HENGYANG PETROCHEMICAL LOGISTICS LIMITED

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

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR FINANCIAL PERIOD ENDED 31 MARCH 2014 ("1Q2014")

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) A statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		
	1Q2014 RMB'000	1Q2013 RMB'000	% (+/-)
Revenue	**53,047**	**25,909**	**104.7**
Cost of sales	(43,361)	(15,633)	177.4
Gross profit	**9,686**	**10,276**	**(5.7)**
Other income	1,459	957	52.5
Administrative expenses	(8,369)	(6,174)	35.6
Finance expenses	(227)	(1,997)	(88.6)
Profit before tax	**2,549**	**3,062**	**(16.8)**
Income tax expense	(2,225)	(1,640)	35.7
Net profit, representing total comprehensive income for the period	**324**	**1,422**	**(77.2)**
Profit attributable to:			
Owners of the company	44	1,453	(97.0)
Non-controlling interests	280	(31)	nm*
	324	**1,422**	**(77.2)**
Total comprehensive income attributable to:			
Owners of the company	44	1,453	(97.0)
Non-controlling interests	280	(31)	nm*
	324	**1,422**	**(77.2)**

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

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

	1Q2014 RMB'000	1Q2013 RMB'000	% (+/-)
Depreciation & Amortisation	6,059	5,404	12.1
Foreign exchange (gain) loss, net	(184)	90	nm*
Interest income	(1,000)	(87)	nm*
Other income	(275)	(870)	(68.4)
Interest expenses	227	1,997	(88.6)

* nm denotes not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	1,151,469	1,059,993	46	50
Land use rights	269,454	270,896	-	-
Investment in subsidiaries	-	-	217,449	217,449
	1,420,923	1,330,889	217,495	217,499
Current assets				
Trade and other receivables	65,594	42,478	56	63
Amount owing by related parties	1,618	3,231	-	-
Amount owing by subsidiaries	-	-	49,349	48,742
Income tax recoverable	1,439	1,871	-	-
Cash and cash equivalents	192,983	232,591	4,119	1,866
	261,634	280,171	53,524	50,671
Current liabilities				
Trade and other payables	238,871	292,017	647	352
Amount owing to a related party	22,496	19,968	-	-
Amount owing to directors	1,725	1,952	1,595	1,822
Amount owing to a subsidiary	-	-	11,786	8,612
Amount owing to a former shareholder of a subsidiary	4,502	4,502	-	-
Convertible loan	26,336	26,109	-	-
Bank borrowings	56,100	50,900	-	-
Current income tax payable	1,059	312	-	-
	351,089	395,760	14,028	10,786
Net-current (liabilities) assets	(89,455)	(115,589)	39,496	39,885
Non current liabilities				
Amount owing to a related party	93,050	93,050	-	-
Amount owing to a director	11,143	11,143	-	-
Bank borrowings	581,900	467,100	-	-
Deferred tax liabilities	13,746	12,702	-	-
	699,839	583,995	-	-
Net assets	631,629	631,305	256,991	257,384
Equity				
Share capital	289,064	289,064	289,064	289,064
Statutory common reserve	12,915	12,915	-	-
Other reserve	83,004	83,004	-	-
Retained earnings /(Accumulated losses)	39,191	39,147	(32,073)	(31,680)
Equity attributable to owners of the company	424,174	424,130	256,991	257,384
Non-controlling interests	207,455	207,175	-	-
Total equity	631,629	631,305	256,991	257,384

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

	As at 31 March 2014		As at 31 December 2013	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Repayable within one year	56,100	51,285	50,900	51,058
Repayable after one year	595,400	90,693	480,600	90,693
Total	651,500	141,978	531,500	141,751

Unsecured Borrowings:

As at 31 March 2014, the Group's unsecured borrowings which are payable within one year stood at RMB51.3 million. These unsecured borrowings comprised the following:

1) An amount of RMB4.5 million owing to Mr Ku Wing Hing, the former shareholder of a subsidiary, for the unpaid interest related to the prior years' dividend paid in December 2011.

2) An amount of RMB0.5 million owing to Mr Gu Wen Long, the Company's chairman and CEO ("**Chairman**'). The loan is non-interest bearing and will be repayable only when the Group's internal resources permit and at the discretion of the Company's Audit Committee.

