foreversun Holdings Co., Ltd.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been drawn up in accordance with the provisions of the Companies Act, Chapter 50 in Singapore and Singapore Financial Reporting Standards (International) (“SFRS(I)s”) including related SFRS(I) Interpretations (“SFRS(I) INTs”) and are prepared under the historical cost convention, except as disclosed in the accounting policies below and on a going concern basis as disclosed in Note 4 to the financial statements.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its “functional currency”). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Chinese renminbi (“RMB”) which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand (RMB’000) unless otherwise stated.

The preparation of financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group’s application of accounting policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies

New standards, amendments and interpretations effective from 1 January 2019

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore (“ASC”) that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group’s business activities or require accounting which is consistent with the Group’s current accounting policies, except as detailed below.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases and SFRS(I) INT 4 Determining whether an Arrangement Contains a Lease. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the consolidated statement of financial position by recognising a ‘right-of-use’ asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be amortised and the lease liabilities will be measured at amortised cost. The Group does not have leasing activities acting as a lessor.

The Group applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying this standards as at 1 January 2019 (the “date of initial application”). The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee, the Group previously classified leases as operating lease. On adoption of SFRS(I) 16, the Group recognised right-of-use asset and lease liability in relation to an office premise, which had previously been classified as operating lease.

Lease liability from operating lease under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee’s incremental borrowing rate as at 1 January 2019. The incremental borrowing rate applied to lease liabilities on 1 January 2019 was 5.25% per annum.

The right-of-use asset was measured at an amount equal to the lease liability.

The Group recognised right-of-use asset and lease liability of RMB102,000 upon initial adoption as at 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 Leases (Continued)

The lease liability recognised in the consolidated statement of financial position as at 1 January 2019 and the Group's operating lease commitment as at 31 December 2018 can be reconciled as follows:

	Group RMB'000
Operating lease commitment as at 31 December 2018 (Note 24.1)	107
Effect of discounting using the incremental borrowing rate as at date of initial application	(5)
Lease liability as at 1 January 2019 (Note 14)	102

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

SFRS(I) INT 23 provides guidance on accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- The Group to contemplate whether uncertain tax treatments should be considered separately or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Group applied this interpretation retrospectively with the cumulative effect of initially applying this interpretation as at 1 January 2019. There is no material impact to the previously recognised income taxes and deferred taxes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations issued but not yet effective

The following new SFRS(I), amendments to and SFRS(I) interpretations are relevant to the Group and have not been early adopted in this financial statement:

		Effective date (annual periods beginning on or after)
SFRS(I) 3 (Amendments)	: <i>Definitions of a Business</i>	1 January 2020
SFRS(I) 1-1 and SFRS(I) 1-8 (Amendments)	: <i>Definition of Material</i>	1 January 2020
SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 (Amendments)	: <i>Interest Rate Benchmark Reform</i>	1 January 2020
Various	: <i>Amendments to References to the Conceptual Framework in SFRS(I) Standards</i>	1 January 2020
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

Consequential amendments were also made to various standards as a result of these new or revised standards.

Management anticipates that the adoption of the above SFRS(I) in future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statement of financial position, comprehensive income and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any, in the Company's separate financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Plant and equipment

All items of plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Subsequent expenditure on an item of plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

Plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the depreciable amounts of plant and equipment to their residual values over their estimated remaining useful lives, using the straight-line method, on the following bases:

Electronic system and equipment	5 to 10 years
Furniture and fixtures	3 to 5 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

An items of plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Fully depreciated items are retained in the financial statements until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The Group's investment in a joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The Group's share of the results of the joint venture is recognised in profit or loss. Where there has been a change recognised directly in equity of the joint venture, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss with respect to the Group's net investment in the joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss. In the Group's consolidated financial statements, the Group's share of results and reserves of joint ventures acquired or disposed of are included in the consolidated financial statements from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The consolidated statement of comprehensive income reflects the share of results of operations of the joint ventures. Where there has been a change recognised in other comprehensive income by the joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains or losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint ventures.

Where the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Upon loss of joint control, the Group measures any retained investment at its fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Leases

As lessee

Accounting policy on or after 1 January 2019

All leases are accounted for by recognising a right-of-use asset and lease liability.

Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for lease payments made at or before commencement of the lease and initial direct costs incurred, if any.

The Group presents the right-of-use asset and lease liability separately from other assets and other liabilities in the consolidated statement of financial position.

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated amortisation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are amortised on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets.

The carrying amount of the right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.6 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged to a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities are recognised in profit or loss.

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Leases (Continued)

As lessee (Continued)

Accounting policy on or after 1 January 2019 (Continued)

Subsequent measurement (Continued)

For lease contract that conveys a right to use an identified asset and require services to be provided by the lessor, the Group has elected to account for the entire contract as a lease. The Group does not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

Accounting policy prior to 1 January 2019

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the period of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases, if any, are recognised as an expense in the period in which they are incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.6 Impairment of non-financial assets

At the end of each financial year, the Group and the Company review the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Impairment of non-financial assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.7 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group or the Company becomes a party to the contractual provisions of the instrument.

a) Financial assets

The Group classifies its financial assets into amortised cost in accordance to the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets.

Amortised cost

These assets arise principally from other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment of financial assets

Impairment provisions for receivables from related parties and a subsidiary are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's and the Company's financial assets measured at amortised cost comprise other receivables (including amount owing by related parties and a subsidiary) and cash and cash equivalents in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial instruments (Continued)

a) Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

b) Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group and the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group and the Company classifies ordinary shares as equity instruments.

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost except for derivatives financial liabilities that measured at fair value through profit or loss.

Other payables

Other payables to third parties, amounts owing to Directors and a subsidiary are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, including derivatives that are liabilities, shall be subsequently measured at fair value with changes in fair value being recognised in profit or loss. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial instruments (Continued)

b) Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

The Group has issued corporate guarantees to banks for borrowings of certain subsidiaries of the joint venture and these guarantees qualify as financial guarantees because the Group is required to reimburse the banks if these subsidiaries of the joint venture breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

- a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Derecognition of financial liabilities

The Group and the Company derecognises financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expired. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.8 Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand, deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2.9 Revenue recognition

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

2.11 Employee benefits

Defined contribution plans

Payments to defined contribution plans are charged as an expense in the period in which the related service is performed. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, and has no legal and constructive obligation to pay further once the payments are made.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months after the end of reporting period as a result of services rendered by employees up to the end of the reporting period.

2.12 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

Current income tax expense is the amount of income tax payable in respect of the taxable profit for a period. Current income tax liabilities for the current and prior periods shall be measured at the amount expected to be paid to the taxation authority, using the tax rates and interpretation to applicable tax laws in the countries where the Group operates, that have been enacted or substantively enacted by the end of the reporting period. Management evaluates its income tax provisions on a periodical basis.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Taxes (Continued)

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred taxes are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Foreign currency transactions and translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each financial year, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Chinese renminbi using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of foreign operations (including monetary items that, in substance, form part of the foreign operations) are taken to the foreign currency translation reserve.

2.14 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Group executive directors and chief executive officer have been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions.

The Group has only one reportable operating segment, which is the investment holding segment relates to the Group's investment in a joint venture and other investment holding activities. The Group's business is engaged entirely in the PRC and hence no segment information is disclosed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying the accounting policies

The following is the critical judgement, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

Joint control

The Group and CITIC Port Investment Co., Ltd ("CITIC Port") respectively hold 51% and 49% of the equity interest in Jiangyin Foreversun Chemical Logistics Co., Ltd ("Jiangyin Foreversun").

