STAY AHEAD GO BEYOND

2017
ANNUAL REPORT

恒阳

Hengyang Petrochemical Logistics Limited

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST and the Sponsor 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.

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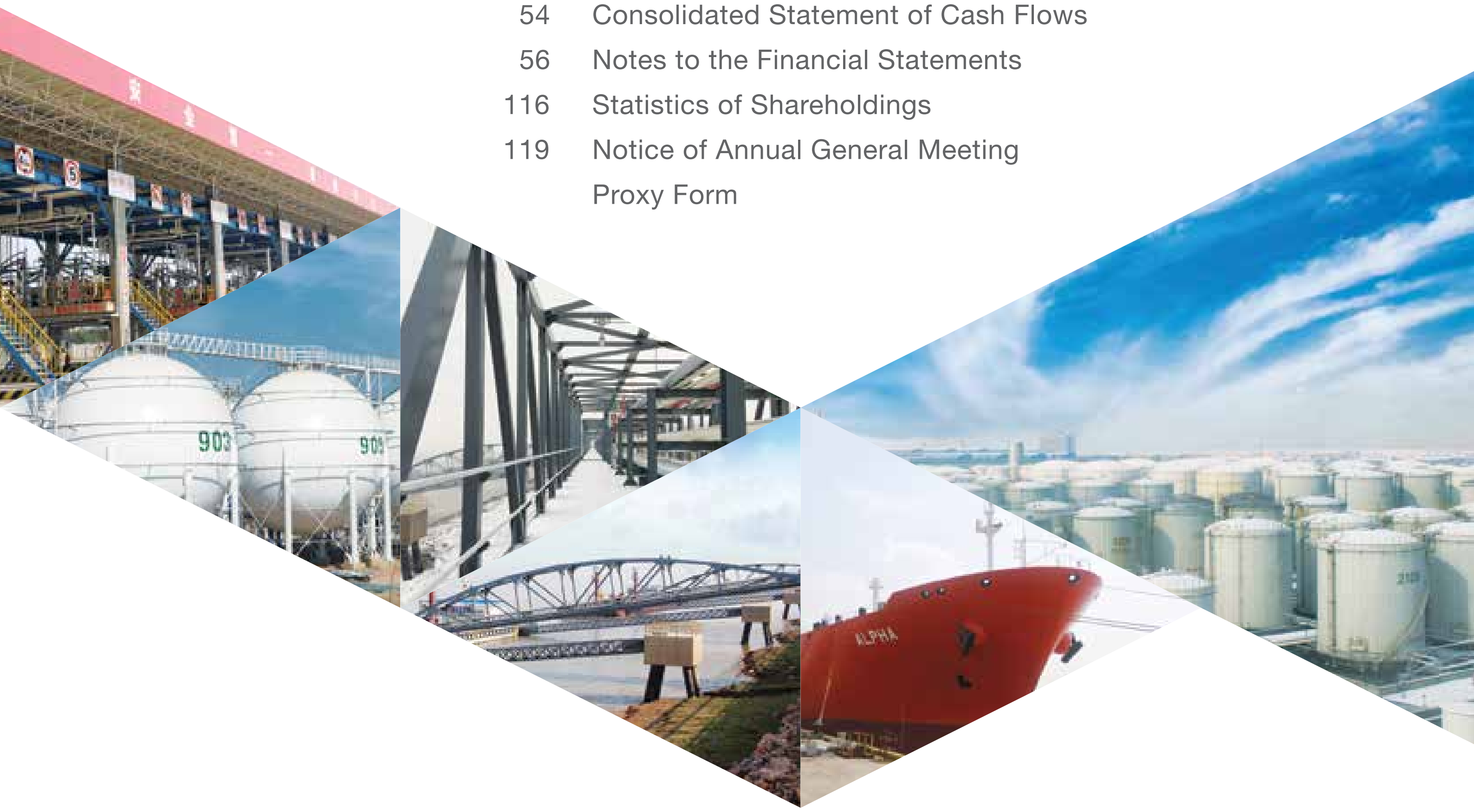


Corporate Profile

Established in 2002, Hengyang Petrochemical Logistics Limited and its subsidiaries (the "**Group**") is a leading logistics service provider in the petrochemical industry in China. The Group provides storage and land transportation services for different types of bulk liquid petrochemical and gases and oils such as acetic acid, phenol, acetone, styrene, methanol, mono ethylene glycol, propane, butane, butadiene, 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. Petrochemical manufacturers and distributors such as Dow Chemical (Shanghai) Co., Ltd., China National Offshore Oil Corporation ("**CNOOC**"), CNOOC and Shell Petrochemicals, Sinopec Chemical Products Sales Co., Jiangyin Golden Bridge Chemical Co., Ltd., Shanghai Pushun Import & Export Co., Ltd., BASF-YPC Co., Ltd., Shaanxi Changqing Energy & Chemical Co., Ltd., Shaanxi Coal and Chemical Industry Group Co., Ltd, Sinochem International Corporation, Mitsui & Co., Ltd, Ningbo Funde Energy Investment Holding Co., Ltd, Zhejiang Xingxing New Energy Technology Co., Ltd. and Chongqing Carbinol Chemical Industry Co., Ltd are a few examples to name.

The Group's storage facilities at Jiangyin ("**Foreversun Facility**") and Jingjiang ("**Deqiao Facility**") in 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 People's Republic of China ("**PRC**").

The Group's first terminal, 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.

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

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 ("**Wuhan Facility**"), Chongqing ("**Chongqing Facility**") and Yueyang ("**Yueyang Facility**"). These subsidiaries are located along the middle and upper reaches of the Yangtze River, where key petrochemical hubs are located.

The Group completed the construction of Phase I of the Yueyang Facility, and trial operation of the facility commenced in August 2014. Phase I of the Yueyang Facility comprises 40 storage tanks with an aggregate capacity of 720,000 cubic meters. In August 2014, a petrochemical jetty at the Chongqing Facility also commenced operation.

In addition, Phase I construction of the Wuhan Facility has been completed and trial operation has commenced in February 2015. Phase I of the Wuhan Facility comprises 38 storage tanks with an aggregate capacity of 880,000 cubic meters.

In anticipation of the completion of Phase II of the Wuhan and Yueyang Facilities and Phase I of the Chongqing Facility in the next one to two years, the Group is expected to continue to increase its storage capacity.

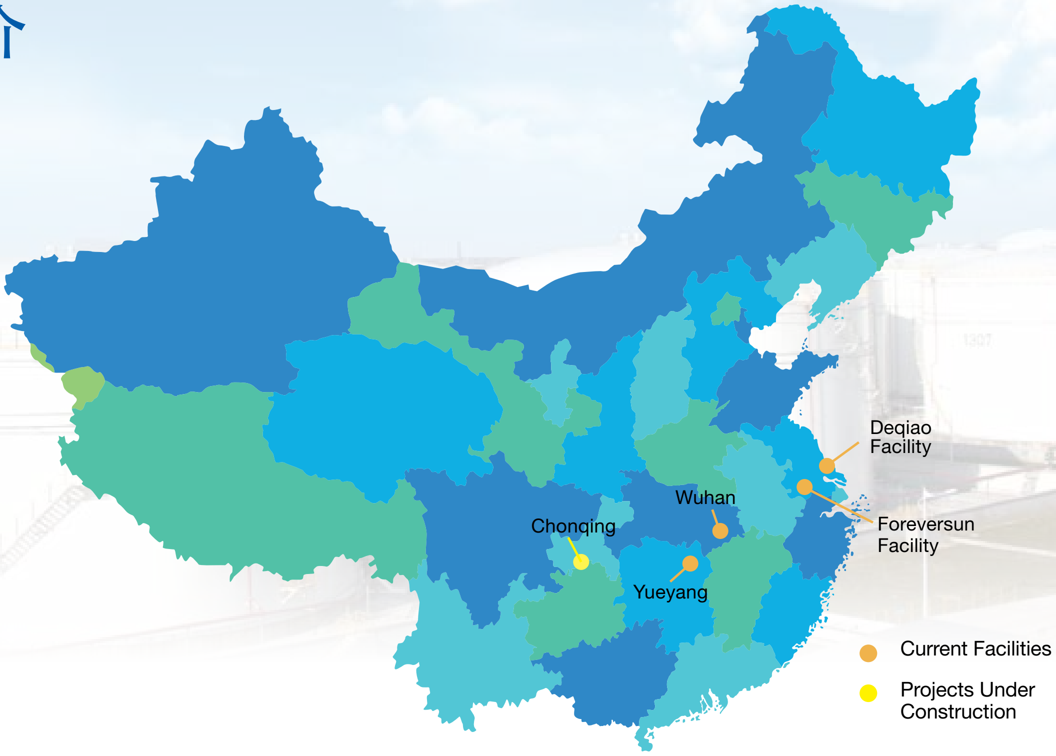
In September 2013, the Group sealed its strategic partnership with MEGCIF Investments 5 Limited ("**MEGCIF5**"), a company owned by Macquarie Everbright Greater China Infrastructure Fund ("**MEGCIF**"). Through this alliance with an international fund, the Group is able to leverage on the resources of the fund to support the progress of the Group's capacity expansion and elevate the Group's status in the petrochemical logistics sector.

In May 2017, the Group entered into a Subscription Agreement and an Equity Transfer Agreement with CITIC Port Investment Co., Ltd ("**CITIC Port**"), which is jointly invested by CITIC Xingye Investment Group Co., Ltd and CITIC Xingye Investment Ningbo Co., Ltd. CITIC Port is the operation platform of CITIC Xingye Investment Co., Ltd.'s port business, with a strong dominance in the Ningbo region and its business encompasses numerous port projects, liquefied chemicals terminals, storage tanks, container terminals, tugs and other related services. Through cooperation with a large state-owned enterprise, the Group would benefit from its strong capital strength and strict management mode, thus achieving the goal of transformation and upgrading.

As a testament to their high standards of quality, both Foreversun Facility and Deqiao Facility have been accredited by the Quality Certification Centre ("**QC Centre**") and IQ Net for the compliance with the ISO9001:2008 and GB/T 19001-2008 standards.

In recognition of their commitment to corporate social responsibility, Foreversun Facility and Deqiao Facility have also been accredited by QC Centre 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. Furthermore, both facilities have passed the CDI-T audit and obtained ISO22000:2005 certificate in 2015.

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。集团为多种液体、气体石化产品及油品提供仓储和运输服务以及供应链服务，产品包括醋酸、苯酚、丙酮、苯乙烯、甲醇、乙二醇、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，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、中海油能源发展股份有限公司、中海壳牌石油化工有限公司、中石化化工销售有限公司、江阴市金桥化工有限公司、上海浦顺进出口有限公司、扬子石化-巴斯夫有限责任公司、陕西长青能源化工有限公司、陕西煤业化工集团有限责任公司、中化国际（控股）股份有限公司、三井物产（上海）贸易有限公司、宁波富德能源有限公司、浙江兴兴新能源科技有限公司、重庆卡贝乐化工有限责任公司等。

集团在江苏省江阴市和靖江市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重要商业合作伙伴及中国石化产品的运输及分销中心。

集团源于江阴恒阳项目，该项目目前拥有49座储罐，总罐容为13.96万立方米。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。

德桥项目拥有2个石化专用码头及139座储罐，总罐容为58.3万立方米，包括罐容量为3.98万立方米的21座压力球罐。

近年来，集团进一步扩大规模，开始了沿长江发展战略，先后在武汉、重庆及岳阳成立了三家子公司。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，使得集团成为沿长江流域的一站式服务供应商。

2014年8月，岳阳项目一期工程建设完成并开始试运行。岳阳项目一期工程拥有40座储罐，罐容为7.2万立方米。

2014年8月，重庆项目一个化工码头建设完成且一个码头泊位已投入运营。

另外，武汉项目已经完成了一期工程的建设并在2015年2月开始试运行。武汉项目一期工程拥有38座储罐，罐容为8.8万立方米。

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一期罐区工程的完工，集团的总罐容将继续增加。

2013年9月，我们与MEGCIF Investments 5 Limited，一家由麦格理光大大中华基础设施基金持有的子公司，达成了战略合作伙伴关系。通过与国际基金公司的结盟，我们可以利用资金来支持罐容扩充的建设，并提升集团在石化物流产业的地位。

2017年5月，我们与中信港口投资有限公司达成合资合作协议。中信港口是由中信兴业投资集团有限公司和中信兴业投资宁波有限公司共同投资组建，是中信集团从事港口物流投资和运营的专业平台，目前已在宁波和长江沿线拥有多个港口项目，业务涵盖石油液化品码头、储罐、集装箱码头和拖轮等相关服务领域。通过与大型央企的合资合作，集团将受益于央企雄厚的资本实力及严格的管理模式和管理方法，转型升级、实现共赢。

作为高标准的质量证明，江阴恒阳项目和德桥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ISO9001:2008和GB/T19001-2008质量管理体系认证证书，均在2015年通过了CDI-T的审核，获得ISO22000：2005证书。另外，作为一个有社会责任感的企业，江阴恒阳项目和德桥项目还均荣获了由中国质量认证中心和国际认证联盟联合颁发的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 ("**Board**"), 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 in seeing us through the challenging business environment we have encountered in the financial year ended 31 December 2017 ("**FY2017**"). Your understanding and encouragement had enabled the Group to persevere during the difficult times.

TREND OF STABLE DEVELOPMENT

The Chinese economy expanded 6.9% in 2017, higher than the 6.7% growth in 2016. The Chinese economy has entered into a trend of stable development and the overall performance of the economy was better than expected. Against the background of a sound macro-economy, development of the storage industry maintained a steady recovery with increased industry demand and improved benefit. Correspondingly, our Group has witnessed increased demand for road transportation services and increased storage volume.

IMPROVEMENT OF CORPORATE GOVERNANCE

Favourable corporate governance is key to the implementation of strategic measures and realizing future visions. Our Group is client-focused and we have continuously enhanced our corporate governance structure to improve customer satisfaction and maintain long-term effective growth. Meanwhile, we are committed to upholding "*safety first*" in production and have established enhanced rules and regulations for safety operations.

The fire accident which occurred at Deqiao Facility in 2016 had impacted the Group greatly. We have learnt from our mistakes and prepared ourselves for a fresh start by improving our management levels from perspectives of safety structure, safety training and emergency drill, safety culture and etc. After nearly two years' unremitting efforts, we have been granted the approval for the rectification works at the Deqiao Facility to commerce. The management would seize the opportunity and endeavor to resume the operation of Deqiao Facility as soon as possible. We believe that upon resumption of operation, the Deqiao Facility would become one of the representative petrochemical warehousing base in the northern area of Yangtze River again.

PROJECT DEVELOPMENT

In line with the Group's strategy of entering inland China along the Yangtze River, the Group's business presently covers the whole Yangtze valley. Phase I of both the Wuhan and Yueyang Projects have been running in good condition. The cooperation with CITIC Port had also accelerated the construction progress of Phase I of the Chongqing Project and

Phase II of the Wuhan and Yueyang Projects, and the Group is expected to continue to increase its overall storage capacity. We are hopeful that the abovementioned will enable us to become one of the major petrochemical logistics service providers along the Yangtze River in the near future.

In addition, the Group shall continue to explore the strategy of supply chain service so as to provide more value-added services to customers and enable itself to be a one-stop logistics service and solution provider in the petrochemical sector along the Yangtze River.

For the coming financial year, the Group looks forward to operating under a promising business environment. It will focus on further improving its safety management and operational efficiency, and continue to strive towards becoming an all-round logistics service provider in the petrochemical sector through implementation of supply chain service to provide more value-added services to its customers.

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, support and cooperation.