3) A total amount of RMB20.0 million short-term payables due to the Group's related party – Jiangyin Jinqiao Chemical Co., Ltd ("**Jinqiao Chemical**") comprising: a) RMB9.0 million of the accrued interest on loans of RMB93.1 million (please refer to the paragraph below on non-current borrowings for more information); and b) non-interest bearing loan of RMB11.0 million to support Deqiao and Yueyang facilities.

4) An amount of RMB26.9 million MEGCIF5 Convertible Loan (as defined in the Circular) owing to a non-controlling shareholder of a subsidiary. The loan is non-interest bearing and was drawn down on 25 September 2013. As at 31 March 2014, the MEGCIF5 Convertible Loan was measured at the amortised cost of RMB26.3 million.

As at 31 March 2014, the Group's non-current unsecured borrowings stood at RMB90.7 million, and comprised the following:

5) An amount of RMB11.1 million owing to the **Chairman**. On 1 July 2013, the Group and the **Chairman** signed a supplementary agreement to extend the borrowings (non-interest bearing) to 31 December 2014, and the terms are renewable for another year thereafter if the Group requires further extension of such loan. Since this loan may not be settled within the next twelve months, the amount was classified as non-current .

6) An amount of RMB93.1 million owing to **Jinqiao Chemical** for partial funding of the construction of Foreversun Facility and Deqiao Facility. On 1 July 2013, the Group and Jinqiao Chemical signed a supplementary agreement to extend the borrowings (non-interest bearing) to 31 December 2014, and renewable for another year thereafter if the Group requires further extension of such loan, and the any repayment is subject to the approval from the Company's Audit Committee as well as unanimous approval from the board of Hengyang Holding Pte. Ltd ("**HHPL**"), which includes members nominated by MEGCIF5. Since this loan may not be settled within the next twelve months, the amount was classified as non-current.

   As at 31 March 2014, of the total borrowings of RMB93.1 million, RMB79.6 million was unsecured, and RMB13.5 million was secured by part of the Company's subsidiary, Jiangyin Foreversun Chemical Logistics Co., Ltd's ("**Jiangyin Foreversun's**") fixed assets with the net carrying value of RMB17.2 million as at 31 March 2014.

Secured Borrowings

As at 31 March 2014, the Group's secured borrowings stood at RMB651.5 million. The secured borrowings comprised the following:

1) A secured bank loan of RMB400.0 million from the Nanyang Commercial Bank Limited, Wuxi branch, repayable over 8 years till December 2020, which is secured by corporate guarantees furnished by the Company's subsidiaries **Jiangyin Foreversun** and **Jingjiang Shuangjiang,** the Group's related party, **Jinqiao Chemical,** and personal guarantees furnished by the **Chairman** and his spouse. In addition, this loan is also secured by mortgages against the land use rights (net carrying value of RMB70.5million) and fixed assets excluding the phase II project (net carrying value of RMB265.7 million) owned by the Company's subsidiaries, **Jingjiang Shuangjiang** and **Jiangsu Deqiao**. Of the principal amount of RMB400 million, RMB30 million was classified as current liability as at 31 March 2014.

2) A secured bank loan of RMB150.0 million (of which RMB2.0 million was repaid) from the Wuhan Rural Commercial Bank, repayable progressively from July 2013 to September 2019, which is secured by corporate guarantees furnished by the Company's subsidiaries, **Jiangyin Foreversun**, **Jiangsu Deqiao,** and mortgages against the land use rights and fixed assets (total net carrying value of RMB274.5 million) owned by Wuhan Hengyang Chemical Logistics Co., Ltd ("**Wuhan Hengyang**"). Of the outstanding principal amount of RMB148.0 million, RMB21.1 million was classified as current liability as at 31 March 2014.

3) A secured bank loan of RMB90.0 million from the Bank of China, Cheng Ling Ji Branch, repayable over 8 years till December 2021, which is secured by corporate guarantees furnished by the Company's subsidiaries, **Jiangyin Foreversun**, and mortgages against the land use rights and fixed assets (total net carrying value of RMB198.3 million) owned by Yueyang Hengyang Petrochemical Logistics Co., Ltd ("**Yueyang Hengyang**"). Of the outstanding principal amount of RMB90.0 million, RMB5.0 million was classified as current liability as at 31 March 2014.