Management has carried out an assessment to determine whether the Group continues to have control over Jiangyin Foreversun and its subsidiaries. The assessment included reviewing the shareholders agreement entered with CITIC Port by assessing the relevant terms whereby unanimous consent from the two joint venture partners are required for reserved matters and relevant activities which will significantly affect the returns of the joint venture. Accordingly, the Group concluded that joint control exists and Jiangyin Foreversun is classified as a joint venture of the Group (Note 7).

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of investment in a joint venture

Investment in a joint venture is tested for impairment whenever there is any indication that asset may be impaired. The recoverable amount has been determined based on value-in-use calculations. The value-in-use calculations require the Group to estimate the future cash flows using management's view of the revenue growth rates, earnings before interest, tax, depreciation and amortisation ("EBITDA") margins, discount rate and terminal growth rate in order to calculate present value. The Group's carrying amount of investment in a joint venture as at 31 December 2019 was RMB536,471,000 (2018: RMB596,920,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. GOING CONCERN

During the financial year ended 31 December 2019, the Group incurred a net loss of RMB36,295,000 from its operations.

The management of the Company has carried out a detailed review of the cash flows forecast of the Group. Based on the forecast, the management of the Company has estimated that adequate liquidity exists to finance the working capital requirements of the Group and the Company considering the cash and cash equivalents of the Group and the Company of RMB84,845,000 and RMB47,516,000 respectively as at 31 December 2019. As at 31 December 2019, the Group and Company are in net current assets position of RMB78,705,000 and RMB25,750,000 respectively. Accordingly, the management of the Company is of the view that there is no material uncertainty that may cast a significant doubt on the Group's and Company's ability to continue as a going concern and that the use of going concern to prepare the Group's and the Company's financial statements is appropriate.

5. PLANT AND EQUIPMENT

	Electronic system and equipment RMB'000	Furniture and fixtures RMB'000	Total RMB'000
Group and Company			
Cost			
Balance as at 1 January 2018, 31 December 2018 and 31 December 2019	10	55	65
Accumulated depreciation			
Balance as at 1 January 2018, 31 December 2018 and 31 December 2019	10	55	65
Carrying amount			
Balance as at 31 December 2018 and 31 December 2019	-	-	-

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	2018
	RMB'000	RMB'000
Unquoted equity investments, at cost	267,472	267,472

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. INVESTMENTS IN SUBSIDIARIES (Continued)

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests	
		2019	2018	2019	2018
		%	%	%	%
Held by the Company					
Hengyang Holding Pte. Ltd. ⁽¹⁾ (Singapore)	Investment holding	65	65	35	35
Held by Hengyang Holding Pte. Ltd.					
Deqiao Petrochemical Logistics Pte. Ltd. (Singapore)	Investment holding	65	65	35	35

Note:

(1) Audited by BDO LLP, Singapore.

Non-controlling interests

Summarised financial information in relation to the subsidiaries that have non-controlling interests ("NCI") that are material to the Group, before intra-group eliminations and together with amounts attributed to NCI, are presented below:

	Hengyang Holding Pte Ltd and its subsidiary	
	2019 RMB'000	2018 RMB'000
Assets:		
Current assets	68,580	68,257
Non-current assets	536,520	569,920
Liabilities:		
Current liabilities	(15,623)	(11,069)
Non-current liabilities	-	(4,366)
Net assets	589,477	622,742
Accumulated non-controlling interests	206,317	217,960
Revenue	-	-
Loss before income tax	(33,267)	(21,575)
Income tax expense	-	(37)
Loss after income tax	(33,267)	(21,612)
Loss after income tax allocated to NCI, representing total comprehensive income allocated to NCI	(11,643)	(7,563)
Cash flows used in operating activities	(1,199)	(1,278)
Cash flows from/(used in) investing activities	565	(49,763)
Cash flows used in financing activities	(57)	-
Net cash outflows	(691)	(51,041)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. INVESTMENT IN A JOINT VENTURE

	Group	
	2019 RMB'000	2018 RMB'000
Unquoted equity investment, at cost	617,100	617,100
Share of results of joint venture, net of tax	<u>(80,629)</u>	<u>(47,180)</u>
	<u>536,471</u>	<u>569,920</u>

Impairment assessment of investment in a joint venture

The management carried out a review of the investment in a joint venture, having regard for indicators of impairment on investment in a joint venture as certain subsidiaries of the joint venture have been incurring losses and its largest storage facilities in Jiangsu Deqiao Storage Co., Ltd. ("Deqiao") has not resumed operations as at end of the financial year. Subsequent to the financial year, the restoration work of Deqiao was fundamentally completed and pending for regulatory examination and approval to commence formal operation. The assessment was made with reference to the value-in-use calculations using cash flow projections from financial budgets approved by the joint venture management covering a five-year period including terminal value. Based on management's review, no impairment was required.

The key assumptions for the value-in-use calculations are as follows:

	Group	
	2019 %	2018 %
Revenue growth rates	3 – 51	3 – 75
Terminal growth rate	0.8	1.1
EBITDA margins	23 – 52	33 – 53
Discount rate	<u>15</u>	<u>15</u>

If any of the following changes were made to the above key assumptions, the carrying amount and recoverable amount would be equal.

Revenue growth rates	Decreased by 6.74%
Terminal growth rate	Decreased by 3.45%
EBITDA margins	Decreased by 6.74%
Discount rate	<u>Increased by 2.13%</u>

The details of the joint venture are as follows:

Name of company (Principal place of business)	Principal activities	Effective equity interest held by the Group	
		2019 %	2018 %
Held by Hengyang Holding Pte. Ltd.			
Jiangyin Foreversun Chemical Logistics Co., Ltd. ⁽¹⁾ (People's Republic of China)	Storage, dispatch, drumming and land transportation of liquid petrochemical products and management of ports terminal	51	51

(1) Audited by BDO China Shu Lun Pan Certified Public Accountants LLP, PRC, a member firm of BDO International Limited for equity accounting purpose.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. INVESTMENT IN A JOINT VENTURE (Continued)

The details of the joint venture are as follows: (Continued)

The financial year end of Jiangyin Foreversun is 31 December.

On 3 December 2018, the joint venture entered into a loan agreement (the "Loan Agreement") with CITIC Finance Co., Ltd. (the "Lender"). Pursuant to the Loan Agreement, the Lender has agreed to extend to the joint venture a commercial loan (the "Loan") with the principal amount being RMB500,000,000 and the applicable interest rate being 5.4625% per annum as at the date of the Loan Agreement. In addition to the corporate guarantee provided by the Group as disclosed in Note 24, the Group also has pledged its 51% of the equity interest in the joint venture held by Hengyang Holding Pte. Ltd. ("HHPL") in favour of the Lender.

Significant restrictions

As at 31 December 2019, cash and bank balances of approximate RMB75,626,000 (2018: RMB129,368,000) held by joint venture in the PRC are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends.