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

Yours faithfully,

GU WEN LONG
Group Executive Chairman and CEO

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努力与坚持。

发展趋势稳中向好

2017年中国经济增长6.9%，高于2016年的6.7%，中国经济延续了稳中向好的发展态势，整体形势好于预期。国内经济运行良好，下游行业表现稳健，供需双侧联动上行，在良好的宏观经济背景下，我国仓储业经济活动继续保持稳步回升的态势，行业需求持续增长，效益有所提升。相应地，我们集团的仓储业务量及运输业务量较去年也有了明显提升。

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，我们始终把“安全”作为生产的第一要义，持续推进HSE管理提升，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。

2016年德桥的火灾事故给集团带来了沉重的打击。我们不断反思、不断总结这次惨痛的教训，并且在安全组织架构、安全培训和应急演练、安全现场管理能力提升、安全文化建设等方面不断提高水平。经过近两年的不懈努力，我们已经取得了当地政府同意德桥开始整改的批文。下一步管理层将抓住机遇，全力以赴使德桥尽快复产，把德桥重新塑造成区域内化工物流行业的标杆。

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，基本达到设计要求。集团与中信港口合作后加快了重庆项目及武汉岳阳二期项目建设进度，集团公司的总库容有望在未来的一到二年内继续增加。这将使得我们在不久的将来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，集团已开始实施供应链服务一体化战略， 并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。

在接下来的财政年度中，国内宏观经济发展质量有望继续提升，全球经济复苏有望延续，集团将抓住机遇，重点狠抓安全管理、提高运营效率，并持续努力通过供应链服务一体化战略的实施成为石化产业的全面物流服务供应商，为客户提供更多增值服务。

致谢

最后，我谨代表管理层，衷心感谢我们的员工、业务伙伴、客户及股东在过去一年里与我们携手共进。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，为股东创造更多的价值。

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)

Ho Chew Thim
(Independent Director)

AUDIT COMMITTEE

Diong Tai Pew
(Chairman)

Xie Yu

Anthony Ng Koon Leng

Ho Chew Thim

REMUNERATION COMMITTEE

Anthony Ng Koon Leng
(Chairman)

Diong Tai Pew

Xie Yu

NOMINATING COMMITTEE

Ho Chew Thim
(Chairman)

Diong Tai Pew

Xie Yu

Anthony Ng Koon Leng

AUDITORS

BDO LLP

Public Accountants and
Chartered Accountants

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

Partner-in-charge:
Goh Chern Ni
(Appointed since the financial year ended 31 December 2013)

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

COMPANY SECRETARY

Yap Lian Seng, LLB (Hons)

(Appointed from 30 May 2012)

Operating and Financial Review

The Group has completed the transfer of 49% of the equity interest of PRC wholly-owned subsidiary, Jiangyin Foreversun Chemical Logistics Co Ltd (the "**China Holdco**") to Citic Port Investment Co., Ltd. ("**CITIC Port**") on 22 May 2017.

As a result, the Group loses its practicable ability to direct the relevant activities of this subsidiary and has derecognised the assets and liabilities of China Holdco from the Group's consolidated financial statements. That is, the assets and liabilities of China Holdco are no longer consolidated in the Group financial statements. Subsequently, the Group has applied the equity method of accounting for the remaining 51% interests in China Holdco as an investment under "Investment in Joint Venture".

The Group has recognised profit from the discontinued operation attributed to China Holdco which amounted to RMB204.15 million comprising RMB225.18 million of gain on loss of control in subsidiaries and RMB21.03 million loss from discontinued operations of January to May.

As a result, gain on disposal of 49% of China Holdco and re-measurement fair value gain of remaining 51% interest in China Holdco are one-off and non-recurrent. Following the disposal, the Company is an investment holding company with no source of direct revenue and is only accounting for its share of results of the joint venture.

In FY2017, there was an earning of RMB204.15 million resulting from the equity transfer of 49% of the equity interest of Jiangyin Foreversun Chemical Logistics Co., Ltd to **CITIC Port**. As a result of the above, the Group recorded a net profit of RMB174.98 million in FY2017 as compared to a net loss of RMB101.45 million in FY2016.

CHINA HOLDCO

During the financial year, China Holdco had an increase in its revenue which increased 44.3% or RMB60.86 million from RMB137.53 million in FY2016 to RMB198.37 million in FY2017. This was mainly due to the RMB50.05 million or 81.9% growth of revenue attributed to transport service and RMB10.87 million attributed to Logistic service which was a new business model from FY2017.

In line with the higher revenue, China Holdco's cost of sales increased by 56.6% or RMB66.60 million from RMB119.73 million in FY2016 to RMB186.33 million in FY2017. The increase was mainly due to transport service segment which increased by 89.1% or RMB47.25 million and logistic service segment which increased by RMB10.74 million.

The administrative and other expense of China Holdco decreased 28.9% or RMB28.3 million from RMB97.93 million in FY2016 to RMB69.63 million in FY2017. The decrease was mainly due to various expense arising from Deqiao Accident recorded in FY2016 which was one-off.

From the above, China Holdco recorded a net loss of RMB70.92 million for FY2017 as compared to a net loss of RMB96.68 million for FY2016, which decreased 32.9% or RMB23.01 million.

Financial Highlights

KEY FINANCIAL FIGURES

RMB'000	2017	2016
Income Statement		
Loss from continuing operations	**(29,475)**	(4,776)
Profit/(Loss) from discontinued operations	**204,154**	(96,678)
Profit/(Loss) attributable to owners of the parent	**111,944**	(67,801)
Balance Sheet		
Cash and cash equivalents	**92,738**	10,949
Total assets	**684,404**	1,765,492
Total liabilities	**7,475**	1,231,512
Total equity	**676,929**	533,980
Cash Flow Statement		
Net cash generated from/(used in) operating activities	**24,980**	(24,620)
Net cash generated from/(used in) investing activities	**158,147**	(3,415)
Net cash (used in)/generated from financing activities	**(101,369)**	31,695
Key ratios		
Debt to assets ratio	**1.09%**	69.75%
Debt equity ratio	**1.10%**	230.63%

Board of Directors

MR GU WEN LONG (顾文龙)

EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Gu Wen Long is our Executive Chairman and Chief Executive Officer.

He 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, he 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 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 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.

He 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.

MR DIONG TAI PEW

NON-EXECUTIVE AND LEAD INDEPENDENT DIRECTOR

Mr Diong Tai Pew 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 VS International Group Ltd, a public listed company in Hong Kong, and a senior non-executive independent director of SIG Gases Berhad, a company listed on Bursa Malaysia. He is the chairman of the Audit Committee of the above-mentioned public listed companies.

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 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), where he eventually attained the position of department manager. In 1994, he was also appointed as division manager of the environmental division and OGC (Oil, Gas and Chemical) department where he was in charge of management and business development. Mr Ng was seconded to SGS-CSTC Standards Technical Services (China) Co., Ltd. based in Shanghai in 1997 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 rejoined the SGS Group as a vice president in charge of Asia Pacific, OGC business development and sales. Mr Anthony 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.

MR HO CHEW THIM

NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Mr Ho Chew Thim is our Independent Director and was appointed to our Board on 8 September 2009. He is the Chairman of our Nominating Committee and a member of our Audit Committee.

Mr Ho is an accountant by vocation. He has over 40 years of experience in financial management and has held senior financial positions in mainly listed companies and banks. These include China Water Holdings Pte Ltd (an associate of SGX-listed CNA Group Ltd), CNA Group Ltd, Achieva Limited, China World Trade Centre Ltd (an associate of Shangri-La Asia Limited), Poh Tiong Choon Logistics Limited, China-Singapore Suzhou Industrial Park Development Co. Ltd, Deutsche Bank (Singapore Branch), L & M Group Investments Ltd, United Industrial Corporation Limited and United Overseas Bank Limited. He is an independent director on the board of directors of several public listed companies in Singapore. Mr Ho is a Fellow Member of the Institute of Singapore Chartered Accountants and CPA Australia. He graduated with a Bachelor of Accountancy (First Class Honours) degree from University of Singapore in 1976.

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.

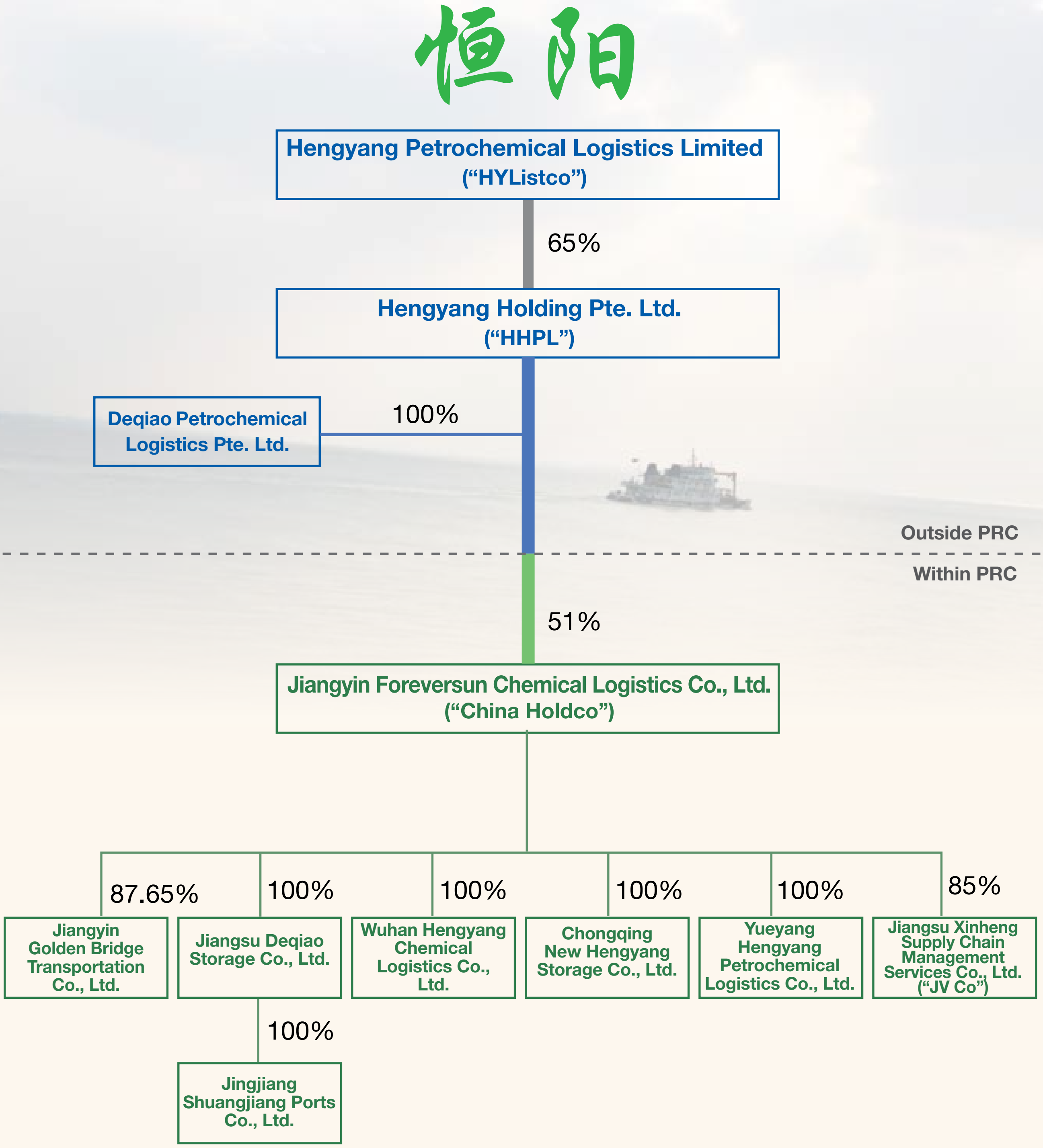
MR XIN FENG (辛峰) - *VICE GENERAL MANAGER ("VGM")*

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.

“ The Group shall continue to explore the strategy of supply chain service. ”

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 Company was admitted to the Catalist Board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 8 October 2009 ("**Listing**"). On 2 May 2012, the Monetary Authority of Singapore issued the revised Code of Corporate Governance 2012 (the "**Code**") which took effect with respect to annual reports of listed entities relating to financial years commencing from 1 November 2012.

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 pleased to report on our corporate governance processes and activities as required by the Code. For the financial year ended 31 December 2017 ("**FY2017**"), the Group has complied in all material respects with the principles laid down by the Code, and where there is any deviation, appropriate explanation has been provided within this Report. For easy reference, sections of the Code under discussion in this Report are specifically identified. However, 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: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

Our board of directors (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	22 April 2015
Tee Tuan Sem	Executive Vice-Chairman of the Board	15 August 2008	22 April 2016
Xie Yu	Non-Executive Director	19 November 2008	28 April 2017
Diong Tai Pew	Lead Independent Director	19 November 2008	22 April 2015
Anthony Ng Koon Leng	Independent Director	19 November 2008	22 April 2016
Ho Chew Thim	Independent Director	08 September 2009	28 April 2017

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

Corporate Governance

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

- to provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- to establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- to review Management's performance;
- to identify key stakeholder groups and recognise that their perceptions affect the Company's reputation;
- to set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- to consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

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.

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 function within clearly defined written terms of reference and operating procedures, which will be reviewed on a regular basis.

Non-Executive Directors are routinely briefed by the Executive Directors or the Executive Officers at Board meetings or at separate sessions, and 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 Company Secretary to familiarise themselves with the Group's business and have access to Executive Directors, Management and the Company Secretary.

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.

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 FY2017 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*	1*	1*
Tee Tuan Sem	4	4*	1*	1*
Xie Yu	4	4	1	1
Diong Tai Pew	4	4	1	1
Anthony Ng Koon Leng	4	4	1	1
Ho Chew Thim	4	4	1	1*

* Attended the meeting as an invitee.

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

In view of Mr Gu Wen Long being the Executive Chairman and Chief Executive Officer ("**CEO**") of the Company, and who is also part of the management team and is not an independent director, the Company is required to have at least half the Board comprising Independent Directors. The Board comprises six (6) Directors of whom three (3) are independent, namely, Messrs Diong Tai Pew, Anthony Ng Koon Leng and Ho Chew Thim. The criterion of independence is based on the definition set out in the Code. The Board considers an "independent" Director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers who could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment in the conduct of the Group's affairs. With three (3) Independent Directors, the Board is able to exercise independent judgment on corporate affairs and provide Management with a diverse and objective perspective on issues. There is therefore no individual or small group of individuals, who/which dominates the Board's decision making. The independence of each Director is reviewed annually.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making. In this regard, the Board 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.

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

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Gu Wen Long currently holds the dual positions of Executive Chairman and CEO of the Company. The Board believes that Mr Gu Wen Long 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 Wen Long 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 Wen Long, major decisions are made in consultation with the Board. In accordance with the recommendations of the Code, the Board possess a strong and independent element, comprising three (3) Independent Directors, who form half of the full Board of six (6) Directors. The Board believes that there are adequate measures in place against any uneven concentration of power and authority in one individual.

Mr Gu Wen Long 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 Wen Long 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.

Mr Diong Tai Pew serves as our Lead Independent Director and 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 Tai Pew will convene meetings of the Independent Directors, without the presence of the Executive Directors and the Management, and will provide feedback to the Executive Chairman after such meetings.

4. BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to 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.

The NC comprises Mr Ho Chew Thim, as the Chairman, and Messrs Diong Tai Pew, Xie Yu and Anthony Ng Koon Leng, 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.

Briefly, our NC will be responsible for:

1) reviewing and recommending the nomination or re-nomination of our Directors 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) reviewing the appropriate size of the Board;

5) reviewing the training programmes for the Board on an annual basis;

6) reviewing board succession plans for all Directors; and

7) reviewing and approving any new employment of related persons and the proposed terms of their employment.

The NC conducts reviews of Directors' independence annually and as and when circumstances require. The independence of Directors who have served on the Board for more than nine years are subject to particularly rigorous review. As at the date of this Report, two Independent Directors, namely Mr Diong Tai Pew and Mr Anthony Ng Koon Leng, have served on the Board for more than nine years. 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 with a view to 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 Mr Diong Tai Pew and Mr 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 years. Both Mr Diong Tai Pew and Mr Anthony Ng Koon Leng have also abstained from deliberating on their own independence.

Based on the latest review, the NC, with the concurrence of the Board, is of the view that Messrs Diong Tai Pew, Anthony Ng Koon Leng and Ho Chew Thim are independent in accordance with the Code's definition of independence.

The NC has reviewed the training needs of the Directors in FY2017 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.