4) An amount of RMB13.5 million owing to Jinqiao Chemical described in note 6 of the unsecured borrowings.

1(c)(i) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	1Q12014 RMB'000	1Q12013 RMB'000
Operating activities		
Profit before tax	2,549	3,062
Adjustments for:		
Depreciation of property, plant and equipment	5,773	5,235
Amortisation charge for land use rights	286	169
Interest income	(1,000)	(87)
Interest expense	227	1,997
Operating cash flows before working capital changes	7,835	10,376
Working capital changes:		
Trade and other receivables (including related parties)	(20,529)	(5,448)
Trade and other payables	11,599	(2,202)
Cash (ued in) generated from operations	(1,095)	2,726
Interest expense paid	-	(549)
Income tax paid	-	(410)
Net cash generated from operating activities	(1,095)	1,767
Investing activities		
Acquisition of property, plant and equipment	(144,915)	(111,914)
Acquisition of land use rights	-	(108)
Interest paid and capitalised	(13,623)	(4,891)
Interest income received	25	87
Refund of restricted deposit with a bank	-	60,000
Placement of restricted deposit with banks	(5,155)	
Net cash used in investing activities	(163,668)	(56,826)
Financing activities		
Proceeds from capital injection in a subsidiary	-	30,121
Proceeds from bank borrowings	120,000	120,000
Repayment of bank borrowings	-	(60,000)
Amount owing to related parties	-	(3,500)
Amount owing to directors	-	(218)
Net cash generated from financing activities	120,000	86,403
Net change in cash and cash equivalents	(44,763)	31,344
Cash and cash equivalents at beginning of the period [(1)]	190,571	161,718
Cash and cash equivalents at end of the period [(1)]	145,808	193,062

Note:

Reconciliation:

	Group	
	As at 31 Mar 2014 RMB'000	As at 31 Dec 2013 RMB'000
Cash and bank balances per consolidated statement of financial position	192,983	232,591
Restricted cash in bank	(47,175)	(42,020)
Cash and cash equivalents per consolidated cash flow statement	145,808	190,571

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Company (RMB'000)	Share Capital	Accumulated losses	Total Equity
(Unaudited)			
Balance as at 1 January 2014	**289,064**	**(31,680)**	**257,384**
Loss for the period	-	(393)	(393)
Balance as at 31 March 2014	**289,064**	**(32,073)**	**256,991**
(Unadited)			
Balance as at 1 January 2013	**289,064**	**(21,983)**	**267,081**
Loss for the period	-	(936)	(936)
Balance as at 31 March 2013	**289,064**	**(22,919)**	**266,145**

Consolidated Statement of Changes in equity

	Attributable to owners of the company						
Group (RMB'000)	**Share Capital**	**Statutory common reserve**	**Other Reserve**	**Accumulated Profits**	**Total**	**Non-controlling Interests**	**Total Equity**
(Unaudited)							
Balance as at 1 January 2014	**289,064**	**12,915**	**83,004**	**39,147**	**424,130**	**207,175**	**631,305**
Total comprehensive income for the period	-	-	-	44	44	280	324
Balance as at 31 March 2014	**289,064**	**12,915**	**83,004**	**39,191**	**424,174**	**207,455**	**631,629**
(Unaudited)							
Balance as at 1 January 2013	**289,064**	**18,487**	**-**	**94,810**	**402,361**	**30,464**	**432,825**
Total comprehensive income for the period	-	-	-	1,453	1,453	(31)	1,422
Capital injection by a non-controlling shareholder	-	-	-	-	-	30,121	30,121
Balance as at 31 March 2013	**289,064**	**18,487**	**-**	**96,263**	**403,814**	**60,554**	**464,368**

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

There were no changes to the Company's share capital since the end of the previous period reported on, this being 31 December 2013.

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

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

	31 Mar 2014	31 Dec 2013
Total number of issued shares (excluding treasury shares)	203,461,883	203,461,883

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have neither been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the Issuer's most recently audited financial statements have been applied.

Except as disclosed in Note 5 below, the Group and the Company have applied the same accounting policies and methods of computation to the financial statements for the current financial period and the most recent audited annual financial statements for the financial year ended 31 December 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the new and revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2014.