Summarised financial information

Summarised financial information in respect of Jiangyin Foreversun and its subsidiaries and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised consolidated statement of financial position

	2019 RMB'000	2018 RMB'000
Current assets	273,535	284,946
Non-current assets	2,183,226	1,912,460
Current liabilities	(293,694)	(298,866)
Non-current liabilities	(1,219,989)	(890,383)

The above amounts of assets and liabilities include the following:

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents	75,626	129,368
Current financial liabilities (excluding trade and other payables and deferred tax liabilities)	(161,077)	(150,313)
Non-current financial liabilities (excluding trade and other payables and current income tax payable)	(1,190,035)	(856,541)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. INVESTMENT IN A JOINT VENTURE (Continued)

Summarised financial information (Continued)

Summarised consolidated statement of comprehensive income

	2019 RMB'000	2018 RMB'000
Revenue	1,024,037	443,137
Loss before income tax	(63,155)	(44,148)
Loss after income tax, representing total comprehensive income	<u>(65,138)</u>	<u>(42,153)</u>
Total comprehensive income attributable to:		
– Owners of Jiangyin Foreversun	(65,583)	(42,213)
– Non-controlling interests	445	60
	<u>(65,138)</u>	<u>(42,153)</u>
<i>Included in the above amounts are:</i>		
Depreciation and amortisation	(60,528)	(61,452)
Interest income	25,710	3,125
Interest expense	(31,350)	(29,299)
Income tax (expense)/credit	<u>(1,983)</u>	<u>1,993</u>

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in joint venture, is as follows:

	2019 RMB'000	2018 RMB'000
Proportion of Group ownership	51%	51%
Share of net assets of the joint venture	420,379	451,744
Fair value adjustment on plant and equipment and land use rights	65,991	65,991
Cumulative depreciation and amortisation on fair value adjustment	(5,599)	(3,431)
Non-controlling interest	<u>(3,141)</u>	<u>(3,225)</u>
Interest in joint venture	477,630	511,079
Goodwill	58,841	58,841
Carrying value of Group's interest in joint venture	<u>536,471</u>	<u>569,920</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. RIGHT-OF-USE ASSET

	Group RMB'000
At cost	
Balance as at 1 January 2019	
– Adoption of SFRS(I) 16 (Note 2.1)	102
Amortisation for the financial year	<u>(53)</u>
Balance as at 31 December 2019	<u><u>49</u></u>

9. OTHER RECEIVABLES

Other receivables comprise deposits paid which are denominated in Singapore dollar.

10. AMOUNT OWING BY RELATED PARTIES

The amount owing by related parties are unsecured, non-interest bearing, repayable on demand. The balances are denominated in the following currencies:

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Chinese renminbi	6	6	6	6
Singapore dollar	<u>189</u>	<u>182</u>	<u>–</u>	<u>–</u>
	<u><u>195</u></u>	<u><u>188</u></u>	<u><u>6</u></u>	<u><u>6</u></u>

Amount owing by related parties are considered to be a low credit risk and subject to immaterial credit loss (Note 26.2). Credit risk for these assets has not increased significantly since their initial recognition.

11. AMOUNT OWING BY/(TO) A SUBSIDIARY

Amount owing by a subsidiary

The amount owing by a subsidiary is non-trade in nature, unsecured, non-interest bearing and repayable upon demand. The amount is denominated in Chinese renminbi.

Amount owing by a subsidiary is considered to be a low credit risk and subject to immaterial credit loss (Note 26.2). Credit risk for these assets has not increased significantly since their initial recognition.

Amount owing to a subsidiary

The amount owing to a subsidiary is non-trade in nature, unsecured, non-interest bearing and repayable upon demand. The amount is denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Cash on hand	14	13	1	1
Bank balances	15,759	17,013	2,479	2,785
Fixed deposits	69,072	70,825	45,036	47,045
Cash and cash equivalents per consolidated statement of cash flows	<u>84,845</u>	<u>87,851</u>	<u>47,516</u>	<u>49,831</u>

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Chinese renminbi	84,155	85,801	47,128	49,030
Singapore dollar	677	1,951	375	774
United States dollar	13	99	13	27
	<u>84,845</u>	<u>87,851</u>	<u>47,516</u>	<u>49,831</u>

The effective interest rates for fixed deposits range from 0.175% to 2.8% (2018: 0.175% to 3%) per annum and have a tenure of 1 to 3 (2018: 1 to 3) months.

13. OTHER PAYABLES

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Accrued expenses	184	304	28	176
Other payables – third parties	979	882	781	484
	<u>1,163</u>	<u>1,186</u>	<u>809</u>	<u>660</u>

Other payables are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. LEASE LIABILITY

	Group RMB'000
Balance as at 1 January 2019	
– Adoption of SFRS(I) 16 (Note 2.1)	102
Interest expense	5
Lease payments	
– Principal portion	(52)
– Interest portion	(5)
Balance as at 31 December 2019	50

The maturity analysis of lease liability of the Group at 31 December 2019 is as followed:

	Group RMB'000
Contractual undiscounted cash flows	
– Not later than a year	51
Less: Future interest expense	(1)
Present value of lease liabilities	50

The Group leases an office premise in Singapore with fixed payments over the lease terms and the incremental borrowing rate applied was 5.25% per annum.

There are no externally imposed covenant on the lease arrangement.

The lease liability is denominated in Singapore dollar.

15. AMOUNT OWING TO DIRECTORS

The amount owing to the Directors are unsecured, non-interest bearing, repayable on demand and denominated in Singapore dollar.

16. DERIVATIVE FINANCIAL INSTRUMENT

	Group	
	2019 RMB'000	2018 RMB'000
<u>Derivative financial liability</u>		
Balance as at 1 January	4,366	4,681
Change in fair value	–	(315)
Balance as at 31 December	4,366	4,366

On 22 May 2017, HHPL had completed the execution of the transaction documents (“Transaction Documents”) comprising of (i) a subscription agreement between HHPL and CITIC Port; (ii) an equity transfer agreement between HHPL and CITIC Port; and (iii) the grant of an option (“Option”) to subscribe for 2% of the equity interest in Jiangyin Foreversun to CITIC Port.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. DERIVATIVE FINANCIAL INSTRUMENT (Continued)

The Transaction Documents comprised the following:

- (a) The issue of equity interest in Jiangyin Foreversun and subscription of 37.2% of the enlarged equity interest in Jiangyin Foreversun by CITIC Port for an aggregate consideration of RMB450,000,000 (the "Subscription");
- (b) Concurrently with the completion of the Subscription, the disposal of 11.8% equity interest in Jiangyin Foreversun held by HHPL to CITIC Port for an aggregate consideration of RMB142,900,000 (the "Disposal"), such that the shareholders of Jiangyin Foreversun will comprise (i) HHPL holding 51% of the equity interest in Jiangyin Foreversun and (ii) CITIC Port holding 49% of the equity interest in Jiangyin Foreversun upon the completion ("Completion"); and
- (c) Upon the Completion, the grant of an Option to subscribe for additional 2% equity interest in Jiangyin Foreversun to CITIC Port for an aggregate consideration not exceeding RMB50,000,000. The exercise date of the Option shall be any date within one year period after the expiration of two years from the date of Completion of the Subscription and the Disposal.

The Company uses the Binomial Model to determine the fair value of the Option, considering each of the possible future events, as well as the conversion terms and conditions under different event conditions. The derivative financial instrument is categorised into level 3 under the fair value hierarchy as the inputs and data are not based on observable market data.

The change in fair value of derivative financial instrument is included in "Other income" line item in profit or loss.

Subsequent to the financial year, CITIC Port did not exercise the Option to subscribe for the 2% equity interest in Jiangyin Foreversun before the date of expiry, 22 May 2020.

17. SHARE CAPITAL

	Group and Company			
	2019	2018	2019	2018
	Number of ordinary shares		RMB'000	RMB'000
Issued and fully paid				
Balance as at beginning and end of financial year	<u>203,461,883</u>	<u>203,461,883</u>	<u>289,064</u>	<u>289,064</u>

The Company has one class of ordinary shares which carried no right to fixed income. All ordinary shares carry one vote per share without restriction and have no par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time. All shares rank equally with regards to the Company's residual assets.