New Directors are appointed to the Board after the NC has reviewed and considered the skills, qualifications and experience of the nominated Director in its search and selection process. Further, 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 Gu Wen Long and Diong Tai Pew 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.

Corporate Governance

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 2017) and held over the preceding three years (from 31 December 2014 to 31 December 2017), are as follows:

Name	Directorships	Major Appointments (other than Directorships)
Gu Wen Long	Present Nil In the Past 3 years Nil	Present Nil In the Past 3 years Nil
Tee Tuan Sem	Present Integrated Logistics Berhad In the Past 3 years Nil	Present Integrated Logistics Berhad (Chief Executive Officer) In the Past 3 years Nil
Xie Yu	Present Nil In the Past 3 years Nil	Present Zhejiang(s) Entrepreneurs Association (Honorary Vice-Chairman) In the Past 3 years ZMAX GLOBE LLP (Partner)
Diong Tai Pew	Present VS International Group Ltd. SIG Gases Berhad In the Past 3 years Eastern Holdings Ltd.	Present CA Diong (Practicing Chartered Accountant) In the Past 3 years Nil
Anthony Ng Koon Leng	Present Nil In the Past 3 years Nil	Present SGS Group (Vice President, OGC Asia Pacific) In the Past 3 years Nil
Ho Chew Thim	Present Yongmao Holdings Limited Mencast Holdings Ltd. China Kunda Technology Holdings Limited DeClout Limited Procurri Corporation Limited Manulife US Real Estate Management Pte Ltd (Manager of listed Manulife US Real Estate Investment Trust) In the Past 3 years Nil	Present Nil In the Past 3 years Nil

5. BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

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 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.

6. ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

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 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.

The Board (whether individually or as whole) has separate and independent access to Management and the Company Secretary at all times, and may seek independent professional advice if necessary, at the expense of the Company. The Company Secretary generally attends all Board meetings and ensures that all Board procedures are followed. Where the Company Secretary is unable to attend any Board meeting, he ensures that a suitable replacement is in attendance and that proper minutes of the same are taken and kept. The Company Secretary also ensures that the Company complies with the requirements of the Companies Act, Chapter 50 of Singapore ("**Companies Act**") and Section B: Rules of Catalist of the SGX-ST Listing Manual (the "**Catalist Rules**"). Under the direction of the Executive Chairman, the Company Secretary's 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 Company Secretary 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.

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his 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;

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 to 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. No external expert advice was sought in 2017.

8. LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

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 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, 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 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 consider whether to adopt Guideline 8.2 of the 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.

9. DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

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 FY2017 by percentage is, as follows:

Remuneration bands	Salary %	Performance Bonus %	Fee %	Other Allowances %	Other Benefits %	Total %
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	–	–	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.

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 RMB596,000. This amount is inclusive of remuneration paid to the previous acting chief financial officer of the Company, Mr Zi Songtao, who has resigned with effect from 23 June 2017.

The remuneration of Ms Gu Fan, who is the daughter of Mr Gu Wen Long, Executive Chairman and CEO of the Company, exceeded S$50,000 in FY2017. Ms Gu Fan was a Senior Investment and Development Executive of the Company in the financial year ended 31 December 2016 ("**FY2016**") prior to being promoted as Investment and Development Manager of the Company on 1 March 2017. For further details on Ms Gu Fan's appointment as Investment and Development Manager of the Company, please refer to the Company's announcement dated 1 March 2017 released via the SGXNET.

"**Immediate family member**" means the spouse, child, adopted child, stepchild, brother, sister and parent.

Remuneration bands	Salary %	Performance Bonus %	Fee %	Other Allowances %	Other Benefits %	Total %
Employee						
Below S$100,000						
Gu Fan	100	–	–	–	–	100

10. ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

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.

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.

11. RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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.

In FY2017, the appointed internal auditors carried out a follow-up review of the previous year's internal audit issues of the Group, as well as a review of the interested person transactions within the Group.

In wake of the Accident at Deqiao Facility, 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 not included in the scope of Deloitte's internal audit as it was performed internally. 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 team was established. The internal audit team is responsible for the internal audit and internal control of the Group. In addition, an independent third party was engaged to conduct a one-time safety assessment of every storage facility of the Group, 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.

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 put in place 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 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 ("**Report**") with respect to the Accident. The Company also provided an unofficial English translation of the Report on 21 December 2016. For further details on the 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.

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.

12. AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises Mr Diong Tai Pew, as the Chairman, and Messrs Xie Yu, Anthony Ng Koon Leng and Ho Chew Thim, 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 financial statements, 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;

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 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 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 with the 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 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 the 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 FY2017, 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;

(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 FY2017. For FY2017, the total remuneration in respect of audit services and non-audit services provided by BDO LLP for the Company is disclosed in section 21 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 substantial volume of non-audit services to the Company during FY2017 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
Loss of control in subsidiaries and accounting for the Group's retained interests as an investment in joint venture	The AC considered the assessment criteria adopted in determining whether the Group continues to have control over Jiangyin Hengyang and its subsidiaries ("**China Holdco Group**"). The AC reviewed the appropriateness of accounting for the Group's retained interest as a joint venture and the adequacy of the disclosures with respect to, inter alia, the discontinued operations in relation to the loss of control in the China Holdco Group.
Impairment of investment in 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 FY2017. Please refer to pages 42 to 45 of this Annual Report for further information.

13. INTERNAL AUDIT

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC has appointed Deloitte & Touche Enterprise Risk Services Pte Ltd ("**Deloitte**") to be the Company's internal auditor, who will in turn ensure adequate staffing of persons with the relevant qualifications and experience to fulfil the scope of work agreed upon. Deloitte will undertake regular reviews in accordance with an internal audit plan approved by the AC to review the adequacy and effectiveness of the Company's system of internal control, including financial, operational, compliance and information technology controls, and risk management. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company.

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 approves the hiring, removal, evaluation and compensation of Deloitte as the Company's internal auditor. The AC also evaluates the adequacy and effectiveness of the internal audit function at least annually.

14. SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

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, and are informed of the relevant rules and procedures governing general meetings, including voting procedures. Separate resolutions are proposed on each substantially separate issue at such general meetings. 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.

15. COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

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. 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 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.

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 via SGXNET. The Company has not declared or recommended any dividend in respect of FY2017 as the Group needs to conserve cash for operational requirements, further investment and development of its infrastructural facilities as well as to repay borrowings.

16. CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders are informed of shareholders' meeting 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 session.

Resolutions at general meetings are each on substantially separate issues. All the resolutions at the general meetings are single item resolutions.

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.

In accordance with the Code requirements, 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.

17. 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 regards 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.

18. MATERIAL CONTRACTS

Save as disclosed below and in Section 19 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 2017 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2016.

The Group has no borrowings as of FY2017. 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.

19. 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	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) (4)		
– Provision of petrochemical storage services and land transport services	–	6,398
Shanghai Kangyang Petrochemical Co., Ltd. ("**Shanghai Kangyang**") (2) (4)		
– Provision of petrochemical storage services and land transport services	–	86
Interest expense payable to:		
– Jinqiao Chemical (1)		5,193
– Wuhan Kangyang Petrochemical Co., Ltd. ("**Wuhan Kangyang**") (2)		1,625
– Gu Wen Long	–	685
A success fee payment		
– Jadestone Development Limited ("**Jadestone**") (3)	5,929	–

Notes:

(1) Jinqiao Chemical is wholly-owned by Ms Sun Fang, the spouse of the Company's Executive Chairman and CEO, Mr Gu Wen Long.

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

(3) The ultimate shareholder of Jadestone is Mr Xie Yu, who is a Non-Executive Director of the Company. The payment of success fees is pursuant to the consultancy agreement entered into between the Company, Mr Gu Wen Long and HHPL on 23 May 2016.

(4) The Company had obtained a renewal of the modified shareholders' mandate ("**Shareholders' Mandate**") at its annual general meeting held on 28 April 2017. 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 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.

(5) The Group has no borrowings as of FY2017. 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.

20. 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 FY2017, CIMB did not provide any other non-sponsor services to the Company and no non-sponsor fees were paid during the financial year.

21. AUDIT AND NON-AUDIT FEES

For FY2017, 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	512
– other auditors	430
Non-audit fees paid/payable to	
– auditor of the Company	20
– other auditors	–

Sustainability and Community

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.

Both Jiangyin Foreversun and Jiangsu Deqiao hold the Occupational Health and Safety Management System Certificate issued by the China Quality Certification Centre for compliance with the standards OHSAS 18001:2007 and GB/T 28001-2011, and have both successfully passed the annual audit for above standards during the past financial year.

In January 2018, the Group Chairman, Mr Gu was awarded as the excellent entrepreneur as well as the best activist at the National People's Congress ("**NPC**") activities by the local government.

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 the environmental permits and approvals necessary to conduct our business, such as the pollutant discharge permit and the operating permit for loading and unloading of the 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 in order 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 the sewage treatment plant; we build the 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 2017, Jiangyin Foreversun was recognised for its excellent HSE management by the CNOOC and Shell Petrochemical Company Limited.
- In August 2017, Yueyang Hengyang was awarded as the best practice company by the Associate of Navigations of Hunan Province.
- In December 2015, Jiangyin Foreversun has been accredited by China Quality Certification Centre for the Compliance with the Food Safety Management System standards – ISO 22000:2005 and GB/T 22000-2006.
- Both Jiangyin Foreversun and Jiangsu Deqiao 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, and have both successfully passed the annual audit for above standards during the past financial year.

Sustainability and Community

- Jiangsu Deqiao and Jiangyin Foreversun have also obtained the Chemical Distribution Institute — Terminals ("**CDI-T**") attestation accredited by the Chemical Distribution Institute (London) in March 2015 and December 2015 respectively.

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 2017, Hengyang also made a donation of RMB50,000 and RMB55,000 to the Jiangyin Charity and Jingjiang Charity respectively. The Group Chairman, Mr Gu was also awarded as "Charity Star" by the Jingjiang City People's Government in 2017. In addition, Yueyang Hengyang was awarded as the best practice company at the public benefit activities by the Red Cross Society of Yueyang City.

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 2017 and the statement of financial position of the Company as at 31 December 2017.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the accompanying financial statements comprising the consolidated statement of financial position of the Group and the statement of financial position of the Company, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes thereon are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore 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 2017 and of 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)
Ho Chew Thim	(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.

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 and 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 at 1 January 2017	Balance at 31 December 2017	Balance at 1 January 2017	Balance at 31 December 2017
	Number of ordinary shares			
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				
Foreversun Holdings Co., Ltd.[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 2018 in the shares of the Company have not changed from those disclosed as at 31 December 2017.

5. Share options

There were no share options granted by the Company or its subsidiaries 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 subsidiaries.

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

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 and Mr Ho Chew Thim, who are both Independent Directors. 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 Act, 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;

6. Audit committee (Continued)

(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 7 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.

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	**Diong Tai Pew**
Director	Director

Singapore
28 March 2018

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 48 to 115, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017;
- 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 Financial Reporting Standards in Singapore ("FRSs") 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 2017, and of the 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.

TO THE MEMBERS OF HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Key Audit Matters (Continued)

1	**Loss of control in subsidiaries and accounting for the Group's retained interests as an investment in joint venture**

On 22 May 2017, the Group had completed the following transactions with CITIC Port Investment Co., Ltd. ("CITIC Port"):

- Issuance of 37.2% of the enlarged equity interest in Jiangyin Foreversun Chemical Logistics Co., Ltd. ("Jiangyin Foreversun") to CITIC Port for an aggregate consideration of RMB450,000,000; and
- Disposal of 11.8% equity interest in Jiangyin Foreversun held by its subsidiary, Hengyang Holdings Pte. Ltd. ("HHPL"), to CITIC Port for an aggregate consideration of RMB142,900,000.

Upon completion of these transactions, HHPL and CITIC Port respectively hold 51% and 49% of the equity interest in Jiangyin Foreversun. In relation to the above transactions, CITIC Port was granted an option to subscribe for additional 2% equity interest in Jiangyin Foreversun exercisable after two years from the completion date ("Option"). The Option has an exercisable period of one year and the exercise price will be based on an independent valuation to be performed on Jiangyin Foreversun and its subsidiaries, capped at RMB50,000,000.

Management 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. In addition, the Group had engaged an independent valuer to value the Option granted to CITIC Port. As a result of the assessment, the Group recorded the investment in Jiangyin Foreversun as a joint venture amounting to RMB617,100,000 (Note 8) and a derivative financial instrument of RMB5,286,000 arising from the fair value of the Option (Notes 8 and 17). In re-measuring the retained interests in the joint venture, the Group also recognised:

- Gain of RMB225,181,000 arising from loss of control in Jiangyin Foreversun and its subsidiaries (Note 7); and
- Goodwill of RMB58,841,000 arising from the excess of fair value over the identifiable net assets and liabilities (Note 8).

We focused on this area as a key audit matter owing to the significant judgement in determining whether the Group continues to have control over Jiangyin Foreversun and its subsidiaries and in evaluating the appropriateness of accounting for the Group's retained interests as a joint venture in the accompanying financial statements.

Related Disclosures

Refer to Notes 3.1, 7, 8, 17 and 29 to the financial statements for the disclosures in relation to these transactions.

TO THE MEMBERS OF HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Key Audit Matters (Continued)

1 Loss of control in subsidiaries and accounting for the Group's retained interests as an investment in joint venture (Continued)

Audit Response

Our procedures included, amongst others, the following:

- We perused the relevant agreements entered between HHPL, Jiangyin Foreversun and CITIC Port to understand the economic substance of the transactions and to evaluate management's assessment on the loss of control in Jiangyin Foreversun and its subsidiaries;
- We checked the de-recognition of assets and liabilities in Jiangyin Foreversun and its subsidiaries and the related non-controlling interests at their carrying values as of the completion date;
- We re-computed the gain arising from the loss of control in Jiangyin Foreversun and its subsidiaries;
- We evaluated the fair value of the retained interests in Jiangyin Foreversun and its subsidiaries and whether the accounting treatment as joint venture and the recognition of goodwill that resulted from the excess of fair value over the identifiable net assets and liabilities are appropriate;
- We held discussions with management and their independent valuer, and engaged our internal valuation specialist to evaluate the fair value of the Option, including an assessment of the valuation technique applied, assumptions and the data inputs; and
- We assessed the adequacy of the disclosures, including the presentation and disclosure of discontinued operations in relation to the loss of control in Jiangyin Foreversun and its subsidiaries, in the accompanying financial statements.

2 Impairment of Investment in Joint Venture

As at 31 December 2017, the Group's carrying amount of investment in joint venture, Jiangyin Foreversun and its subsidiaries, was RMB591,446,000 which comprised 86% of the total assets of the Group. There are indications of impairment as certain subsidiaries of Jiangyin Foreversun have been suffering 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 suitable revenue growth rates, earnings before interest, tax, depreciation and amortisation margins, discount rate and terminal growth rate in order to calculate the present value of those cash flows. The assessment involved significant judgement in estimating the underlying assumptions applied.

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 joint venture.

Related Disclosures

Refer to Notes 3.2 and 8 to the financial statements for the disclosures in relation to impairment of investment in joint venture.

TO THE MEMBERS OF HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Key Audit Matters (Continued)

2 Impairment of Investment in Joint Venture (Continued)

Audit Response

Our procedures included, amongst others:

- We evaluated management's impairment assessment, their basis for recoverable amount and key assumptions used;
- We compared underlying data used in the VIU calculations against historical actual performance for reasonableness;
- We evaluated the reasonableness of the discount rate used by engaging our internal valuation specialist to independently develop an expectation of the discount rate;
- 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.

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 FRSs, 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.

TO THE MEMBERS OF HENGYANG PETROCHEMICAL LOGISTICS LIMITED

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.

- 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.