The adoption of new/revised FRS and INT FRS does not result in any substantial changes to the Group's accounting policies, and has no material effect on the amounts reported for the current or prior periods.

The Company's estimated useful lives of its tank trucks were 5 years for the most recent audited financial statements for the financial year ended 31 December 2013. Effective from 1 January 2014, the Directors of the Company have revised the said estimated useful lives to 3 years, after considering the expected intensive physical wear and tear. The impact of this change in estimate is a prospective increase in the annual depreciation charge of approximately RMB1.0 million, resulting in a decrease in profit after taxation for the year of approximately RMB0.8 million.

6. If earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
Earnings per ordinary shares:	1Q2014	1Q2013
Weighted average number of ordinary shares used in computation of basic EPS	203,461,883	203,461,883
(a) Basic EPS (RMB cents)	0.02	0.71
(b) Diluted EPS (RMB cents)	0.02	0.71

Notes:

(a) Basic EPS is computed by dividing the Group's earnings attributable to the equity holders of the Company in each financial period by the weighted average number of ordinary shares outstanding during the respective financial periods.

(b) Fully diluted EPS are the same as the basic EPS as the Company does not have any outstanding instruments convertible into, rights to subscribe for and options in respect of its ordinary shares during the respective financial periods.

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

	Group		Company	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
Net asset value per ordinary share (RMB cents)	208.5	208.5	126.3	126.5

8. A review of the performance of the group to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

(a) Any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) Any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Statement of comprehensive income of the Group for 1Q2014 compared to 1Q2013

Revenue

The Group's revenue increased by 104.7% or RMB27.1 million from RMB25.9 million in 1Q2013 to RMB53.0 million in 1Q2014.

The increase was due to the additional revenue of RMB30.9 million from the Group's transportation services segment arising from the various long-distance-service projects kicked off last quarter of FY2013.

However, the increase was partially offset by the decline of lower revenue of RMB3.8 million from the Group's storage service segment. The decrease was mainly due to:

(a) the reduced storage volume and storage term from the clients as a result of economic slowdown; and

(b) the decline in storage fees in the competitive Yangtze River downstream region.

Cost of sales

In line with the higher revenue, the Group's cost of sales increased by 1.8 times or RMB27.8 million from RMB15.6 million in 1Q2013 to RMB43.4 million in 1Q2014.

The increase in cost of sales was mainly due to the increase in cost of sales of RMB28.0 million from the Group's transportation services segment in line with higher revenue. The higher cost of sales was mainly because of the additional vehicles leased since last quarter of FY2013, as well as the depreciation charged on new tank trucks purchased during the last quarter of FY2013.

The increase was partially offset by the reduced cost of sales for the storage segments amounting to RMB0.2 million. The decrease were mainly due to the lower energy consumption resulted from less steam used for heating phenol since phenol's storage dropped in 1Q2014 as compared to 1Q2013.

Gross profit

As a result of the above, the Group's gross profit decreased by 5.7% or RMB0.6 million from RMB10.3 million in 1Q2013 to RMB9.7 million in 1Q2014.

	Storage		Transportation		Total	
	1Q2014	1Q2013	1Q2014	1Q2013	1Q2014	1Q2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	18,538	22,303	34,509	3,606	53,047	25,909
Cost of sales	(12,153)	(12,403)	(31,208)	(3,230)	(43,361)	(15,633)
Gross profit	6,385	9,900	3,301	376	9,686	10,276
Gross profit margin	34.4%	44.4%	9.6%	10.4%	18.3%	39.7%

The overall gross profit margin declined to 18.3% in 1Q2014 as compared to 39.7% in 1Q2013 as the above-mentioned higher costs eroded margins. The decrease in gross profit margin was mainly due to the low-margin transportation service, which accounted for 86% of the overall sales in 1Q2014 as compared 14% in 1Q2013.

Other operating income

The Group's other operating income amounted to RMB1.5 million in 1Q2014 and comprised mainly:

(a) the interest income amounting RMB1.0 million;

(b) the foreign exchange gain amounting RMB0.2 million; and

(c) the sundry incomes amounting RMB0.3 million.