18. OTHER RESERVE

Other reserve arose from dilution of equity interest in subsidiary, HHPL due to issuance of new shares to non-controlling interest in prior years and such transaction has not result in a loss in control in this subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. OTHER INCOME

	Group	
	2019 RMB'000	2018 RMB'000
Interest income from bank deposits	1,854	1,090
Change in fair value of derivative financial instrument	-	315
	1,854	1,405

20. LOSS BEFORE INCOME TAX

The above has been arrived at after charging:

	Group	
	2019 RMB'000	2018 RMB'000
Amortisation of right-of-use asset	53	-
Audit fees – auditors of the Company	440	451
Employee benefit costs (including of Directors' fees) (Note 21)	3,059	3,025
Operating lease rental	-	51
	-	51

21. EMPLOYEE BENEFIT COSTS

	Directors' remuneration RMB'000	Other key management personnel RMB'000	Other staff RMB'000	Total RMB'000
Group				
2019				
Directors' fees				
– Directors of the Company	1,704	-	-	1,704
Salaries and related costs	605	112	521	1,238
Defined contribution plans	52	-	65	117
	2,361	112	586	3,059
2018				
Directors' fees				
– Directors of the Company	1,280	-	-	1,280
Salaries and related costs	1,103	125	393	1,621
Defined contribution plans	62	-	62	124
	2,445	125	455	3,025

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Directors and certain general managers are considered key management personnel. The employee benefit costs are charged to administrative and other expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22. INCOME TAX EXPENSE

	Group	
	2019 RMB'000	2018 RMB'000
Under-provision of current income tax in respect of prior year	-	37

The income tax expense varied from the amount of income tax expense determined by applying the applicable income tax rate of 17% (2018: 17%) to loss before income tax as a result of the following:

	Group	
	2019 RMB'000	2018 RMB'000
Loss before income tax	(36,295)	(25,372)
Share of results of joint venture, net of tax	33,449	21,526
	(2,846)	(3,846)
Tax at applicable income tax rate	(484)	(654)
Tax effect on non-deductible expenses	484	654
Under-provision of current income tax in respect of prior year	-	37
	-	37

23. LOSS PER SHARE

The calculation for loss per share is based on:

	Group	
	2019	2018
Loss after income tax attributable to owners of the parent (RMB'000)	(24,652)	(17,846)
Actual number of ordinary shares in issue during the financial year applicable to basic loss per share ('000)	203,462	203,462
Loss per share (in cents)		
- Basic	(12.12)	(8.77)
- Diluted	(12.12)	(8.77)

Basic loss per share is calculated by dividing the net loss for the financial year attributable to owners of the parent by the actual number of ordinary shares in issue during the financial year. As the Group has no dilutive potential ordinary shares, the diluted loss per share is equivalent to basic loss per share for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. COMMITMENTS

24.1 Operating lease commitments

As lessee

As at 31 December 2018, commitments in respect of non-cancellable operating lease for rental of premise was as follows:

	Group 2018 RMB'000
Future minimum lease payments payable:	
Within one financial year	56
After one year but within five financial years	51
	<u>107</u>

Operating lease payments as at 31 December 2018 represents rents payable by the Group for a premise. This lease has no escalation clauses, restriction and do not provide contingent rents.

24.2 Contingent liabilities

As at 31 December 2019, the Group had given guarantees amounting to RMB793,006,500 (2018: RMB780,103,500) to certain banks in respect of banking facilities granted to a joint venture.

At each reporting date, the total amount of loans outstanding covered by the guarantees is RMB479,642,400 (2018: RMB277,452,400). Such guarantees were in the form of a financial guarantee as they require the Group to reimburse the bank if the joint venture which the guarantees were extended fails to make principal or interest repayments when due in accordance with the terms of the borrowing. There was no default or non-repayment since the utilisation of the banking facility.

The Group did not recognise any liability in respect of the guarantees given to the bank for banking facilities granted to the joint venture as the Directors of the Company assessed that the expected cash shortfalls arising from the reimbursement to bank is immaterial.

Subsequent to the financial year, the Group and its joint venture party committed to provide guarantee deposits amounting to RMB50,000,000 each in October 2020 and March 2021, according to the proportion ownership in the joint venture, if Jiangsu Deqiao Storage Co., Ltd. ("Deqiao") did not obtain regulatory approval to commence normal operations by 30 September 2020 and 31 March 2021 respectively. The guarantee deposits will be returned to the Group and its joint venture partner after Deqiao receives the relevant approval to commence normal operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial year, in addition to the information disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties at rates and terms agreed between the parties:

	2019 RMB'000	2018 RMB'000
Group		
<i>Sales to related parties</i>	9,946	4,577
– Jiangyin Golden Bridge Chemical Co., Ltd. (Note (a))	9,850	4,569
– Wuhan Kangyang Petrochemical Co., Ltd. (Note (b))	96	–
– Shanghai Kangyang Petrochemical Co., Ltd. (Note (b))	–	8
<i>Purchase from a related party</i>		
– Jiangyin Golden Bridge Chemical Co., Ltd. (Note (a))	1,048	1,310
<i>Interest income charged to a related party</i>		
– Jiangyin Golden Bridge Chemical Co., Ltd. (Note (a))	593	1,530
<i>Interest expense charged by related parties</i>	6,378	7,613
– Jiangyin Golden Bridge Chemical Co., Ltd. (Note (a))	5,037	5,219
– Wuhan Kangyang Petrochemical Co., Ltd. (Note (b))	574	1,625
– Gu Wen Long	767	769

(a) Jiangyin Golden Bridge Chemical Co., Ltd. ("Jinqiao Chemical") is a company established and wholly-owned by Ms Sun Fang, the spouse of the Company's Chairman and Chief Executive Officer, Mr Gu Wen Long.

(b) Shanghai Kangyang Petrochemical Co., Ltd. and Wuhan Kangyang Petrochemical Co., Ltd. are controlled by Jinqiao Chemical.

The outstanding balances with related parties are disclosed in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

26.1 Categories of financial instruments

The following table sets out the financial instruments as at the end of the financial year:

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Financial assets measured at amortised cost				
Other receivables	15	15	–	–
Amount owing by related parties	195	188	6	6
Amount owing by a subsidiary	–	–	10,851	10,542
Cash and cash equivalents	84,845	87,851	47,516	49,831
	85,055	88,054	58,373	60,379
Financial liabilities measured at amortised cost				
Other payables	1,163	1,186	809	660
Lease liability	50	–	–	–
Amount owing to a subsidiary	–	–	31,043	30,037
Amount owing to Directors	771	902	771	902
	1,984	2,088	32,623	31,599
Financial liabilities measured at fair value				
Derivative financial instrument	4,366	4,366	–	–
	6,350	6,454	32,623	31,599

26.2 Financial risk management objectives and policies

The Group's overall risk management strategy seek to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Group's management then establish the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's exposures to these financial risks or the manner in which they manage and measure these risks. The Group does not hold or issue a derivative financial instrument for trading purpose or to hedge against fluctuation. The Group's exposure to financial risks associated with financial instruments held in the ordinary course of business includes:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

26.2 Financial risk management objectives and policies (Continued)

(i) Foreign currency risk

Currency risk arises from transactions denominated in currencies other than the functional currency of the entities within the Group. The Group is exposed to Singapore dollar and United States dollar. The Group does not use any derivative financial instruments to hedge these exposures.

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year were as follows:

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Monetary assets				
Singapore dollar	881	2,148	375	774
United States dollar	13	99	13	27
	<u>894</u>	<u>2,247</u>	<u>388</u>	<u>801</u>
Monetary liabilities				
Singapore dollar	<u>(1,984)</u>	<u>(2,088)</u>	<u>(32,623)</u>	<u>(31,599)</u>

The Group and Company are mainly exposed to Singapore dollar ("SGD").

The following table details the Group's and Company's sensitivity to a 5% (2018: 5%) change in SGD against RMB. The sensitivity analysis assumes an instantaneous 5% (2018: 5%) change in the foreign currency exchange rates from the end of the financial year, with all variables held constant. The results of the model are also constrained by the fact that only monetary items denominated in SGD are included in the analysis.