Independent Auditor's Report

TO THE MEMBERS OF HENGYANG PETROCHEMICAL LOGISTICS LIMITED

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 Goh Chern Ni.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
28 March 2018

Statements of Financial Position

AS AT 31 DECEMBER 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000	Company 2017 RMB'000	Company 2016 RMB'000
Non-current assets					
Property, plant and equipment	5	–	1,438,570	–	11
Land use rights	6	–	257,329	–	–
Investments in subsidiaries	7	–	–	267,472	267,472
Investment in joint venture	8	591,446	–	–	–
		591,446	1,695,899	267,472	267,483
Current assets					
Trade and other receivables	9	15	56,598	–	–
Amount owing by related parties	10	185	2,046	6	–
Amount owing by subsidiaries	11	–	–	60,385	769
Current income tax recoverable		20	–	–	–
Cash and cash equivalents	12	92,738	10,949	3,677	43
		92,958	69,593	64,068	812
Less:					
Current liabilities					
Trade and other payables	13	2,000	283,270	1,394	3,252
Amount owing to related parties	10	–	62,215	–	–
Amount owing to a subsidiary	11	–	–	29,299	16,799
Amount owing to Directors	14	794	13,133	794	2,509
Amount owing to a former shareholder of a subsidiary	15	–	4,502	–	–
Borrowings	16	–	596,180	–	–
Current income tax payable		–	6,141	–	–
		2,794	965,441	31,487	22,560
Net current assets/(liabilities)		90,164	(895,848)	32,581	(21,748)
Less:					
Non-current liabilities					
Amount owing to a related party	10	–	93,050	–	–
Amount owing to a Director	14	–	11,143	–	–
Borrowings	16	–	143,460	–	–
Derivative financial instrument	17	4,681	–	–	–
Deferred tax liabilities	18	–	18,418	–	–
		4,681	266,071	–	–
Net assets		676,929	533,980	300,053	245,735

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

Statements of Financial Position

AS AT 31 DECEMBER 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000	Company 2017 RMB'000	Company 2016 RMB'000
Equity					
Share capital	19	289,064	289,064	289,064	289,064
Statutory common reserve	20	–	14,935	–	–
Other reserve	21	83,004	84,113	–	–
Foreign currency translation account	22	–	(270)	–	–
Retained earnings/(Accumulated losses)		79,338	(50,222)	10,989	(43,329)
Equity attributable to owners of the parent		451,406	337,620	300,053	245,735
Non-controlling interests		225,523	196,360	–	–
Total equity		676,929	533,980	300,053	245,735

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

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000 (Restated)
Revenue	23	–	–
Cost of sales		–	–
Gross profit		–	–
Other income	24	2,127	–
Administrative and other expenses		(5,948)	(4,776)
Finance costs	25	–	–
Share of results of joint venture	8	(25,654)	–
Loss before income tax from continuing operations	26	(29,475)	(4,776)
Income tax expense	28	–	–
Loss from continuing operations		(29,475)	(4,776)
Profit/(Loss) from discontinued operations, net of tax	29	204,154	(96,678)
Profit/(Loss) for the financial year		174,679	(101,454)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Reclassification of foreign currency translation reserve	22	270	–
Other comprehensive income for the financial year, net of tax		270	–
Total comprehensive income for the financial year		174,979	(101,454)

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

Consolidated Statement of Comprehensive Income

AS AT 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000 (Restated)
Profit/(Loss) attributable to:			
Owners of the parent			
Loss from continuing operations		(20,746)	(4,816)
Profit/(Loss) from discontinued operations		132,420	(62,985)
		111,674	(67,801)
Non-controlling interests			
(Loss)/Profit from continuing operations		(8,729)	40
Profit/(Loss) from discontinued operations		71,734	(33,693)
		63,005	(33,653)
Total comprehensive income attributable to:			
Owners of the parent		111,944	(67,801)
Non-controlling interests		63,005	(33,653)
		174,979	(101,454)
Loss per share from continuing operations (cents):			
- Basic	30	(10.20)	(2.37)
- Diluted	30	(10.20)	(2.37)
Earnings/(Loss) per share from discontinued operations (cents):			
- Basic	30	65.08	(30.96)
- Diluted	30	65.08	(30.96)

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

Consolidated Statement of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share capital RMB'000	Statutory common reserve RMB'000	Other reserve RMB'000	Foreign currency translation account RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Equity attributable to owners of the parent RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	289,064	14,935	84,113	(270)	(50,222)	337,620	196,360	533,980
Continuing operations								
Loss for the financial year	–	–	–	–	(20,746)	(20,746)	(8,729)	(29,475)
Discontinued operations								
Loss for the financial year (Note 29)	–	–	–	–	(13,892)	(13,892)	(7,135)	(21,027)
Loss of control in subsidiaries (Note 29)	–	–	–	–	146,312	146,312	78,869	225,181
Other comprehensive income for the financial year								
Reclassification to profit or loss arising from loss of control in subsidiaries (Note 22)	–	–	–	270	–	270	–	270
Total comprehensive income for the financial year	–	–	–	270	111,674	111,944	63,005	174,949
Others								
Reclassification of reserves arising from loss of control in subsidiaries	–	(14,935)	(1,109)	–	17,886	1,842	(1,842)	–
Transactions with non-controlling interests								
Dividends	–	–	–	–	–	–	(32,000)	(32,000)
Balance at 31 December 2017	289,064	–	83,004	–	79,338	451,406	225,523	676,929

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

Consolidated Statement of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share capital RMB'000	Statutory common reserve RMB'000	Other reserve RMB'000	Foreign currency translation account RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Equity attributable to owners of the parent RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	289,064	14,922	84,113	(270)	17,592	405,421	230,238	635,659
Continuing operations								
Loss for the financial year, representing total comprehensive income for the financial year	–	–	–	–	(4,816)	(4,816)	40	(4,776)
Discontinued operations								
Loss for the financial year, representing total comprehensive income for the financial year	–	–	–	–	(62,985)	(62,985)	(33,693)	(96,678)
Transactions with non-controlling interests	–	–	–	–	–	–	(225)	(225)
Dividends	–	–	–	–	–	–	(225)	(225)
Others	–	13	–	–	(13)	–	–	–
Transfer to statutory common reserve	–	13	–	–	(13)	–	–	–
Balance at 31 December 2016	289,064	14,935	84,113	(270)	(50,222)	337,620	196,360	533,980

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000 (Restated)
Operating activities			
Loss before income tax from continuing operations		(29,475)	(4,776)
Profit/(Loss) before income tax from discontinued operations		205,588	(89,804)
Profit/(Loss) before income tax	28	176,113	(94,580)
Adjustments for:			
Depreciation of property, plant and equipment		15,199	39,675
Amortisation of land use rights		828	1,987
Change in fair value of derivative financial instrument		(605)	–
Loss of control in subsidiaries		(225,181)	–
Share of results of joint venture		25,654	–
Loss on disposal of property, plant and equipment		–	165
Loss on property, plant and equipment written off		280	11,072
Unrealised foreign exchange gain		(16)	(35)
Interest income		(1,339)	(364)
Interest expense		9,339	16,451
Operating cash flows before working capital changes		272	(25,629)
Working capital changes:			
Trade and other receivables (including related parties)		(11,571)	14,731
Trade and other payables (including Directors and related parties)		37,207	141
Cash generated from/(absorbed by) operations		25,908	(10,757)
Interest paid		(260)	(12,966)
Income tax paid		(668)	(897)
Net cash generated from/(used in) operating activities		24,980	(24,620)
Investing activities			
Acquisition of property, plant and equipment	5	(56,904)	(25,793)
Refund of downpayment to purchase land use rights	5	–	30,000
Downpayment paid to purchase land use rights		(32,750)	(8,200)
Proceeds from the loss of control in subsidiaries, net of cash disposed	7	246,462	–
Proceeds from disposal of property, plant and equipment		–	214
Interest received		1,339	364
Net cash generated from/(used in) investing activities		158,147	(3,415)

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000 (Restated)
Financing activities			
Fixed deposits pledged with financial institutions		–	41,726
Proceeds from borrowings (Note A)		25,886	112,107
Repayment of borrowings (Note A)		(87,116)	(85,778)
Dividends paid to non-controlling interests		(32,000)	(225)
Amount owing to related parties (Note A)		–	(7,183)
Interest paid and capitalised		(8,139)	(28,952)
Net cash (used in)/generated from financing activities		(101,369)	31,695
Net change in cash and cash equivalents		81,758	3,660
Cash and cash equivalents at beginning of the financial year		10,949	7,291
Effect of exchange rate changes on cash and cash equivalents		31	(2)
Cash and cash equivalents at end of the financial year	12	92,738	10,949

Note A: Reconciliation of liabilities arising from financing activities

			← Non-cash changes	→	
	2016 RMB'000	Financing cash flows RMB'000	Interest accruals RMB'000	Loss of control in subsidiaries (Note 7) RMB'000	2017 RMB'000
Bank borrowings (Note 16)	739,640	(61,230)	–	(678,410)	–
Amount owing to related parties (Note 10)	155,265	–	2,237	(157,502)	–
	894,905	(61,230)	2,237	(835,912)	–

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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, Huangtu Town, 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 7 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.

The statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 were authorised for issue in accordance with a Directors' resolution dated 28 March 2018.

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 and Financial Reporting Standards ("FRS") in Singapore including related Interpretations of FRS ("INT FRS") 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.

Full IFRS convergence

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The new framework is referred to as Singapore Financial Reporting Standards (International) ("SFRS(I)s"). The Group will adopt the new framework on 1 January 2018 and will apply the SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) to the transition. This will involve restating the comparatives for the financial year ended 31 December 2017 and the opening statements of financial position as at 1 January 2017 in accordance with the new framework.

The Group has completed its assessment of th e impact of transition and anticipates that the adoption of the new framework on 1 January 2018 (including the application of all the mandatory exceptions) will not have a material impact on the financial statements of the Group for the financial year ending 31 December 2018, other than the impact from the adoption of SFRS(I) 9 and SFRS(I) 15 which is expected to be similar to the impact of FRS 109 and FRS 115 as disclosed below. The Group is currently finalising the transitional adjustments that are required under SFRS(I) 1.

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.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

The preparation of financial statements in conformity with FRS requires the management to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the financial year, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the management's best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

In the current financial year, the Group and the Company adopted the new or revised FRS and INT FRS that are relevant to their operations and effective for the current financial year. The adoption of the new or revised FRS and INT FRS did not result in any substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current and prior financial years, except as detailed below:

FRS 7 (Amendments) Disclosure Initiative

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group adopted these amendments on 1 January 2017 and the additional disclosures have been included in the consolidated statement of cash flows.

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not adopted the following FRS and INT FRS that have been issued but not yet effective:

			Effective date (annual periods beginning on or after)
FRS 28 (Amendments)	:	Long-term Interests in Associates and Joint Ventures	1 January 2019
FRS 40 (Amendments)	:	Transfers of Investment Property	1 January 2018
FRS 102 (Amendments)	:	Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 104 (Amendments)	:	Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 109	:	Financial Instruments	1 January 2018
FRS 109 (Amendments)	:	Prepayment Features with Negative Compensation	1 January 2019
FRS 110 and FRS 28 (Amendments)	:	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

		Effective date (annual periods beginning on or after)
FRS 115	: Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	: Leases	1 January 2019
Improvements to FRSs (December 2016)		
- FRS 28 (Amendments)	: Investments in Associates and Joint Ventures	1 January 2018
- FRS 101 (Amendments)	: First–time Adoption of Financial Reporting Standards	1 January 2018
Improvements to FRSs (March 2018)		
- FRS 103 (Amendments)	: Business Combinations	1 January 2019
- FRS 111 (Amendments)	: Joint Arrangements	1 January 2019
- FRS 12 (Amendments)	: Income Taxes	1 January 2019
- FRS 23 (Amendments)	: Borrowing Costs	1 January 2019
INT FRS 122	: Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123	: Uncertainty over Income Tax Treatments	1 January 2019

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

The Group and the Company expect that the adoption of the above FRS and INT FRS, if applicable, will have no material impact on the financial statements in the period of initial adoption, except as discussed below.

FRS 109 *Financial Instruments*

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group can elect to recognise the gains and losses in other comprehensive income. Debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets can also be measured at fair value through other comprehensive income.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 109 *Financial Instruments* (Continued)

Classification and measurement (Continued)

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

The Group has completed its assessment of the classification and measurement of its financial assets and liabilities and does not expect any significant changes to the classification and measurement of its financial assets and liabilities currently measured at amortised cost and fair value through profit or loss.

Impairment

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment loss allowances as well as interest revenue. For financial assets at amortised cost or debt instruments at fair value through other comprehensive income, the Group will recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition under the three-stage model or from initial recognition if the simplified model is applied.

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables due from related parties, the Group will initially provide for 12 months expected losses under the three-stage model. The Group does not expect any significant changes to impairment loss allowance on trade and other receivables due to earlier recognition of credit loss.

Transition

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year and will include the additional financial statement disclosures for the financial year when FRS 109 is adopted.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 115 *Revenue from Contracts with Customers* (Continued)

The Group does not expect any significant impact on the adoption of FRS 115 as there are no revenue recognised from contracts with customers.

The Group plans to adopt FRS 115 in the financial year beginning on 1 January 2018 using the full retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

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 may be an impairment indicator of the asset concerned.

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 statements 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 Company.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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 FRS 39 Financial Instruments: Recognition and Measurement 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.

2.3 Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations before 1 January 2010 (Continued)

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.4 Property, plant and equipment

All items of property, 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 property, plant and equipment.

Subsequent expenditure on an item of property, 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.

Property, 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 property, plant and equipment to their residual values over their estimated remaining useful lives, using the straight-line method, on the following bases:

Jetties		Over the land use rights tenure of 45 to 50 years
Building on leasehold land		Over the land use rights tenure of 37 to 50 years
Tank facilities	- components	5 to 10 years
	- plant structure	20 to 25 years
Electronic system and equipment		5 to 10 years
Motor vehicles		4 to 10 years
Furniture and fixture		3 to 5 years

No depreciation is provided for, in respect of construction-in-progress until it is substantially completed and ready for its intended use. Cost comprises direct costs of construction, after deducting the net proceeds generated from trial operations, amortisation of land use rights and employee benefits expense as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction-in-progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed.

The carrying values of property, 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.

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

An items of property, 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 property, 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.

2.5 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over lease term tenures, which range from 37 to 50 years, on a straight-line basis.

2.6 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 joint venture is accounted for using the equity method. Under the equity method, the investment in 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.

2. Summary of significant accounting policies (Continued)

2.7 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.

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.

2.8 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

As at the end of the financial year, the Group had financial assets classified under loans and receivables.

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Trade and other receivables (including amount owing by related parties and subsidiaries but excluding prepayments and value added tax) and cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, where applicable, using the effective interest method, less any identified impairment losses. Interest is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Impairment on financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been adversely impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group and the Company 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.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

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.

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

As at the end of the financial year, the Group and the Company had financial liabilities classified under other financial liabilities.

Other financial liabilities

Trade and other payables

Trade and other payables (including amounts owing to Directors, subsidiary, related parties and a former shareholder of a subsidiary, but excluding other tax and levy payable) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

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.

2.9 Derivative financial instruments

Derivative financial instruments held by the Group are recognised as assets or liabilities on the statement of financial position and classified as financial assets or financial liabilities at fair value through profit or loss.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each financial year.

2.10 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. Summary of significant accounting policies (Continued)

2.11 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit or loss is re-presented as if the operation had been discontinued from the start of the comparative period.

2.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is presented net of discounts and sales related taxes.

Rendering of services and transportation

Revenue from the storage, dispatch and drumming of liquid chemical and oil products are recognised when services are rendered. The revenue from land transportation business is recognised when the Group has transferred significant risks and rewards of transported petrochemicals to the customers upon delivery. Revenue is arrived at after deduction of trade discounts, if any. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible non-acceptance of services.

Interest income

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

2.13 Government incentive

Government incentives are recognised at the fair value where there is reasonable assurance that the incentive will be received and all attaching conditions will be complied with. Where the incentive relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures.

2.14 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, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

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

2. Summary of significant accounting policies (Continued)

2.15 Employee benefits

Pension obligations

Pursuant to the relevant regulations of the PRC government, the PRC subsidiaries or joint venture of the Group have participated in central pension schemes ("the Schemes") operated by local municipal government whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiaries or joint venture. The only obligation of the PRC subsidiaries or joint venture with respect to the Scheme is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to profit or loss as incurred.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state managed retirement benefit schemes, such as the Singapore Central Provident Fund are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.16 Taxes

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

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Current income taxes are recognised in profit or loss.