	Increase/(Decrease) in Profit or Loss			
	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
SGD				
Strengthens against RMB	(55)	3	(1,612)	(1,540)
Weakens against RMB	<u>55</u>	<u>(3)</u>	<u>1,612</u>	<u>1,540</u>

No sensitivity analysis has been prepared for United States dollar as the effect of the currency risk is not considered significant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

26.2 Financial risk management objectives and policies (Continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group has no floating interest-bearing financial instruments and hence, is not exposed to any movements in market interest rates.

(iii) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties. The Group and the Company perform ongoing credit evaluation of their counterparties' financial condition and generally do not require collaterals.

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics as at each reporting date.

The Company does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for the amount owing by a subsidiary amounting to RMB10,851,000 (2018: RMB10,542,000) as at the end of financial year.

The Group's major classes of financial assets are bank deposits and the Company's amounts owing by a subsidiary. Bank deposits are mainly deposits with reputable banks.

Other receivables including amount owing by related parties and a subsidiary

For amount owing by related parties (Note 10) and amount owing by a subsidiary (Note 11), Board of Directors has taken into account information that it has available internally about these receivables' past, current and expected operating performance and cash flow position. Board of Directors monitors and assess at each reporting date on any indicator of significant increase in credit risk on the amount due from the receivables, by considering their performance ratio and any default in external debts. The risk of default is considered to be minimal as these receivables have sufficient liquid assets and cash to repay their debts. Therefore, amount due from receivables has been measured based on 12-month expected credit loss model and subject to immaterial credit loss.

Cash and cash equivalents

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

26.2 Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Financial guarantee contracts

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position, except as follows:

	Group	
	2019	2018
	RMB'000	RMB'000
Corporate guarantees provided to bank for interest in a joint venture's banking facilities utilised as at the end of financial year	<u>479,642</u>	<u>277,452</u>

The earliest period that the guarantee could be called is within one year from the end of the financial year. Based on assessment at each reporting date, the Group considers that the joint venture has financial capacity to meet the contractual cash flows obligation in the near future and hence, does not expect significant credit losses arising from these guarantees (Note 24.2).

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Group manages its liquidity risk by ensuring the availability of adequate funds to meet all its obligations in a timely and cost-effective manner.

All financial liabilities of the Group are non-interest bearing and matured within one financial year from the end of the financial year. The carrying amount represents the contractual undiscounted cash flows except for lease liability as disclosed in Note 14 to the financial statements.

As at 31 December 2019, the Group had given a financial guarantee for the joint venture's bank loans of RMB479,642,400 (2018: RMB277,452,400) which represents the maximum amount of issued financial guarantees in the earliest period for which the guarantees could be call upon in the contracted maturity analysis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts of the current financial assets and current financial liabilities that are not carried at fair value approximate their respective fair values as at the end of the financial year due to the relatively short-term maturity of these financial instruments.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost, which approximate their fair value due to the relative short-term maturity of the financial instruments.

Fair value of the financial liability that is measured at fair value on a recurring basis, are detailed in the following table:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Group				
<u>31 December 2019</u>				
Financial liability				
<i>Financial liability at fair value through profit or loss</i>				
Derivative financial instruments	-	-	4,366	4,366
<u>31 December 2018</u>				
Financial liability				
<i>Financial liability at fair value through profit or loss</i>				
Derivative financial instruments	-	-	4,366	4,366

There were no transfers between Levels 1 and 2 of the fair value hierarchy during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

The fair value of derivative in relation to Option classified as Level 3 is determined by using valuation techniques. The Group uses binomial option pricing model and makes assumptions on key unobservable inputs such as volatility, dividend yield and risk-free rate that are based on market conditions existing at end of each financial year.

Financial liability	Fair value as at		Fair value hierarchy	Valuation technique and key input	Significant unobservable input	Relationship of unobservable inputs to fair value
	2019	2018				
Group	RMB'000	RMB'000				
Derivative financial instrument – Option	4,366	4,366	Level 3	Binomial model	Fair value of Jiangyin Foreversun group's CGU Risk-free interest rate of the People's Republic of China Government Securities at 2.36% (2018: 2.72%) Volatility rate at 43.35% (2018: 55.69%)	An increase in the fair value used in isolation would result in an increase in the fair value. An increase in the risk-free interest rate used in isolation would result in an increase in the fair value. An increase in the volatility rate used in isolation would result in a increase in the fair value.

The sensitivity analysis of a reasonably possible change in one significant unobservable input, holding other inputs constant, of level 3 financial instruments is provided below:

Group	Increase/(Decrease) in loss for the financial year	
	2019 RMB'000	2018 RMB'000
Fair value of Jiangyin Foreversun group's CGU		
– 5% increase	151	686
– 5% decrease	(8)	(623)
Risk free rate		
– 1% increase	47	118
– 1% decrease	(47)	(117)
Volatility rate		
– 5% increase	332	759
– 5% decrease	(333)	(729)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28. CAPITAL MANAGEMENT

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholder's value.

The capital structure of the Group and the Company consists of equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings as disclosed in Notes 17 and 18. The Board reviews the capital structure on a semi-annual basis. As part of this review, the Board considers the cost of capital and risks associated with each class of capital. Upon review, the Group will balance their overall capital structure through new share issues as well as issue of new debts or the redemption of existing debts. The Group's overall strategy remains unchanged from year 2018.

The Group and the Company is not subject to any externally imposed capital requirements.

29. EVENTS AFTER THE REPORT PERIODS

In January 2020, the World Health Organisation announced that the Covid-19 as a global health emergency and to contain the spread of the Covid-19, the Central Government of the Republic of China has announced several restrictive measures, including travel restriction within the cities and at country border and operations suspension nationwide which includes the province where the Group's joint venture operations are situated in.

The Group's joint venture has set up a specific task force in each operating facility to handle the matter and implemented various course of action to prevent a spread of the Covid-19. Since beginning of March 2020, the Covid-19 is under control within China and the Group's joint venture has operated as normal thereon.

Due to the evolving situation of the Covid-19 outbreak, although the Group do not expect long term financial impact, the Group is unable to reasonably estimate the financial impact on the Group's business, results of operations and cash flows for the financial year ending 31 December 2020.

30. AUTHORISATION OF FINANCIAL STATEMENTS

The statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 were authorised for issue in accordance with a Directors' resolution dated 2 June 2020.

STATISTICS OF SHAREHOLDINGS

AS AT 29 MAY 2020

No. of Issued Shares	:	203,461,883
No. of Treasury Shares	:	0
No. of Subsidiary Holdings ⁽¹⁾	:	0
Percentage of Treasury Shares and Subsidiary Holdings ⁽²⁾	:	0.00%
Class of shares	:	Ordinary shares
Voting Rights	:	One vote per share

Notes:

- (1) "Subsidiary Holdings" is defined in Section B: Rules of Catalist of the SGX-ST Listing Manual ("Catalist Rules") to mean Issued Shares of the Company held by its subsidiary, as referred to in Section 21 of the Companies Act, Chapter 50 of Singapore.
- (2) Percentage calculated against the total number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings).

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 – 99	133	43.61	2,080	0.00
100 – 1,000	40	13.11	21,551	0.01
1,001 – 10,000	60	19.67	222,742	0.11
10,001 – 1,000,000	58	19.02	8,149,730	4.01
1,000,001 AND ABOVE	14	4.59	195,065,780	95.87
TOTAL	305	100	203,461,883	100

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NUMBER OF SHARES	%
1	FOREVERSUN HOLDINGS CO., LTD	77,800,000	38.24
2	INTEGRATED LOGISTICS (HK) LTD	52,500,000	25.80
3	CITIBANK NOMINEES SINGAPORE PTE LTD	36,300,000	17.84
4	RAFFLES NOMINEES (PTE.) LIMITED	9,714,000	4.77
5	OCBC SECURITIES PRIVATE LIMITED	3,879,200	1.91
6	LUAN YING	2,583,600	1.27
7	CHIN BAY CHING	2,382,000	1.17
8	NOMURA SINGAPORE LIMITED	1,950,000	0.96
9	WANG WEIZHONG	1,750,000	0.86
10	LI YI	1,700,000	0.84
11	FU XINRONG	1,250,000	0.61
12	DBS NOMINEES (PRIVATE) LIMITED	1,121,980	0.55
13	TAN THOO CHYE	1,072,500	0.53
14	OILTANKING ASIA PACIFIC PTE LTD	1,062,500	0.52
15	ABN AMRO CLEARING BANK N.V.	956,700	0.47
16	JIANG JIAN	771,750	0.38
17	PHILLIP SECURITIES PTE LTD	737,582	0.36
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	607,195	0.30
19	DIONG TAI PEW	475,300	0.23
20	CHOW CHIN YANN	396,250	0.19
TOTAL		199,010,557	97.80

Notes:

- (1) Foreversun Holdings Co., Ltd. is holding 36,300,000 shares of the Company through Citibank Nominees Singapore Pte Ltd.
- (2) Mr Xie Yu, a Non-Executive Director of the Company, is holding 1,950,000 shares of the Company through Nomura Singapore Limited.

STATISTICS OF SHAREHOLDINGS

AS AT 29 MAY 2020

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
Foreversun Holdings Co., Ltd. ⁽¹⁾	114,100,000	56.08	–	–
Integrated Logistics (H.K.) Ltd. ⁽²⁾	52,500,000	25.80	–	–
Gu Wen Long ⁽³⁾	–	–	114,100,000 ⁽³⁾	56.08

Notes:

- (1) Of the 114,100,000 shares of the Company in which Foreversun Holdings Co., Ltd. has an interest, 36,300,000 shares are held through Citibank Nominees Singapore Pte Ltd.
- (2) Mr Tee Tuan Sem, the Executive Vice Chairman of the Company, is the chief executive officer of Integrated Logistics Bhd (“**ILB**”), a logistics company listed on Bursa Malaysia. ILB has a 70% indirect effective equity interest in Integrated Logistics (H.K.) Ltd. (“**ILHK**”). ILHK is an investment holding company, incorporated in Hong Kong, with investments in logistics businesses in the People’s Republic of China. The other 30% of ILHK is owned by Shun Hing China Investment Limited, an investment holding company that is indirectly owned by the family of Mr David Mong Tak-yeung and the estate of Dr William Mong Man-Wai. Mr David Mong Tak-yeung is not related to any of the Directors.
- (3) Mr Gu Wen Long owns the entire issued share capital of Foreversun Holdings Co., Ltd. and is therefore deemed interested in the shares of the Company held by Foreversun Holdings Co., Ltd. by virtue of Section 7 of the Companies Act.

Rule 723 of the Catalist Rules

Based on the above information and to the best knowledge of the Directors and Substantial Shareholders of the Company, 16.93% of the issued shares of the Company are held by the public. Rule 723 of the Catalist Rules of the SGX-ST is complied with.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hengyang Petrochemical Logistics Limited (the “**Company**”) will be held by way of electronic means on **Monday, 29 June 2020 at 10.00 a.m.** for the following purposes:

AS ORDINARY BUSINESS

To consider and, if deemed fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2019, together with the Directors’ Statement and Report of the Auditors thereon. **(Resolution 1)**

2. To re-elect Mr Xie Yu being a Director who retires pursuant to Article 91 of the Constitution of the Company, and who, being eligible, is offering himself for re-election. **(Resolution 2)**
[Explanatory Note (1)]

3. To re-elect Mr Diong Tai Pew being a Director who retires pursuant to Article 91 of the Constitution of the Company, and who, being eligible, is offering himself for re-election. **(Resolution 3)**
[Explanatory Note (2)]

4. To approve the payment of Directors’ Fees of S\$193,700 for the financial year ending 31 December 2020. **(Resolution 4)**
[Explanatory Note (3)]

5. To re-appoint Messrs BDO LLP as Auditors of the Company for the financial year ending 31 December 2020 and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

To consider and, if deemed fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. SHARE ISSUE MANDATE

THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) and Rule 806 of the Listing Manual of Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (Section B: Rules of Catalyst) (the “**Catalist Rules**”), authority be and is hereby given to the Directors of the Company to:

- i. (a) allot and issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or

- (b) make or grant offers, agreements or options (collectively, “**Instruments**”) that may or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF THE ANNUAL GENERAL MEETING

- II. (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance to any Instruments made or granted by the Directors while this Resolution was in force, provided that:
- (a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed one hundred percent (100%) of the total number of the issued shares (excluding treasury shares) of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty percent (50%) of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below);
 - (b) (subject to such calculation as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of the issued share capital shall be calculated based on the total number of the issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of the Instruments;
 - (ii) new shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the share options or awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - (iii) any subsequent bonus issue, consolidated or subdivision of shares;
 - (c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
 - (d) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

[Explanatory Note (4)]

(Resolution 6)

7. SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

THAT approval be and is hereby given:

- (1) for the purpose of Chapter 9 of the Catalist Rules, for the Company and any of its subsidiaries and associated companies that is deemed an entity at risk as defined in Chapter 9 of the Catalist Rules, to enter into any of the transactions falling within the types of Interested Person Transactions, as set out in the Appendix to the Annual Report for the financial year ended 31 December 2019 (the "**Appendix**") with any party who is of the class of the Interested Persons described in the Appendix provided that such transactions are carried out in the ordinary course of business, on normal commercial terms and in accordance with the guidelines and review procedures for Interested Person Transactions as set out in the Appendix (the "**Shareholders' Mandate**");

NOTICE OF THE ANNUAL GENERAL MEETING

- (2) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by laws to be held, whichever is the earlier; and
- (3) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution.

[Explanatory Note (5)]

(Resolution 7)

8. To transact any other ordinary business that may properly be transacted at an annual general meeting.

By Order of the Board

Yap Lian Seng and Dr Qiu Yang

Joint Company Secretaries

Singapore, 12 June 2020

Explanatory Notes:

- (1) **Resolution 2** – Mr Xie Yu, if re-elected, will remain as the Non-Executive Director of the Board of Directors of the Company, member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company respectively.
- (2) **Resolution 3** – Mr Diong Tai Pew, if re-elected, will remain as the Lead Independent Director of the Board of Directors of the Company, chairman of the Audit Committee, member of the Nominating Committee and Remuneration Committee of the Company respectively.
- (3) **Resolution 4** – Is to facilitate payment of Directors' fees during the financial year in which the fees are incurred. The Directors' fees will be paid half-yearly in arrears. The aggregate amount of Directors' fees provided in the Resolution is calculated on the assumption that all the present Directors will hold office for the whole of the financial year ending 31 December 2020 ("FY2020"). Should any Director hold office for only part of FY2020 and not the whole of FY2020, the Director's fee payable to him will be appropriately pro-rated.
- (4) **Resolution 6** – Is to empower the Directors to issue shares and/or Instruments (as defined above) in the capital of the Company. The aggregate number of shares to be issued pursuant to Resolution 6 (including shares to be issued in pursuance of Instruments made or granted) shall not exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company with a sub-limit of 50% for shares issued other than on a pro-rata basis to shareholders (including shares to be issued in pursuance of Instruments made or granted pursuant to the said Resolution). For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the total number of issued shares (excluding treasury shares) at the time of the passing of Resolution 6, after adjusting for (i) new shares arising from the conversion or exercise of the Instruments; (ii) new shares arising from exercising share options or vesting share awards outstanding or subsisting at the time of passing of this Resolution provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalyst Rules; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.
- (5) **Resolution 7** – For further details, please refer to the Appendix.