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.

2. Summary of significant accounting policies (Continued)

2.16 Taxes (Continued)

Deferred tax (Continued)

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.

Value added tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or payables in the statements of financial position.

2.17 Operating leases

When the Group is the lessee

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.

2.18 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.

2. Summary of significant accounting policies (Continued)

2.18 Foreign currency transactions and translation (Continued)

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.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2.20 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.

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

Following the transactions entered with CITIC Port Investment Co., Ltd. ("CITIC Port") as disclosed in Note 7 to the financial statements, the Company's subsidiary, Hengyang Holding Pte. Ltd. ("HHPL") and CITIC Port respectively hold 51% and 49% of the equity interest in Jiangyin Foreversun Chemical Logistics Co., Ltd ("Jiangyin Foreversun").

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the accounting policies (Continued)

Joint control (Continued)

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. Therefore, the management of the Company concluded that joint control exists and Jiangyin Foreversun is classified as a joint venture of the Group (Note 8).

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 joint venture

Investment in 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 suitable 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 joint venture as at 31 December 2017 was RMB591,446,000 (2016: Nil).

4. Going concern

Following the loss of control in Jiangyin Foreversun and its subsidiaries (Note 7), the Group accounts for the retained interests as "Investment in Joint Venture" and accounts for its share of results in the joint venture via equity accounting (Note 8). During the financial year ended 31 December 2017, the Group incurred a net loss of RMB29,475,000 from its continuing operations.

The management of the Company has carried out a detailed review of the cash flows forecast of the Group for the 12 months ending 31 December 2018. 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 for the next financial year considering the cash and cash equivalents of the Group and the Company of RMB92,738,000 and RMB3,677,000 respectively as at 31 December 2017. 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.

Should the going concern assumption on which the financial statements are prepared be inappropriate, adjustments will have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. No such adjustments have been reflected in these financial statements.

5. Property, plant and equipment

	Building on leasehold land RMB'000	Jetties RMB'000	Tank facilities RMB'000	Electronic system and equipment RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction-in-progress RMB'000	Total RMB'000
Group								
Cost								
Balance at 1 January 2017	124,785	121,581	360,846	85,180	18,632	627	898,915	1,610,566
Additions	–	–	374	643	–	1	41,200	42,218
Reclassifications	–	–	(1,497)	–	–	–	1,497	–
Written off	–	–	–	(259)	(311)	–	–	(570)
Loss of control in subsidiaries (Note 7)	(124,785)	(121,581)	(359,723)	(85,554)	(18,321)	(573)	(941,612)	(1,652,149)
Balance at 31 December 2017	–	–	–	10	–	55	–	65
Accumulated depreciation								
Balance at 1 January 2017	14,195	11,526	94,438	39,946	11,583	308	–	171,996
Depreciation for the financial year	1,096	1,630	8,745	2,715	983	30	–	15,199
Written off	–	–	–	(259)	(31)	–	–	(290)
Loss of control in subsidiaries (Note 7)	(15,291)	(13,156)	(103,183)	(42,392)	(12,535)	(283)	–	(186,840)
Balance at 31 December 2017	–	–	–	10	–	55	–	65
Carrying amount								
At 31 December 2017	–	–	–	–	–	–	–	–

5. Property, plant and equipment (Continued)

	Building on leasehold land RMB'000	Jetties RMB'000	Tank facilities RMB'000	Electronic system and equipment RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction-in-progress RMB'000	Total RMB'000
Group								
Cost								
Balance at 1 January 2016	124,727	121,581	359,281	84,391	17,157	402	892,943	1,600,482
Additions	191	–	1,156	1,340	2,998	92	17,361	23,138
Reclassifications	(133)	–	409	(307)	188	160	(317)	–
Disposals	–	–	–	(244)	(1,711)	(27)	–	(1,982)
Written off	–	–	–	–	–	–	(11,072)	(11,072)
Balance at 31 December 2016	124,785	121,581	360,846	85,180	18,632	627	898,915	1,610,566
Accumulated depreciation								
Balance at 1 January 2016	11,684	7,613	74,036	29,993	10,364	234	–	133,924
Depreciation for the financial year	2,511	3,913	20,402	10,154	2,595	100	–	39,675
Disposals	–	–	–	(201)	(1,376)	(26)	–	(1,603)
Balance at 31 December 2016	14,195	11,526	94,438	39,946	11,583	308	–	171,996
Carrying amount								
At 31 December 2016	110,590	110,055	266,408	45,234	7,049	319	898,915	1,438,570

5. Property, plant and equipment (Continued)

The Group's additions to property, plant and equipment are analysed as follows:

	2017 RMB'000	2016 RMB'000
Additions of property, plant and equipment	42,218	23,138
Trial run revenue capitalised	11,796	–
Amortisation of land use rights capitalised (Note 6)	(1,612)	(3,871)
Interest capitalised (Note 25)	(12,519)	(32,985)
Decrease in amount owing to suppliers	17,021	9,511
Refund of downpayment	–	30,000
Cash payments to acquire property, plant and equipment	56,904	25,793

The Group's depreciation charge is included in the following line items in profit or loss:

	2017 RMB'000	2016 RMB'000 (Restated)
Continuing operations		
- Administrative and other expenses	11	11
Discontinued operations		
- Cost of sales	13,570	36,101
- Administrative and other expenses	1,618	3,563
	15,188	39,664

At the end of the financial year, the following carrying amounts of the Group's property, plant and equipment were pledged as securities for borrowings:

	2017 RMB'000	2016 RMB'000
Building on leasehold land	–	93,755
Jetties	–	110,055
Tank facilities	–	221,720
Electronic system and equipment	–	42,693
Motor vehicles	–	3,433
Construction-in-progress	–	381,712
	–	853,368

5. Property, plant and equipment (Continued)

These are held as securities for:

	2017 RMB'000	2016 RMB'000
- Bank loan I (Note 16)	–	219,066
- Bank loan III (Note 16)	–	336,219
- Bank loan IV (Note 16)	–	174,060
- Bank loan V (Note 16)	–	35,993
- Bank loan VI (Note 16)	–	70,851
- Bank loan VII (Note 16)	–	1,130
- Non-current amount owing to a related party (Note 10)	–	16,049
	–	853,368

In the previous financial year, the Group wrote off property, plant and equipment that were damaged in a fire incident comprising Exchange Terminal and storage tanks of RMB11,072,000.

Impairment

At the end of the previous financial year, the Group carried out an impairment review of its property, plant and equipment ("PPE"). The recoverable amounts of the relevant assets, which were higher than the carrying amounts, were determined based on fair values by applying the replacement costs method. The key assumptions for replacement costs method were those regarding downward effect adjustment with reference to their remaining lifespan to reflect the deterioration of PPE through usage. The rate of reduction used in the downward effect adjustment ranged from 1% to 75% for the respective class of PPE.

Sensitivity analysis

As the subsidiaries were capable of generating cash flows independent of each other, they were considered separate cash generating units ("CGU").

Management had performed sensitivity analysis on the respective CGU by applying 3% increase or decrease on the downward effect adjustment to assess the fluctuation on the recoverable amount. Since there were no impairment losses previously recognised on the Group's respective CGU, any increase in the recoverable amount will not result in reversal of impairment.

	2016 Increase/(Decrease) in recoverable amounts of the property, plant and equipment		
Change in key assumption	**Deqiao CGU RMB'000**	**Yueyang CGU RMB'000**	**Wuhan CGU RMB'000**
Downward effect adjustment			
- 3% increase	(6,689)	(6,069)	(10,249)
- 3% decrease	6,689	6,069	10,249

Chongqing CGU

Management was of the view that no reasonably possible changes in any key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

5. Property, plant and equipment (Continued)

	Electronic system and equipment RMB'000	Furniture and fixtures RMB'000	Total RMB'000
Company			
Cost			
Balance at 1 January 2017 and 31 December 2017	10	55	65
Accumulated depreciation			
Balance at 1 January 2017	10	44	54
Depreciation for the financial year	–	11	11
Balance at 31 December 2017	10	55	65
Carrying amount			
At 31 December 2017	–	–	–
Cost			
Balance at 1 January 2016 and 31 December 2016	10	55	65
Accumulated depreciation			
Balance at 1 January 2016	10	33	43
Depreciation for the financial year	–	11	11
Balance at 31 December 2016	10	44	54
Carrying amount			
At 31 December 2016	–	11	11

6. Land use rights

	Group 2017 RMB'000	Group 2016 RMB'000
Cost		
Balance at beginning of financial year	285,243	285,243
Loss of control in subsidiaries (Note 7)	(285,243)	–
Balance at end of financial year	–	285,243
Accumulated amortisation		
Balance at beginning of financial year	27,914	22,056
Amortisation charge for the financial year		
- amount charged to profit or loss	828	1,987
- amount capitalised in construction-in-progress (Note 5)	1,612	3,871
	2,440	5,858
Loss of control in subsidiaries (Note 7)	(30,354)	–
Balance at end of financial year	–	27,914
Carrying amount		
Balance at end of financial year	–	257,329

At the end of the financial year, the following carrying amount of Group's land use rights were pledged as securities for borrowings:

	2017 RMB'000	2016 RMB'000
- Bank loan I (Note 16)	–	65,134
- Bank loan III (Note 16)	–	133,827
- Bank loan IV (Note 16)	–	38,675
- Bank loan VII (Note 16)	–	19,693
	–	257,329

Land use rights were in relation to the following parcels of land in the PRC:

Location	Lease period	Land area (square metre)
Jiangyin Foreversun Chemical Logistics Co., Ltd.		
Tianshenggang Village, Huangtu Town, Jiangyin City, Jiangsu Province, PRC	47 years to August 2053	43,437
Tianshenggang Village, Huangtu Town, Jiangyin City, Jiangsu Province, PRC	37 years to April 2049	8,849

6. Land use rights (Continued)

Land use rights were in relation to the following parcels of land in the PRC: (Continued)

Location	Lease period	Land area (square metre)
Jiangsu Deqiao Storage Co., Ltd.		
Danhua Village and Wangsheng Village, Xilai Town, Jingjiang City, Jiangsu Province, PRC	50 years to October 2056	185,673
Jingjiang Shuangjiang Ports Co., Ltd.		
East side of Danhua Port Entrance, Xilai Town, Jingjiang City, Jiangsu Province, PRC	50 years to June 2059	97,108
Xinsheng Farm, Xilai Town, Jingjiang City, Jiangsu Province, PRC	50 years to June 2062	21,485
Wuhan Hengyang Chemical Logistics Co., Ltd.		
Qunli Villiage, Beihu Chemical Industrial Park, Wuhan City, Hubei Province, PRC	50 years to November 2063	215,893
Yueyang Hengyang Petrochemical Logistics Co., Ltd.		
Zhangshu Village and Maoling Village, Yongji Town, Yunxi district, Yueyang City, Hunan Province, PRC	50 years to June 2062	135,743

7. Investments in subsidiaries

	Company	
	2017 RMB'000	2016 RMB'000
Unquoted equity investments, at cost	265,517	265,517
Fair value adjustment on loan to a subsidiary	1,955	1,955
	267,472	267,472

The fair value adjustment on loan to a subsidiary was in relation to the Company in granting a conditional convertible loan of RMB50,023,000 to HHPL where the amortised cost of the loan was RMB48,068,000 and the fair value adjustment on the loan of RMB1,955,000 was recorded as investment in subsidiary. In 2014, the convertible loan was converted into equity interest in HHPL.

Incorporation of subsidiary

On 10 April 2017, Jiangyin Foreversun incorporated Jiangsu Xin Heng Supply Chain Management Services Co., Ltd with registered capital of RMB20,000,000. Jiangyin Foreversun has not injected any capital during the financial year.

Loss of control in subsidiaries

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.

7. Investments in subsidiaries (Continued)

Loss of control in subsidiaries (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.

As a result of the above transactions, the Group has lost its control in Jiangyin Foreversun and its subsidiaries and its retained interests are recognised as investment in joint venture (Note 8). The financial performance of Jiangyin Foreversun and its subsidiaries for the period from 1 January 2017 to 31 May 2017 are therefore presented as discontinued operations (Note 29).

The carrying amounts of net assets and liabilities arising from the loss of control in Jiangyin Foreversun and its subsidiaries were as follows:

	31 May 2017 RMB'000
Property, plant and equipment	1,465,309
Land use rights	254,889
Trade and other receivables	101,288
Amount owing by related parties	1,478
Cash and cash equivalents	332,406
Total assets	2,155,370
Trade and other payables	(298,343)
Amount owing to related parties	(157,502)
Amount owing to Directors	(22,882)
Amount owing to a former shareholder of a subsidiary	(4,502)
Borrowings	(678,410)
Current income tax payable	(7,448)
Deferred tax liabilities	(17,897)
Total liabilities	(1,186,984)
Net assets derecognised	968,386

7. Investments in subsidiaries (Continued)

Gain on loss of control in subsidiaries

	2017 RMB'000
Cash proceeds from Subscription	450,000
Cash proceeds from Disposal	142,900
Fair value of retained interest	617,100
Less:	
Net assets derecognised	(968,386)
Non-controlling interest	3,155
Fair value of Option granted to CITIC Port	(5,286)
Reclassification of foreign currency translation reserve	(270)
Costs (including capital gain tax) directly attributable to the loss of control in subsidiaries	(14,032)
	225,181

Effect of loss of control in subsidiaries on the consolidated statement of cash flows:

	2017 RMB'000
Cash proceeds from Subscription	450,000
Cash proceeds from Disposal	142,900
Cash and cash equivalents of subsidiaries derecognised	(332,406)
Costs (including capital gain tax) directly attributable to the loss of control in subsidiaries	(14,032)
Net cash inflows	246,462

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	
		2017 %	2016 %	2017 %	2016 %
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.[(1)] (Singapore)	Investment holding	65	65	35	35

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7. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

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	
		2017	2016	2017	2016
		%	%	%	%
Held by Hengyang Holding Pte. Ltd. (Continued)					
Jiangyin Foreversun Chemical Logistics Co., Ltd.[2] (PRC)	Investment holding. storage, dispatch and drumming of liquid petrochemical products	–[3]	65	–[3]	35
Held by Jiangyin Foreversun Chemical Logistics Co., Ltd.					
Jiangyin Golden Bridge Transportation Co., Ltd.[2] (PRC)	Land transportation of petrochemical products	–[3]	56.97	–[3]	43.03
Jiangsu Deqiao Storage Co., Ltd.[2] (PRC)	Storage, dispatch and drumming of liquid and gas petrochemical products	–[3]	65	–[3]	35
Wuhan Hengyang Chemical Logistics Co., Ltd.[2] (PRC)	Storage, dispatch and drumming of liquid petrochemical products and management of ports terminal	–[3]	65	–[3]	35
Chongqing New Hengyang Storage Co., Ltd.[2] (PRC)	Storage, dispatch and drumming of liquid petrochemical products and management of ports terminal	–[3]	65	–[3]	35
Yueyang Hengyang Petrochemical Logistics Co., Ltd.[2] (PRC)	Storage, dispatch and drumming of liquid petrochemical products and management of ports terminal	–[3]	65	–[3]	35

7. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

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	
		2017	2016	2017	2016
		%	%	%	%
Held by Jiangsu Deqiao Storage Co., Ltd.					
Jingjiang Shuangjiang Ports Co., Ltd.[2] (PRC)	Management of ports terminals	-[3]	65	-[3]	35

Notes:

[1] Audited by BDO LLP, Singapore.

[2] Audited by BDO China Shu Lun Pan Certified Public Accountants LLP, PRC, a member firm of BDO International Limited for consolidation purpose.

[3] The Group has lost control of Jiangyin Foreversun and its subsidiaries and its retained interests are recognised as investment in joint venture (Note 8).

At the end of the previous financial year, the unquoted equity investment on Jiangyin Foreversun Chemical Logistics Co., Ltd., Jiangsu Deqiao Storage Co., Ltd., Jingjiang Shuangjiang Ports Co., Ltd., Wuhan Hengyang Chemical Logistics Co., Ltd., Chongqing New Hengyang Storage Co., Ltd. and Yueyang Hengyang Petrochemical Logistics Co., Ltd. were pledged as securities for bank loans III, VI and third party loan as disclosed in Note 16.