NOTES: MEASURES TO MINIMIZE THE RISK OF COVID-19

GENERAL

1. The Annual General Meeting ("AGM" or the "Meeting") is being convened and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("Order") and **members of the company will not be able to attend the AGM in person. Printed copies of this Notice and other AGM documents, including annual report, its Appendix and the Proxy Form, will not be sent to members.** This Notice will only be sent to members by electronic means via publication on the SGX website at the URL <https://www.sgx.com/securities/equities/5PD#Company%20Announcements>.
2. Alternative arrangements are instead put in place to allow the members to participate in the AGM by:
- watching and/or listening to the AGM proceedings via a Live Webcast (as defined below). Members who wish to participate as such will have to pre-register in the manner outlined in Note 3 to 6 below;
 - submitting questions to the Chairman of the Meeting in advance of the AGM. Please refer to Note 7 to 10 below for further details;
 - voting by appointing the Chairman of the Meeting as proxy at the AGM. Please refer to Note 11 to 15 below for further details.

NOTICE OF THE ANNUAL GENERAL MEETING

PRE-REGISTRATION FOR LIVE WEBCAST

3. A member of the Company or their corporate representatives (in the case of a member which is a legal entity) will be able to watch or listen to the AGM proceedings through a "live" webcast via mobile phones, tablets or computers ("**Live Webcast**"). In order to do so, shareholders must pre-register with us via email to hengyangagmfy2019@hyplc.com by stating their full name with identification number, company name, contact number, address and email address by no later than **10.00 a.m. on 24 June 2020** ("**Registration Deadline**") for the Company to verify his/her/its status as a shareholder of the Company ("**Shareholder**") prior to the AGM.
4. Following the verification, authenticated Shareholders will receive an email by **10.00 a.m. on 26 June 2020** containing a unique link, which the Shareholders can click on to access the Live Webcast and/or teleconference number.
5. Shareholders must not forward the abovementioned link to other persons who are not shareholders of the Company and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live Webcast.
6. Shareholders who have registered by the Registration Deadline but do not receive an email response by **10.00 a.m. on 26 June 2020** may contact the Company for assistance at **(65)6569 5290** or contact@hyplc.com with the following details included: (i) member's full name; and (ii) his/her/its identification/registration number.

SUBMISSION OF QUESTIONS

7. Shareholders and Investors will **not** be able to ask questions "live" via the Live Webcast.
8. Shareholders who wish to submit their questions in relation to the business of the AGM can do so via email to hengyangagmfy2019@hyplc.com by the Registration Deadline (i.e. by **10.00 a.m. on 24 June 2020**).
9. If the questions are sent via email, and in either case not accompanied by the completed and executed Proxy Form (as defined below), the following details must be included with the submitted questions: (i) the member's full name; and (ii) his/her/its identification/registration number for verification purposes, failing which the submission will be treated as invalid.
10. The Company will endeavour to address the substantial questions received during the Live Webcast.

VOTING BY PROXY

11. Shareholders who wish to vote at the AGM must submit the instrument appointing a proxy ("**Proxy Form**") to appoint the Chairman of the AGM to cast votes on their behalf. **Please note that a member will not be able to vote through the Live Webcast and voting is only through submission of the Proxy Form.** The accompanying Proxy Form for the AGM may be accessed via the SGX website at the URL <https://www.sgx.com/securities/equities/5PD#Company%20Announcements>.
12. The Proxy Form appointing the Chairman of the Meeting as proxy:
 - (a) If sent personally or by post, must be deposited at the office of the Share Registrar of the Company, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623;
 - (b) If submitted by electronic means, must be sent by email to hengyangagmfy2019@hyplc.com.

in either case, to be received by **10.00 a.m. on 27 June 2020**, being 48 hours before the time appointed for holding of the AGM (or at any adjournment thereof).

A member who wishes to submit the Proxy Form must first **download, complete and sign the Proxy Form**, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.
13. In the Proxy Form, a member should specifically direct the proxy on how he/she is to vote for or vote against (or abstain from voting on) the resolutions in the form of proxy, failing which the Chairman of the Meeting will vote or abstain from voting at his/her discretion.
14. The instrument appointing the Chairman of the Meeting as proxy must be signed by the appointor or his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or signed on its behalf by its attorney duly authorised in writing or by an authorised officer of the corporation. Where the instrument appointing the Chairman of the Meeting as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.
15. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument of proxy lodged if the member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting (or at any adjournment thereof).

NOTICE OF THE ANNUAL GENERAL MEETING

PERSONS WHO HOLD SHARES THROUGH RELEVANT INTERMEDIARIES

16. Investors who hold shares in the Company (“Shares”) through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore (“Companies Act”)), including CPF/SRS investors, and who wish to participate in the AGM by (a) watch and/or listening to the AGM proceedings via the Live Webcast; or (b) submitting questions in advance of the AGM; should contact their relevant intermediaries to indicate their interest in order for their relevant intermediaries to make the necessary arrangements for them to participate in the Live Webcast of the AGM.
17. The Proxy Form is not valid for use by investors who hold Shares through relevant intermediaries, (as defined in Section 181 of the Companies Act), including CPF/SRS investors, and shall be ineffective for all intents and purposes if used or purported to be used by them. Such investors (including CPF/SRS investors), if they wish to vote, should approach their respective CPF Agent Banks or SRS Operators at least seven working days (i.e. by 10.00 a.m. and 18 June 2020) before the AGM to specify voting instructions.

MINUTES

18. Minutes of the AGM will be provided within one month after the AGM.

PERSONAL DATA PRIVACY

By (a) submitting details for the registration to observe the proceedings of the AGM via Live Webcast, (b) submitting a Proxy Form appointing the Chairman of the Meeting as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, and/or (c) submitting any question prior to the AGM in accordance with this Notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing and administration by the Company (or its agents or service providers) of the proxies and representatives appointed for the AGM (including any adjournment thereof);
- (ii) the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof);
- (iii) processing the pre-registration form for the purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to view the Live Webcast of the proceedings of the AGM and providing them with any technical assistance where necessary;
- (iv) addressing substantial and relevant questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions; and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities. Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member (such as his name, his presence at the AGM and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

FURTHER UPDATES

As the COVID-19 situation continues to evolve, the Company seeks shareholders' understanding that further measures and/or changes to the AGM arrangements may be made on short notice. In the event such measures are adopted, the Company will make announcements as appropriate. Shareholders shall read the Company's announcements published via SGXNet to keep track of the future development of the AGM arrangements, if any.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION AT THE ANNUAL GENERAL MEETING

	XIE YU	DIONG TAI PEW
Age	54	69
Date Of Appointment	19 November 2008	19 November 2008
Job Title	Non-Executive Director Member of the Audit Committee, Nominee Committee and Remuneration Committee	Non-Executive and Lead Independent Director Chairman of the Audit Committee, member of the Nominating Committee and Remuneration Committee
Date of last re-election as Director (if applicable)	28 April 2017	23 April 2018
Country of principal residence	China	Singapore
The Board's comments on the re-election (including rationale, selection criteria, and the search and nomination process)	<p>The NC and the Board reviewed the nomination of Mr Xie Yu (“Mr Xie”) and Mr Diong Tai Pew (“Mr Diong”) for re-election at the AGM. When considering the nomination of Mr Xie and Mr Diong, the NC and the Board took into account, <i>inter alia</i>, their contribution to the Company over the years, extensive experience, skills set and overall contribution to the effectiveness of the Board, which includes their time commitment, participation and candour at Board and Board Committees meetings, despite their multiple board representations and/or other principal commitments.</p> <p>In respect of Mr Diong who had served more than nine years since his initial appointment to the Board in 2008, the NC and the Board concurred that Mr Diong had maintained his independence throughout his appointment as Independent Director of the Company, having observed instances of Mr Diong exercising independent judgement and objectivity in the review and evaluation of actions taken by or proposals from the Management and his seeking of clarification, as and when necessary, to make informed decisions whilst still remaining open to other viewpoints.</p> <p>In view of the above, the NC and the Board recommend the re-election of Mr Diong as Non-Executive and Lead Independent Director and Mr Xie as Non-Executive Director respectively, of the Company.</p>	
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Professional qualifications	For information on the professional qualification of Mr Xie, please refer to the section on “Board of Directors” of the Annual Report.	For information on the professional qualification of Mr Diong, please refer to the section on “Board of Directors” of the Annual Report.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION AT THE ANNUAL GENERAL MEETING