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:

	HHPL	
	2017 RMB'000	2016 RMB'000 (Restated)
Revenue	–	–
(Loss)/Profit before income tax from continuing operations	(24,940)	113
Income tax expense	–	–
(Loss)/Profit after income tax from continuing operations	(24,940)	113
Other comprehensive income	–	–
Profit/(Loss) from discontinued operations	204,313	(96,678)
(Loss)/Profit after income tax from continuing operations allocated to NCI	(8,729)	40
Profit/(Loss) from discontinued operations allocated to NCI	71,734	(33,838)
Other comprehensive income allocated to NCI	–	–
Total comprehensive income allocated to NCI	63,005	(33,798)

7. Investments in subsidiaries (Continued)

	HHPL	
	2017	2016
	RMB'000	RMB'000
Cash flows generated from/(used in) operating activities	28,615	(23,442)
Cash flows generated from/(used in) investing activities	158,147	(3,415)
Cash flows (used in)/generated from financing activities	(101,369)	31,695
Net cash inflows	85,393	4,838
Assets:		
Current assets	118,575	86,349
Non-current assets	591,446	1,695,888
Liabilities:		
Current liabilities	(60,989)	(780,450)
Non-current liabilities	(4,681)	(446,071)
Net assets	644,351	555,716
Accumulated non-controlling interests	225,523	194,501

Significant restrictions

At the end of the previous financial year, cash and bank balances RMB10,650,000 held with subsidiaries 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 and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

8. Investment in joint venture

	Group	
	2017	2016
	RMB'000	RMB'000
Unquoted equity investment, at cost	617,100	–
Share of results of joint venture, net of tax	(25,654)	–
	591,446	–

Impairment on investment in joint venture

The management carried out a review of the investment in joint venture, having regard for indicators of impairment on investment in joint venture based on the existing performance of joint venture at the end of each financial year. The assessment was made with reference to the value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period including terminal value. Based on management's review, no impairment was required.

8. Investment in joint venture (Continued)

Impairment on investment in joint venture (Continued)

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

	2017 %
Revenue growth rates	6 - 88
Terminal growth rate	1.5
EBITDA margins	10 - 42
Discount rate	15.8

Sensitivity analysis

The impairment assessment carried out at the end of the financial year indicated that the recoverable amount was higher than its carrying amount by RMB90 million. Actual outcomes could vary from these estimates as analysed below:

Change in key assumptions	2017 Increase/(Decrease) in recoverable amount of investment in joint venture RMB
Revenue growth rates	
- 5% increase	37 million
- 5% decrease	(37 million)
Terminal growth rate	
- 2% increase	76 million
- 2% decrease	(76 million)
EBITDA margins	
- 5% increase	106 million
- 5% decrease	(106 million)
Discount rate	
- 2% increase	(119 million)
- 2% decrease	119 million

8. Investment in joint venture (Continued)

The details of the joint venture are as follows:

Name of company (Principal place of business)	Effective equity interest held by the Group 2017 %	Effective equity interest held by the Group 2016 %	Principal activities
Held by Hengyang Holding Pte. Ltd.			
Jiangyin Foreversun Chemical Logistics Co., Ltd.[1] (PRC)	51	–[2]	Storage, dispatch, drumming and land transportation of liquid petrochemical products and management of ports terminal

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

[2] The Group has lost control of Jiangyin Foreversun and its subsidiaries and its retained interest are recognised as investment in joint venture (Note 7).

The financial year end of Jiangyin Foreversun Chemical Logistics Co., Ltd. is 31 December.

Significant restrictions

As at 31 December 2017, cash and bank balances of RMB42,874,000 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 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 statement of financial position

	2017 RMB'000
Current assets	129,693
Non-current assets	1,894,032
Current liabilities	(773,185)
Non-current liabilities	(202,925)

The above amounts of assets and liabilities include the following:

	2017 RMB'000
Cash and cash equivalents	42,874
Current financial liabilities - borrowings	(403,500)
Non-current financial liabilities - borrowings	(86,660)

8. Investment in joint venture (Continued)

Summarised statement of comprehensive income

	Period from 1 June 2017 to 31 December 2017 RMB'000
Revenue	125,869
Interest income	682
Interest expense	(11,322)
Depreciation and amortisation	(32,834)
Loss before income tax	(50,417)
Income tax credit	528
Loss after income tax, representing total comprehensive income	(49,889)
Total comprehensive income attributable to:	
- Owners of Jiangyin Foreversun	(50,302)
- Non-controlling interests	413
	(49,889)

Reconciliation of summarised financial information

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

	2017 RMB'000
Proportion of Group ownership	51%
Net assets of the joint venture	469,557
Fair value adjustment on property, plant and equipment and land use rights	65,991
Cumulative depreciation and amortisation on fair value adjustment	(1,264)
Non-controlling interest	(1,679)
Interest in joint venture	532,605
Goodwill	58,841
Carrying value of Group's interest in joint venture	591,446

9. Trade and other receivables

	Group	
	2017	2016
	RMB'000	RMB'000
Trade receivables - third parties	–	17,805
Notes receivable	–	504
Prepayments	–	6,408
Deposits for land use rights	–	8,602
Other deposits	15	1,532
Staff advances	–	845
Value added tax	–	18,536
Other receivables	–	2,366
	15	56,598

Trade receivables from third parties were unsecured, non-interest bearing and are generally on credit terms ranging from 30 to 90 days for most customers and 120 to 360 days for certain customers.

Notes receivable was trade in nature, unsecured, non-interest bearing and matured on 19 June 2017.

Deposits for land use rights were payments made to local authorities in the PRC.

The advances made to staff were unsecured, non-interest bearing and were to be utilised for reimbursement of operating expenses.

Trade and other receivables are denominated in the following currencies:

	Group	
	2017	2016
	RMB'000	RMB'000
Chinese renminbi	–	56,468
Singapore dollar	15	14
United States dollar	–	116
	15	56,598

10. Amount owing by/(to) related parties

Amount owing by related parties

The amount owing by related parties are unsecured, non-interest bearing and generally on a credit term of 90 to 180 days. The trade amount is denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese renminbi	185	2,006	6	–
Singapore dollar	–	40	–	–
	185	2,046	6	–

Amount owing to related parties

	Group	
	2017	2016
	RMB'000	RMB'000
Current		
- related parties (non-trade)	–	(62,215)
Non-current		
- a related party (non-trade)	–	(93,050)
	–	(155,265)

As at 31 December 2016, the current portion comprised:

(a) RMB25,000,000 which bore an interest at 6.5% per annum and repayable by 16 December 2017;

(b) RMB10,000,000 which bore an interest at 15.0% per annum and repayable by 31 December 2017. On 10 January 2017, the amount owing to the related party has been extended to be repayable by 31 March 2017. Subsequent to 31 March 2017, there is no further extension and penalty of 0.06% per day will be imposed in accordance with the terms of the agreement in addition to the interest payable; and

(c) RMB27,215,000 which was non-interest bearing and repayable on demand.

The current amount owing to related parties is denominated in Chinese Renminbi and unsecured.

The non-current amount owing to a related party was denominated in Chinese Renminbi, repayable by 30 June 2023 and early repayment is subject to the approval from the Company's Audit Committee as well as unanimous approval from the board of HHPL. The amount comprised:

(a) RMB29,500,000 out of which RMB13,500,000 was secured by a mortgage over certain of the Group's property, plant and equipment (Note 5). It bore an interest at variable funding cost per annum incurred by the related party; and

(b) RMB63,550,000 was unsecured. It bore an interest at 10% above the prevailing prime lending rate per annum set by People's Bank of China.

The fair value of the non-current amount owing to a related party approximated its carrying amount as interest rates are floating interest rates.

11. Amount owing by/(to) subsidiaries

Amount owing by subsidiaries

The non-trade amount is unsecured, non-interest bearing, repayable upon demand and denominated in Chinese renminbi.

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.

12. Cash and cash equivalents

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Cash on hand	7	79	1	1
Bank balances	92,697	10,870	3,642	42
Fixed deposits	34	–	34	–
Cash and cash equivalents per statements of cash flows	92,738	10,949	3,677	43

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Chinese renminbi	86,909	10,695	20	–
Singapore dollar	5,734	125	3,632	30
United States dollar	95	129	25	13
	92,738	10,949	3,677	43

The effective interest rates for fixed deposits range from 0.175% to 1.85% (2016: Nil) per annum and have a tenure of 1 to 3 (2016: Nil) months.

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13. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables – third parties	–	12,445	–	–
Accrued expenses	340	33,035	118	329
Other tax and levy payable	–	1,330	–	–
Amount owing to suppliers of property, plant and equipment	–	139,002	–	–
Amount owing to government authority in relation to land use rights	–	86,550	–	–
Other payables – third parties	1,660	10,908	1,276	2,923
	2,000	283,270	1,394	3,252

Trade payables from third parties were unsecured, non-interest bearing and generally on 30 to 90 days credit terms.

Accrued expenses comprised mainly compensation to customers relating to the Deqiao Incident amounting to RMB22,397,000. The compensation was derived at net of trade receivables to be collected from those customers and payments made.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese renminbi	–	279,388	–	–
Singapore dollar	2,000	3,882	1,394	3,252
	2,000	283,270	1,394	3,252

14. Amount owing to Directors

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Current (non-trade)	794	13,133	794	2,509
Non-current (non-trade)	–	11,143	–	–
	794	24,276	794	2,509

14. Amount owing to Directors (Continued)

The current amount owing to the Directors are unsecured, non-interest bearing, repayable on demand and denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese renminbi	–	10,901	–	277
Singapore dollar	794	2,232	794	2,232
	794	13,133	794	2,509

The non-current amount owing to a Director was denominated in Chinese Renminbi and unsecured. The repayment period was extended to 30 June 2018 and bore interest at the prevailing prime lending rate per annum set by People's Bank of China.

The fair value of the non-current amount owing to a Director approximated its carrying amount as interest rates were floating interest rates.

15. Amount owing to a former shareholder of a subsidiary

At the end of the previous financial year, the amount owing to a former shareholder of a subsidiary, Jiangyin Foreversun, of RMB4,502,000 was in relation to interest payable on late payment of dividend declared by Jiangyin Foreversun in the previous financial years. The amount was denominated in Chinese Renminbi, non-trade in nature, unsecured, non-interest bearing and repayable on demand.

16. Borrowings

		Group	
	Note	2017	2016
		RMB'000	RMB'000
Bank and other loans (secured)			
- Bank loan I	(a)	–	260,000
- Bank loan II	(b)	–	6,900
- Bank loan III	(c)	–	178,073
- Bank loan IV	(d)	–	79,000
- Bank loan V	(e)	–	38,000
- Bank loan VI	(f)	–	65,560
- Bank loan VII	(g)	–	38,000
- Bank loan VIII	(h)	–	20,000
- Third party loan	(i)	–	54,107
		–	739,640
Carrying amounts repayable:			
- Within one financial year		–	596,180
- After one financial year but within five financial years		–	143,460
		–	739,640

16. Borrowings (Continued)

(a) Bank loan I was repayable progressively over 8 years till December 2020, secured by corporate guarantees furnished by the Company's subsidiaries, Jiangyin Foreversun and Jingjiang Shuangjiang Ports Co., Ltd. ("Jingjiang Shuangjiang"), the Group's related party, Jiangyin Golden Bridge Chemical Co., Ltd. ("Jinqiao Chemical"), and the personal guarantees furnished by the Company's Executive Chairman and Chief Executive Officer ("Chairman") and his spouse. In addition, this loan was secured by mortgages against the Group's property, plant and equipment (Note 5) and land use rights (Note 6). The interest shall be computed based on 10% above the prevailing prime lending rate per annum set by People's Bank of China. The bank loan was repayable by semi-annual instalments commencing 17 June 2014. At the end of the previous financial year, repayments of RMB40,000,000 to the bank were due. The Group had obtained written agreement from the bank to defer repayment to year 2020 before the end of previous financial year.

(b) Bank loan II was repayable from July 2013 to July 2019, secured by corporate guarantees furnished by the Company's subsidiaries, Jiangyin Foreversun and Jiangsu Deqiao Storage Co., Ltd. ("Jiangsu Deqiao"). The interest shall be computed based on 10% above the prevailing prime lending rate per annum set by People's Bank of China. The bank loan was repayable by semi-annual instalments commencing 31 July 2013.

(c) Bank loan III was repayable from June 2014 to March 2020, secured by corporate guarantees furnished by the Company's subsidiaries, Jiangyin Foreversun and Jiangsu Deqiao, and personal guarantees furnished by the Chairman and his spouse. In addition, this loan was also secured by the mortgages against the Group's property, plant and equipment (Note 5), land use rights (Note 6) and the entire equity interest of Wuhan Hengyang owned by HHPL (Note 7). The interest shall be computed based on 10% above the prevailing prime lending rate per annum set by People's Bank of China. The bank loan was repayable by quarterly instalments commencing 27 June 2014. At the end of the previous financial year, the Group had not met certain instalment repayments and did not obtain a written deferred repayment agreement. As such, the non-current portion of this loan had been reclassified as current liabilities.

(d) Bank loan IV was repayable from June 2014 to December 2020, secured by corporate guarantees furnished by the Company's subsidiary, Jiangyin Foreversun and the personal guarantee furnished by the Chairman. In addition, this loan was also secured by mortgages against the Group's property, plant and equipment (Note 5) and land use rights (Note 6). The interest shall be computed based on 5% above the prevailing prime lending rate per annum set by People's Bank of China. The bank loan was repayable by semi-annual instalments commencing 10 June 2014.

(e) Bank loan V was repayable from December 2015 to June 2018, secured by corporate guarantees furnished by the Company's subsidiary, Jiangyin Foreversun and the personal guarantee furnished by the Chairman and his spouse. In addition, this loan was also secured by mortgages against the jetties of Yueyang Hengyang Petrochemical Logistics Co., Ltd ("Yueyang Hengyang") (Note 5). The interest shall be computed based on 10% above the prevailing prime lending rate per annum set by People's Bank of China. The bank loan was repayable by semi-annual instalments commencing 28 December 2015.

16. Borrowings (Continued)

(f) Bank loan VI was repayable from December 2015 to August 2019, secured by corporate guarantees furnished by the Company's subsidiaries, Jiangyin Foreversun and Jiangsu Deqiao, and the personal guarantees furnished by the Chairman and his spouse. In addition, this loan was also secured by mortgages against the jetties of Chongqing New Hengyang Storage Co., Ltd. (Note 5) and the entire equity interest of Chongqing New Hengyang Storage Co., Ltd. owned by HHPL (Note 7). The interest shall be computed based on 10% above the prevailing prime lending rate per annum set by People's Bank of China. The bank loan was repayable by quarterly instalments commencing 20 December 2015. At the end of the previous financial year, repayments of RMB16,000,000 to the bank were due. The Group had obtained written agreement from the bank to defer repayment to year 2020 before the end of previous financial year.

(g) Bank loan VII bore interest at 6.00% (2015: 6.35%) interest per annum, repayable in August 2017 and secured by the Group's property, plant and equipment (Note 5) and land use rights (Note 6).

(h) Bank loan VIII bore interest at 5.87% interest per annum, repayable in February 2017 and secured by corporate guarantees furnished by the Company and its subsidiary, Jiangyin Foreversun and the personal guarantees furnished by the Chairman.

(i) Third party loan bore interest at 20% above the prevailing prime lending rate per annum set by People's Bank of China, repayable in June 2017 and secured by second mortgages against the Group's PRC subsidiaries property, plant and equipment and its equity interest in Jiangyin Foreversun, Jiangsu Deqiao, Yueyang Hengyang and Jingjiang Shuangjiang (Note 7).

The loans were denominated in Chinese Renminbi and the effective interest rates per annum were as follows:

	2017 %	2016 %
Current portion	–	5.15 – 6.46
Non-current portion	–	5.15 – 6.77

Reclassification of non-current liabilities to current liabilities

At the end of the previous financial year, the Group did not meet certain scheduled repayment in respect of quarterly instalments of RMB26,423,000 under Bank Loan III and had reclassified the non-current bank borrowings of RMB103,250,000 to current liabilities.