	XIE YU	DIONG TAI PEW
Relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company of its principal subsidiaries	Nil	Nil
Conflict of interests (including any competing business)	Nil	Nil
Working experience and occupation(s) during the past 10 years	For information on the working experience and occupation(s) of Mr Xie, please refer to the section on “Board of Directors” of the Annual Report.	For information on the working experience and occupation(s) of Mr Diong, please refer to the section on “Board of Directors” of the Annual Report.
Undertaking submitted to the Company in the form of Appendix 7H of Catalyst Rule 704(6)	Yes	Yes
Shareholding interest in the Company and its subsidiaries	1,950,000 shares	475,300 shares
Other Principal Commitments including Directorships	<p><u>Past Directorships (for the last 5 years)</u> Nil</p> <p><u>Present Directorships</u> Shenzhen Runwave Investment Co., Ltd. Jiangsu Fuyou Technology Co., Ltd.</p> <p><u>Present Principal Commitments</u> Shenzhen Runwave Investment Co., Ltd. (Director) Jiangsu Fuyou Technology Co., Ltd. (Director)</p>	<p><u>Past Directorships (for the last 5 years)</u> Nil</p> <p><u>Present Directorships</u> V.S. International Group Ltd. V.S. Industry Berhad SIG Gases Berhad</p> <p><u>Present Principal Commitments</u> V.S. International Group Ltd. (Non-Executive Independent Director) V.S. Industry Berhad (Non-Executive Independent Director) SIG Gases Berhad (Non-Executive Independent Director)</p>
Date of announcement of first appointment	19 November 2008	19 November 2008
Responses to questions (a) to (k) under Appendix 7F of the Catalyst Rules	Negative confirmation	Negative confirmation

This page has been intentionally left blank

HENGYANG PETROCHEMICAL LOGISTICS LIMITED

(Incorporated in the Republic of Singapore)

(Registration No. 200807923K)

PROXY FORM – ANNUAL GENERAL MEETING

IMPORTANT:

1. The Annual General Meeting (“AGM” or the “Meeting”) is being convened and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (“Order”) and **members of the company will not be able to attend the AGM in person. Printed copies of this Proxy Form and other AGM documents, including annual report, its Appendix and the Notice of AGM, will not be sent to members.** This Notice will only be sent to members by electronic means via publication on the SGX website at the URL <https://www.sgx.com/securities/equities/5PD#Company%20Announcements>.
2. Alternative arrangements relating to attendance at the Meeting via electronic means, submission of questions to the Chairman of the Meeting in advance and/or voting by appointing the Chairman of the AGM as proxy at the AGM are set out in the Notice of AGM.
3. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, in the form of proxy. If no specific direction as to voting is given, the Chairman of the Meeting will vote or abstain from voting at his/her discretion.
4. For investors who have used their CPF monies to buy shares in the capital of HENGYANG PETROCHEMICAL LOGISTICS LIMITED, this Proxy Form is **not** valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
5. Such investors (including CPF/SRS investors) who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators at least seven working days (i.e. by 10.00 a.m. and 18 June 2020) before the AGM to specify voting instructions.
6. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated **12 June 2020**.
7. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the Meeting as a member’s proxy to vote on his/her/ its behalf at the AGM.

I/We, _____ (name) of _____
_____ (address) being a member/members of HENGYANG PETROCHEMICAL LOGISTICS LIMITED (the “Company”), hereby appoint:

the Chairman of the Annual General Meeting, as my/our proxy to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held by way of electronic means on **Monday, 29 June 2020 at 10.00 a.m.** and at any adjournment thereof.

(Please indicate with an “X” in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

ORDINARY RESOLUTIONS			
ORDINARY BUSINESS		For	Against
Resolution 1	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2019, together with the Directors’ Statement and Report of the Auditors thereon.		
Resolution 2	To re-elect Mr Xie Yu, a Director who retires pursuant to Article 91 of the Constitution of the Company.		
Resolution 3	To re-elect Mr Diong Tai Pew, a Director who retires pursuant to Article 91 of the Constitution of the Company.		
Resolution 4	To approve the payment of Directors’ Fees of S\$193,700 for the financial year ending 31 December 2020.		
Resolution 5	To re-appoint Messrs BDO LLP as Auditors of the Company for the financial year ending 31 December 2020 and to authorise the Directors of the Company to fix their remuneration.		
SPECIAL BUSINESS			
Resolution 6	To approve and adopt the Share Issue Mandate.		
Resolution 7	To approve and adopt the Shareholders’ Mandate for Interested Person Transactions.		

Dated this _____ day of _____ 2020

Total Number of Shares held in:	
CDP Register	
Register of Members	

Signature(s) of member(s) or Common Seal

IMPORTANT: PLEASE READ THE NOTES OVERLEAF



NOTES:

As the COVID-19 situation continues to evolve, the Company seeks shareholders' understanding that further measures and/or changes to the AGM arrangements may be made on short notice. In the event such measures are adopted, the Company will make announcements as appropriate. Shareholders shall read the Company's announcements published via SGXNet to keep track of the future development of the AGM arrangements, if any.

1. Please insert the total number of Shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting ("AGM" or "Meeting") in person.** A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the AGM. This proxy form is made available on SGX website at the URL <https://www.sgx.com/securities/equities/5PD#Company%20Announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, in respect of a resolution in the form of proxy. If no specific direction as to voting is given, the Chairman of the Meeting will vote or abstain from voting at his/her discretion.

3. Any member who is a relevant intermediary of the Company is entitled to appoint the Chairman of the Meeting to attend, speak and vote (whether to vote in favour of, or against, or to abstain from voting).

"Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50 of Singapore ("**Companies Act**").

4. Investors who hold shares in the Company ("**Shares**") through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50), including CPF/SRS investors, and who wish to vote should approach their respective CPF Agent Banks or SRS Operators at least seven working days (i.e. by 10.00 a.m. and 18 June 2020) before the AGM to specify voting instructions.
5. The instrument appointing the Chairman of the Meeting as proxy
 - (a) If sent personally or by post, must be deposited at the office of the Share Registrar of the Company, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623; or
 - (b) If submitted by electronic means, must be sent by email to hengyangagmfy2019@hyplc.com.

in either case, to be received by **10.00 a.m. on 27 June 2020**, being 48 hours before the time appointed for holding of the AGM (or at any adjournment thereof).

A member who wishes to submit an instrument of proxy must first **download, complete and sign the proxy form**, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

6. The instrument appointing the Chairman of the Meeting as proxy must be signed by the appointor or his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or signed on its behalf by its attorney duly authorised in writing or by an authorised officer of the corporation.
7. Where the instrument appointing the Chairman of the Meeting as proxy is signed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument of proxy lodged if the member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting (or at any adjournment thereof).

Personal Data Privacy:

By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated **12 June 2020**.

Hengyang Petrochemical Logistics Limited

Principal place of business:

1 Hengyang Road, Shizhuang Industrial Park,
New Harbor City, Jiangyin,
Jiangsu Province, PRC 214446
Tel: (86) 510-86880919 Fax: (86) 510-86880919-804

Email: contact@hyplc.com