Breach of bank loan covenants

The Group had secured bank loan facility amounting to RMB260,000,000 as at 31 December 2016 with a bank where the covenant required Jiangsu Deqiao Storage Co., Ltd. ("Jiangsu Deqiao") to maintain a minimum net asset value of RMB220,000,000 and gearing ratio cannot exceed 0.7 times.

However, Jiangsu Deqiao's net asset value of RMB189,659,000 and gearing ratio of 0.74 times did not meet the financial covenant and therefore, the Group had reclassified the non-current portion of bank loan amounting to RMB180,000,000 to current liabilities.

17. Derivative financial instrument

	Group 2017 RMB'000	Group 2016 RMB'000
Liability		
Derivative financial instrument on initial recognition during the year	5,286	–
Fair value gain	(605)	–
Derivative financial instruments at end of financial year	4,681	–

Derivative financial instrument relates to Option issued as disclosed in Note 7 to the financial statements.

As at the end of financial year, 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 fair value gain of derivative financial instrument is included in "Other income" line item in profit or loss.

18. Deferred tax liabilities

	Group 2017 RMB'000	Group 2016 RMB'000
Balance as at 1 January	18,418	16,899
(Credited)/Charged to profit or loss (Note 28)	(521)	1,519
Loss of control in subsidiaries (Note 7)	(17,897)	–
Balance as at 31 December	–	18,418

The above comprised tax on excess of carrying amount over tax written down value of qualifying property, plant and equipment.

Under the Law of PRC, withholding tax of 5% is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax had not been provided in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as at 31 December 2016 as the Group was able to control the timing of the temporary differences.

19. Share capital

	Group and Company			
	2017	2016	2017	2016
	Number of ordinary shares		RMB'000	RMB'000
Issued and fully paid				
Balance at beginning and end of financial year	203,461,883	203,461,883	289,064	289,064

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.

20. Statutory common reserve

According to the current PRC Company Law, the PRC companies are required to transfer between 5% and 10% of its profit after income tax to statutory common reserve until the common reserve balance reaches 50% of the registered capital. For the purpose of calculating the amount to be transferred to this reserve, the profit after income tax shall be the amount determined based on the PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Statutory common reserve can be used to make good previous financial years' losses and for conversion to capital provided that the balance remains not less than 25% of the registered capital.

During the financial year, the statutory common reserves had been reclassified to retained earnings in the consolidated statement of changes in equity as a result of the loss of control in subsidiaries in the PRC.

21. Other reserve

Other reserve arose from dilution of equity interest in subsidiaries, HHPL and Jiangyin Golden Bridge Transportation Co., Ltd. ("GB Transportation"), as a result of the new shares to non-controlling shareholders. The transactions did not result in a loss in control.

During the financial year, the amount of other reserve arose from dilution of equity interest in subsidiaries GB Transportation had been reclassified to retained earnings in the consolidated statement of changes in equity as a result of the loss of control in subsidiaries in the PRC.

22. Foreign currency translation account

The foreign currency translation account comprises all foreign exchange differences arising from the translation of foreign operations. Movement in this account is set out in consolidated statement of changes in equity.

During the financial year, the foreign currency translation account had been reclassified to profit or loss in the consolidated statement of comprehensive income as a result of the loss of control in subsidiaries in the PRC.

23. Revenue

	Group	
	2017 RMB'000	2016 RMB'000 (Restated)
Continuing operations	–	–
Discontinued operations		
Service fee	24,976	76,423
Transportation fee	47,530	61,093
	72,506	137,516

24. Other income

	Group	
	2017 RMB'000	2016 RMB'000 (Restated)
Continuing operations		
Interest income from bank deposits	1,339	–
Change in fair value of derivative financial instrument	605	–
Gain on foreign exchange, net	183	–
	2,127	–
Discontinued operations		
Interest income from bank deposits	1	364
Government incentives	214	4,967
Sundry income	532	1,891
	747	7,222

Government incentives in the previous financial year comprised mainly compensation received for Chongqing New Hengyang storage Co., Ltd's loss on opportunity costs on deposits made for acquisition of land use rights paid to Chongqing's local authorities of RMB3,000,000 and an incentive award by Jiangyin's local authorities received fro Jiangyin Golden Bridge Transportation Co., Ltd's provision of logistics services along Yangtze River of RMB1,688,000.

25. Finance costs

	Group 2017 RMB'000	Group 2016 RMB'000 (Restated)
Continuing operations	–	–
Discontinued operations		
Interest expense		
- borrowings	16,388	41,918
- a Director	221	529
- related parties	5,249	6,989
	21,858	49,436
Amount capitalised in construction-in-progress (Note 5)	(12,519)	(32,985)
	9,339	16,451

26. Loss before income tax

The above has been arrived at after charging:

	Group 2017 RMB'000	Group 2016 RMB'000 (Restated)
Continuing operations		
Audit fees paid to		
- auditor of the Company	512	477
Non-audit fees paid to		
- auditor of the Company	20	20
Depreciation of property, plant and equipment	11	11
Employee benefit costs (including of Directors' fees)	3,047	3,439
Operating lease rental	54	52

26. Loss before income tax (Continued)

The above has been arrived at after charging: (Continued)

	Group 2017 RMB'000	Group 2016 RMB'000 (Restated)
Discontinued operations		
Audit fees paid to		
- other auditors	430	400
Non-audit fees paid to		
- other auditors	–	277
Amortisation of land use rights	828	1,987
Compensation to customers	–	36,803
Cleaning up expenses	–	9,608
Depreciation of property, plant and equipment	15,188	39,664
Employee benefit costs (including of Directors' fees)	14,484	33,323
Foreign exchange gain, net	–	(35)
Loss on disposal of property, plant and equipment	–	165
Loss on property, plant and equipment written off (Note 5)	280	11,072
Other taxes and levies[1]	1,499	1,330
Operating lease rental	88	206
Penalty	–	1,000

[1] Other taxes and levies relate to property tax, land use tax, educational tax and stamp duty.

In the previous financial year, compensation to customers, loss on property, plant and equipment written-off and penalty arose from an industrial fire at Jiangsu Deqiao Storage Co., Ltd ("Deqiao Facility"). The fire accident was directly caused by the failure of third party contractor of Jiangsu Deqiao to adhere to certain safety procedures prior to engaging in welding work on the pipeline at exchange terminal of the Deqiao Facility. As at the date of the financial statements, Jiangsu Deqiao has not resumed its operations.

27. Employee benefit costs

	Directors' remuneration RMB'000	Other key management personnel RMB'000	Other staff RMB'000	Total RMB'000
Group				
2017				
Continuing operations				
Directors' fees				
- Directors of the Company	1,253	–	–	1,253
Salaries and related costs	1,067	291	302	1,660
Defined contribution plans	60	–	74	134
	2,380	291	376	3,047

27. Employee benefit costs (Continued)

	Directors' remuneration RMB'000	Other key management personnel RMB'000	Other staff RMB'000	Total RMB'000
Discontinued operations				
Directors' fees				
- Directors of the Company	–	–	–	–
Salaries and related costs	201	305	15,571	16,077
Defined contribution plans	12	15	1,314	1,341
	213	320	16,885	17,418
2016 (Restated)				
Continuing operation				
Directors' fees				
- Directors of the Company	1,236	–	–	1,236
Salaries and related costs	1,061	485	540	2,086
Defined contribution plans	59	10	48	117
	2,356	495	588	3,439
Discontinued operations				
Directors' fees				
- Directors of the Company	–	–	–	–
Salaries and related costs	482	964	34,477	35,923
Defined contribution plans	28	50	5,327	5,405
	510	1,014	39,804	41,328

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.

	Group 2017 RMB'000	Group 2016 RMB'000 (Restated)
Employee benefit costs charged to:		
Continuing operations		
- Administrative and other expenses	3,047	3,439
Discontinued operations		
- Cost of sales	5,714	14,711
- Administrative and other expenses	8,770	18,612
	14,484	33,323
- Capitalised in construction-in-progress	2,934	8,005
	17,418	41,328

28. Income tax expense

	Group 2017 RMB'000	Group 2016 RMB'000 (Restated)
Current income tax	1,680	4,976
Deferred tax	(521)	1,519
	1,159	6,495
Under-provision of current income tax in respect of prior year	275	379
	1,434	6,874

Income tax expense attributable to:

	Group 2017 RMB'000	Group 2017 RMB'000 (Restated)
Discontinued operations	1,434	6,874

The income tax expense on the results of the financial year varies from the amount of income tax determined by applying the PRC's statutory rate of income tax of 25% (2016: 25%) on the Group's profits as a result of the following:

	Group 2017 RMB'000	Group 2016 RMB'000
Loss before income tax from continuing operations	(29,475)	(4,776)
Profit/(Loss) before income tax from discontinued operations	205,588	(89,804)
Profit/(Loss) before income tax	176,113	(94,580)
Tax at statutory rate	44,028	(23,645)
Tax effect of different tax rate in other country	(17,796)	382
Tax effect on cost of commissioning after deducting net proceeds during trial operations	3,530	5,264
Tax effect on non-deductible expenses	13,241	1,823
Tax effect of income not subject to tax	(44,383)	(244)
Deferred tax asset not recognised for current financial year	4,753	24,540
Utilisation of prior year's unrecognised deferred tax assets	(2,214)	(1,625)
Under-provision of current income tax in respect of prior year	275	379
	1,434	6,874

28. Income tax expense (Continued)

Unrecognised deferred tax assets

	Group 2017 RMB'000	Group 2016 RMB'000
Balance at beginning of financial year	42,281	20,920
Expired during the financial year	–	(1,582)
Utilised during the financial year	(2,214)	(1,625)
Amount not recognised during financial year	–	24,540
Tax effect of different tax rate in other country	–	28
Loss of control in subsidiaries	(40,067)	–
Balance at end of financial year	–	42,281

At the end of the previous financial year, unrecognised deferred tax assets comprised unutilised tax losses of approximately RMB169,122,000 available for offset against future profits and RMB168,777,000 which will expire in 2017 to 2021. The unutilised losses are subject to the agreement by relevant tax authorities.

The deferred tax assets have not been recognised in respect of the unutilised tax losses as there is no certainty that future profits will be available against which the Group can utilise the benefits. Accordingly, these deferred tax assets have not been recognised in the consolidated financial statements in accordance with the accounting policy of the Group.

29. Discontinued operations

Arising from the loss of control in Jiangyin Foreversun and its subsidiaries (Note 7), the financial performance of the discontinued operations have been presented separately in the consolidated statement of comprehensive income as this segment represents a major line of geographical area of operations that has been disposed. Comparative figures have been restated to reflect the discontinued operations in the consolidated statement of comprehensive income.

The results of the discontinued operations are as follows:

	Period from 1 January 2017 to 31 May 2017 RMB'000	Year ended 31 December 2016 RMB'000
Revenue (Note 23)	72,506	137,516
Cost of sales	(66,682)	(119,731)
Gross profit	5,824	17,785
Other income (Note 24)	747	7,222
Administrative and other expenses	(16,825)	(98,360)
Finance costs (Note 25)	(9,339)	(16,451)
Loss from discontinued operations	(19,593)	(89,804)
Income tax expense (Note 28)	(1,434)	(6,874)
Loss before income tax	(21,027)	(96,678)
Gain on loss of control in subsidiaries (Note 7)	225,181	–
Profit/(Loss) from discontinued operations	204,154	(96,678)

29. Discontinued operations (Continued)

The effect of the discontinued operations are as follows:

	Period from 1 January 2017 to 31 May 2017 RMB'000	Year ended 31 December 2016 RMB'000
Cash flows generated from/(used in) operating activities	29,441	(22,917)
Cash flows used in investing activities	(88,316)	(32,367)
Cash flows generated from financing activities	380,631	60,647
Net cash inflows	321,756	5,363

30. Earnings/(Loss) per share

The calculation for loss per share is based on:

	Group 2017	Group 2016 (Restated)
Loss after income tax from continuing operations attributable to owners of the parent (RMB'000)	(20,746)	(4,816)
Profit/(Loss) after income tax from discontinued operations attributable to owners of the parent (RMB'000)	132,420	(62,985)
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 from continuing operations (in cents)		
- Basic	(10.20)	(2.37)
- Diluted	(10.20)	(2.37)
Earnings/(Loss) per share from discontinued operations (in cents)		
- Basic	65.08	(30.96)
- Diluted	65.08	(30.96)

Basic earning/(loss) per share is calculated by dividing the net profit/(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 earning/(loss) per share is equivalent to basic earning/(loss) per share for the financial year.

31. Commitments

31.1 Operating lease commitments

At the end of the financial year, the commitments in respect of non-cancellable operating leases for rental of premises and equipment were as follows:

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Future minimum lease payments payable:		
Within one financial year	49	231
After one year but within five financial years	46	76
	95	307

The Group leases a number of premises and equipment under operating leases. Leases are negotiated for an average term of 3 years (2016: 1 to 5 years) and rentals are fixed for an average of 3 years (2016: 1 to 5 years). These leases have no escalation clauses, restriction and do not provide contingent rents. There are options to renew the agreements for the above operating leases.

31.2 Contingent liabilities

At the end of the previous financial year, the Company had given guarantees amounting to RMB20,000,000 to a bank in respect of banking facilities granted to a subsidiary. Such guarantees were in the form of a financial guarantee as they require the Company to reimburse the bank if the subsidiary to 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 Company did not recognise any liability in respect of the guarantees given to the bank for banking facilities granted to the subsidiary as the Directors of the Company assessed that the likelihood of the subsidiary defaulting on repayment of its loan was remote.

<u>Contingent liabilities arising from interest in a joint venture</u>

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Legal claims	16,183	–

The amount disclosed represents potential liabilities arising from legal claims against the subsidiary of Jiangyin Foreversun amounting to RMB16,183,000 from a third party supplier in respect of construction works carried out at Chongqing, the PRC.

As of the date of this report, the arbitration proceedings are still in progress and management has obtained legal advice that the claims made are unmeritorious and groundless, and the subsidiary of Jiangyin Foreversun intends to vigorously defend the claims. Accordingly, no provision for this claim has been made.

32. 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:

	2017 RMB'000	2016 RMB'000
Group		
Sales to related parties	6,484	9,918
- Jiangyin Golden Bridge Chemical Co., Ltd. (Note (a))	6,398	9,302
- Shanghai Kangyang Petrochemical Co., Ltd. (Note (b))	86	431
- Golden Hope Industrial Co., Ltd. (Note (c))	–	185
Interest expense charged by related parties	7,503	7,518
- Jiangyin Golden Bridge Chemical Co., Ltd. (Note (a))	5,193	5,264
- Wuhan Kangyang Petrochemical Co., Ltd. (Note (b))	1,625	1,725
- Gu Wen Long	685	529
Success fee to a related party		
- Xie Yu	5,929	–

(a) This relates mainly to provision of petrochemical storage services and land transport services to Jinqiao Chemical, 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., Wuhan Kangyang Petrochemical Co., Ltd. and Jiangyin Saisheng New Material Co., Ltd. are controlled by Jinqiao Chemical.

(c) Golden Hope Industrial Co., Ltd. is controlled by Mr Gu Wen Long.

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

33. Segment information

Prior to the loss of control in Jiangyin Foreversun and its subsidiaries, the Group is organised into business units based on their services, and has three reportable operating segments disclosed below as (a) to (c). Subsequent to the loss of control in Jianyin Foreversun and its subsidiaries, the Group has only one reportable operating segment as disclosed below in (d).

(a) The service segment is in the business of storage, dispatch and drumming of liquid petrochemical products.

(b) The transportation segment is in the business of providing land transportation services.

(c) The development stage segment comprises companies which have not commenced operations except for construction-in-progress.

(d) The investment holding segment relates to the Group's investment in joint venture.

33. Segment information (Continued)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from net profit or loss in the consolidated financial statements.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments.

Transfer pricing between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

As the business of the Group is engaged entirely in the PRC, no reporting by geographical location of operation is presented.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

33. Segment information (Continued)

	Service		Transportation		Development stage		Investment Holding		Elimination		Total	
	2017 RMB'000	2016 RMB'000 (Restated)	2017 RMB'000	2016 RMB'000 (Restated)	2017 RMB'000	2016 RMB'000 (Restated)	2017 RMB'000	2016 RMB'000 (Restated)	2017 RMB'000	2016 RMB'000 (Restated)	2017 RMB'000	2016 RMB'000 (Restated)
Revenue	–	–	–	–	–	–	–	–	–	–	–	–
Segment results	–	–	–	–	–	–	(5,948)	(4,776)	–	–	(5,948)	(4,776)
Interest income	–	–	–	–	–	–	2,127	867	–	(867)	2,127	–
Finance costs	–	–	–	–	–	–	–	–	–	–	–	–
Share of results of joint venture	–	–	–	–	–	–	(25,654)	–	–	–	(25,654)	–
Loss before tax from continuing operations	–	–	–	–	–	–	(29,475)	(3,909)	–	(867)	(29,475)	(4,776)
Income tax expense	–	–	–	–	–	–	–	–	–	–	–	–
Loss after tax from continuing operations	–	–	–	–	–	–	(29,475)	(3,909)	–	(867)	(29,475)	(4,776)
(Loss)/Profit from discontinued operations, net of tax	(19,742)	(97,730)	1,632	1,796	(2,917)	(6,709)	225,181	–	–	5,965	204,154	(96,678)
(Loss)/Profit for the year	(19,742)	(97,730)	1,632	1,796	(2,917)	(6,709)	195,706	(3,909)	–	5,098	174,679	(101,454)
Segment assets	–	2,183,667	–	85,020	–	530,015	1,041,540	1,045,206	(357,156)	(2,078,416)	684,384	1,765,492
Segment liabilities	–	1,142,980	–	60,858	–	419,237	97,128	140,254	(89,653)	(556,376)	7,475	1,206,953

33. Segment information (Continued)

	Service		Transportation		Development stage		Investment Holding		Elimination		Total	
	2017 RMB'000	2016 RMB'000 (Restated)	2017 RMB'000	2016 RMB'000 (Restated)	2017 RMB'000	2016 RMB'000 (Restated)	2017 RMB'000	2016 RMB'000 (Restated)	2017 RMB'000	2016 RMB'000 (Restated)	2017 RMB'000	2016 RMB'000 (Restated)
Other information:												
Capital expenditure	27,739	9,045	25	36	14,454	8,524	–	–	–	5,533	42,218	23,138
Depreciation of property, plant and equipment	14,421	37,575	615	1,816	152	273	11	11	–	–	15,199	39,675
Amortisation charge of land use rights	828	1,987	–	–	–	–	–	–	–	–	828	1,987
Loss on property, plant and equipment written off	–	–	–	–	–	11,072	–	–	–	–	–	11,072

33. Segment information (Continued)

Reportable segments assets are reconciled to total assets as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Segment assets	684,384	1,765,492
Current income tax recoverable	20	–
Total assets	684,404	1,765,492

Reportable segments liabilities are reconciled to total liabilities as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Segment liabilities	7,475	1,206,953
Deferred tax liabilities	–	18,418
Current income tax payable	–	6,141
Total liabilities	7,475	1,231,512

Major customer

In the prior financial year, the revenue from a customer of the Group's service and transportation segment represent approximately RMB30,638,000.

34. Financial risk management objectives and policies

The Group's activities expose them to credit risk, market risk (including interest rate risk and foreign exchange risk), and liquidity risk. 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, if any, in interest rates and foreign exchange rates.

34.1 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's interest rate risk arises mainly from borrowings, amount owing to a Director, amount due from a related party and loan from a third party. The interest rates and terms of repayment of non-current amount owing to a related party, amount owing to a Director and borrowings are disclosed in Notes 10, 14, 15 and 16 respectively. It is the Group's policy not to enter into derivative contracts to hedge its interest rate risk. The Group obtained quotes from reputable banks to ensure that the most favourable rates are made available to the Group.

34. Financial risk management objectives and policies (Continued)

34.1 Interest rate risk (Continued)

At the end of the financial year, if borrowing interest rates had been 50 basis points (2016: 50 basis points) lower/higher with all other variables held constant, the Group's profit would have been Nil (2016: RMB1,183,000) higher/lower arising from lower/higher interest expense.

34.2 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	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Monetary assets				
Singapore dollar	5,749	139	3,632	30
United States dollar	95	285	25	13
	5,844	424	3,657	43
Monetary liabilities				
Singapore dollar	(2,794)	(6,114)	(31,487)	(22,283)

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% (2016: 5%) change in SGD against RMB. The sensitivity analysis assumes an instantaneous 5% (2016: 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. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss.

	← Increase/(Decrease) in Profit or Loss →			
	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
SGD				
Strengthens against RMB	148	(299)	(1,393)	(1,113)
Weakens against RMB	(148)	299	1,393	1,113

34. Financial risk management objectives and policies (Continued)

34.3 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.

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 statement of financial position.

	Company	
	2017	2016
	RMB'000	RMB'000
Corporate guarantees provided to bank for a subsidiary's banking facilities utilised as at the end of financial year	–	20,000

The earliest period that the guarantee could be called is within one year from the end of the financial year. Based on assessment at the end of the financial year, the Company considers that it is more likely than not that no amount will be payable under the arrangement (Note 31.2). However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics as at the end of financial year.

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 RMB60,385,000 (2016: RMB764,000) respectively as at the end of financial year.

The Group's and Company's major classes of financial assets are bank deposits and trade receivables. Bank deposits are mainly deposits with banks with reputable banks.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

The ageing analysis of trade receivables due from third parties and related parties past due but not impaired is as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Past due over 1 month but less than 3 months	–	–
Past due over 3 months	–	79

34. Financial risk management objectives and policies (Continued)

34.4 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. The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	Effective interest rate %	Within 1 year RMB'000	After 1 year but within 5 years RMB'000	After 5 years RMB'000	Total contractual undiscounted cash flow RMB'000
Group					
As at 31 December 2017					
Trade and other payables, excluding other tax and levy payable	–	2,000	–	–	2,000
Amount owing to Directors	–	794	–	–	794
		2,794	–	–	2,794
As at 31 December 2016					
Trade and other payables, excluding other tax and levy payable	–	281,940	–	–	281,940
Amount owing to related parties	5.39 – 15.00	65,340	–	115,314	180,654
Amount owing to Directors	4.75	13,133	11,672	–	24,805
Amount owing to a former shareholder of a subsidiary	–	4,502	–	–	4,502
Borrowings	5.15 – 6.77	608,185	155,081	–	763,266
		973,100	166,753	115,314	1,255,167

The Company's financial liabilities mature within one year and are non-interest bearing.

At the end of the previous financial year, the Company had given a financial guarantee for a subsidiary's bank loan of RMB20,000,000 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.

35. 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 fair values of non-current financial liabilities that are not carried at fair value in relation to amount owing to a related party, amount owing to a Director and borrowings are determined using discounted cash flow pricing models. As at end of the financial year, the fair values of the non-current financial liabilities approximate their carrying amounts as the interest rates are floating interest rates.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost, which approximate their fair value, are detailed in the following table:

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Financial assets				
Trade and other receivables, excluding prepayments and value added tax	15	31,654	–	–
Amount owing by related parties	185	2,046	6	–
Amount owing by subsidiaries	–	–	60,385	769
Cash and cash equivalents	92,738	10,949	3,677	43
Total loans and receivables	92,938	44,649	64,068	812
Financial liabilities				
Trade and other payables, excluding other tax and levy payable	2,000	281,940	1,394	3,252
Amount owing to related parties	–	155,265	–	–
Amount owing to Directors	794	24,276	794	2,509
Amount owing to a subsidiary	–	–	29,299	16,799
Amount owing to a former shareholder of a subsidiary	–	4,502	–	–
Borrowings	–	739,640	–	–
Total financial liabilities at amortised cost	2,794	1,205,623	31,487	22,560

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				
2017				
Financial liability				
Financial liability at fair value through profit or loss				
Derivative financial instrument	–	–	4,681	4,681

35. Fair values of financial assets and financial liabilities (Continued)

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

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
	2017	2016				
Group	RMB'000	RMB'000				
Derivative financial instrument - Option	4,681	-	Level 3	Binomial model	Fair value of Jiangyin Foreversun group's CGU	An increase in the fair value used in isolation would result in an increase in the fair value.
					Risk-free interest rate of the People's Republic of China Government Securities at 3.79%.	An increase in the risk-free interest rate used in isolation would result in an increase in the fair value.
					Volatility rate at 52.83%	An increase in the volatility rate used in isolation would result in a increase in the fair value.

35. Fair values of financial assets and financial liabilities (Continued)

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:

	Increase/ (Decrease) in Profit or Loss RMB'000
Group	
2017	
Fair value of Jiangyin Foreversun group's CGU	
- 5% increase	614
- 5% decrease	(566)
Risk free rate	
- 1% increase	172
- 1% decrease	(169)
Volatility rate	
- 5% increase	859
- 5% decrease	(831)

36. 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 consists of equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings as disclosed in Notes 19 to 22. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's overall strategy remains unchanged from 2016.

In the previous financial year, a subsidiary of the Group is required by a bank to maintain the following financial covenants:

(a) a gearing ratio not exceeding 70%; and

(b) a minimum tangible net assets not less than RMB220 million.

A breach of bank loan covenants has been disclosed in Note 16 to the financial statements.

As disclosed in Note 20, a subsidiary of the Group is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory common reserve.

Other than above, there is no other externally imposed capital requirements to the Group for the financial years ended 31 December 2017 and 2016.

37. Reclassification of comparative figures

A reclassification of comparative figures pertaining to interest paid and capitalised of RMB28,952,000 was made from investing activities to financing activities in the consolidated statement of cash flows for financial year ended 31 December 2016 to better reflect its nature.

Statistics of Shareholdings

AS AT 22 MARCH 2018

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" means any Issued Shares of the Company held by its subsidiaries (as referred to in the Companies Act, Chapter 50 of Singapore ("**Companies Act**")).

(2) Percentage calculated against the total number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings, if any).

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 - 99	148	45.40	2,111	0.00
100 - 1,000	42	12.88	23,146	0.01
1,001 - 10,000	62	19.02	241,340	0.12
10,001 - 1,000,000	61	18.71	9,310,610	4.58
1,000,001 AND ABOVE	13	3.99	193,884,676	95.29
TOTAL	**326**	**100**	**203,461,883**	**100**

Statistics of Shareholdings

AS AT 22 MARCH 2018

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NUMBER OF SHARES	%
1	FOREVERSUN HOLDINGS CO., LTD	94,100,000	46.25
2	INTEGRATED LOGISTICS (HK) LTD	52,500,000	25.80
3	CITIBANK NOMINEES SINGAPORE PTE LTD (1)	20,000,000	9.83
4	RAFFLES NOMINEES (PTE) LIMITED	9,714,100	4.77
5	OCBC SECURITIES PRIVATE LIMITED	3,669,200	1.80
6	LUAN YING	2,583,600	1.27
7	CHIN BAY CHING	2,382,000	1.17
8	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (2)	1,951,276	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	HONG LEONG FINANCE NOMINEES PTE LTD	1,222,000	0.60
13	OILTANKING ASIA PACIFIC PTE LTD	1,062,500	0.52
14	ABN AMRO CLEARING BANK N.V.	956,700	0.47
15	JIANG JIAN	771,750	0.38
16	PHILLIP SECURITIES PTE LTD	737,632	0.36
17	DBS NOMINEES (PRIVATE) LIMITED	722,980	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	**198,552,483**	**97.57**

Note:

(1) Foreversun Holdings Co., Ltd. is holding 20,000,000 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 CGS-CIMB Securities (Singapore) Pte. Ltd..

Statistics of Shareholdings

AS AT 22 MARCH 2018

	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
Name of Substantial Shareholder				
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

Note:

(1) Of the 114,100,000 shares of the Company in which Foreversun Holdings Co., Ltd. has an interest, 20,000,000 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 at Hibiscus Room 1, The Chevrons, 48 Boon Lay Way Singapore 609961, on 23 April 2018 at 2:00 p.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 2017, together with the Directors' Statement and Report of the Auditors thereon. **(Resolution 1)**

2. To re-elect Mr Gu Wen Long 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. **[Explanatory Note (1)]** **(Resolution 2)**

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. **[Explanatory Note (2)]** **(Resolution 3)**

4. To approve the payment of Directors' Fees of S$255,700 for the financial year ending 31 December 2018. **[Explanatory Note (3)]** **(Resolution 4)**

5. To re-appoint Messrs BDO LLP as Auditors of the Company for the financial year ending 31 December 2018 and to authorize 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 Catalist) (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

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 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 2017 (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**");

(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 authorized 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
Company Secretary

Singapore, 6 April 2018

Explanatory Notes:

(1) **Resolution 2** – Mr Gu Wen Long, if re-elected, will remain as the Executive Chairman of the Board of Directors and Chief Executive Officer of the Company.

(2) **Resolution 3** – Mr Diong Tai Pew, if re-elected, will remain as the Lead Independent Director of the Company and the chairman of the Audit Committee.

(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 2018 ("**FY2018**"). Should any Director hold office for only part of FY2018 and not the whole of FY2018, 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 Catalist Rules; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

(5) **Resolution 7** – For further details, please refer to the Appendix.

Notes:

1. (a) A member (who is not a relevant intermediary) of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend, speak and vote in his stead. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

   (b) A member (who is a relevant intermediary) of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint more than two (2) proxies to attend, speak and vote in his stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act.

2. A proxy need not be a member of the Company.

3. Where a member appoints more than one (1) proxy, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy.

4. If the instrument appointing a proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he deems fit.

5. If the instrument appointing a proxy is returned without the name of the proxy indicated, the instrument appointing a proxy shall be invalid.

6. If the appointor is an individual, the instrument appointing a proxy shall be signed by the appointor or his attorney.

7. If the appointor is a corporation, the instrument appointing a proxy shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act.

8. The signature on the instrument appointing a proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy, failing which the instrument may be treated as invalid.

9. The instrument appointing a proxy 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 not less than 48 hours before the time appointed for holding the Annual General Meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies 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 appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting or adjourned meeting, as certified by The Central Depository (Pte) Limited to the Company.

HENGYANG PETROCHEMICAL LOGISTICS LIMITED

(Incorporated in the Republic of Singapore)
(Registration No. 200807923K)

PROXY FORM – ANNUAL GENERAL MEETING

1. For investors who have used their CPF monies to buy shares in the capital of HENGYANG PETROCHEMICAL LOGISTICS LIMITED, this report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We*, ______________________________ (name) of ______________________________

______________________________ (address) being a member/members of HENGYANG PETROCHEMICAL LOGISTICS LIMITED (the "**Company**"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

or failing *him/her, the Chairman of the Annual General Meeting, as *my/our *proxy/proxies 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 at **Hibiscus Room 1, The Chevrons, 48 Boon Lay Way Singapore 609961, on 23 April 2018 at 2:00 p.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 2017, together with the Directors' Statement and Report of the Auditors thereon.		
Resolution 2	To re-elect Mr Gu Wen Long, 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$255,700 for the financial year ending 31 December 2018.		
Resolution 5	To re-appoint Messrs BDO LLP as Auditors of the Company for the financial year ending 31 December 2018 and to authorize 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.		

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

Dated this ________ day of ____________________ 2018

____

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

**Delete where applicable*

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

NOTES:

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, Cap. 289), 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. (a) A member (who is not a relevant intermediary) of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend, speak and vote in his stead. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

   (b) A member (who is a relevant intermediary) of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint more than two (2) proxies to attend, speak and vote in his stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

3. A proxy need not be a member of the Company.

4. Where a member appoints more than one (1) proxy, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy.

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6. If the instrument appointing a proxy is returned without the name of the proxy indicated, the instrument appointing a proxy shall be invalid.

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8. If the appointor is a corporation, the instrument appointing a proxy shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act.

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10. The instrument appointing a proxy 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, not less than 48 hours before the time appointed for holding of the Annual General Meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies 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 appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

By submitting an instrument appointing a proxy(ies) and/or representatives to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Contact Details 联系方式

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