Administrative expenses

The Group's administrative expenses increased by 35.6% or RMB2.2 million from RMB6.2 million in 1Q2013 to RMB8.4 million in 1Q2014. This was mainly due to:

(a) higher manpower and travelling expenses due to the Group's business development and expansion plans;

(b) higher land use tax incurred by the Group's PRC subsidiaries; and

(c) higher administrative cost incurred by its Singapore entities mainly for the professional services engaged during the current period.

Finance costs

The Group's finance costs reduced by 88.6% or RMB1.8 million from RMB2.0 million in 1Q2013 to RMB0.2 million in 1Q2014. The finance cost for 1Q2014 was the imputed interest for the MEGCIF5 Convertible Loan. The finance cost for 1Q2013 was for the related party loan, which the term had been revised to be interest free with effect from 1 July 2013.

Income tax expenses

The Group's income tax expenses increased by 35.7% or RMB0.6 million from RMB1.6 million in 1Q2013 to RMB2.2 million in 1Q2014. The increase was mainly resulted from the higher deferred tax recorded during 1Q2014.

Net profit (loss)

As a result of the above, the Group's net profit decreased by 77.2% or RMB1.1 million from RMB1.4 million in 1Q2013 to RMB0.3 million in 1Q2014.

Financial position of the Group as at 31 March 2014

Non-current assets

As at 31 March 2014, the Group's non-current assets amounted to RMB1, 420.9 million, and accounted for 84.5% of the Group's total assets.

	31.03.2014	31.12.2013
	RMB'000	RMB'000
Construction in-progress	792,472	696,187
Land use rights	269,454	270,896
Tank facilities	205,513	208,012
Buildings on Leasehold Land	70,250	70,626
Jetties	57,423	57,739
Electronic system and equipment	16,695	17,819
Motor vehicles	9,116	9,610
	1,420,923	1,330,889

The increase of RMB90.0 million in 1Q2014 was mainly due to the additional cost incurred for the construction of development projects amounting to RMB96.3 million. The increase was partially offset by the depreciation and amortization charged in the current financial period.

Current assets

As at 31 March 2014, the Group's current assets amounted to RMB261.6 million comprising trade and other receivables, amounts owing by related parties, tax receivable and cash and bank balances, and accounted for 15.5% of its total assets.

As at 31 March 2014, a total of RMB65.6 million in trade and other receivables were recorded, of which,

(a) RMB28.7 million was trade receivables from third party customers;

(b) RMB2.5 million was note receivables from financial institutions; and

(c) RMB34.4 million was other receivables which included prepayments for purchase of fixed assets and transportation services, deposits for the acquisition of land use rights, and advance to staff.

The increase of the trade and other receivables was mainly due to higher sales, VAT receivables, the prepayment made to third-party transport service providers, as well as the prepayment for the various construction works in 1Q2014.

As at 31 March 2014, the amounts owing by its related parties amounted to RMB1.6 million were trade receivables for the provision of petrochemical storage and transportation services. The main reason for the decrease was due to the prompt repayment made by the related parties.

The Group's cash and cash equivalents are denominated in RMB, USD and SGD. The Group's cash and cash equivalents as at 31 March 2014 stood at RMB193.0 million, a decrease of RMB39.6 million as compared to RMB232.6 million as at 31 December 2013. The decrease was mainly due to the timely payment made for the cost of construction of the development projects and fulfillment of the Group's operating activities. Please refer to the cashflow analysis for more information.

Current liabilities

As at 31 March 2014, the Group's current liabilities amounted to RMB351.1 million comprising trade and other payables, amount owing to a related party, amount owing to directors, amount due to a former shareholder of a subsidiary, convertible loan from a shareholder of a

subsidiary, current portion of bank borrowings, and current tax payable. This accounted for 33.4% of its total liabilities.

As at 31 March 2014, a total of RMB238.9 million trade and other payables were recorded. This comprised:

(a) RMB212.9 million payables due to contractors and government authorities in relation to the construction of the Jianyin Foreversun, Deqiao Facility and projects in Chongqing, Wuhan and Yueyang, of which an amount of RMB81.6 million payables were related to the land use rights acquired. The Group expects that the Government authority will waive the amount payable in line with the local investment promotion scheme;

(b) RMB24.3 million of trade payables included RMB23.2 million payable to third-party transport companies for leasing of tank trucks; and

(c) RMB1.7 million of other payables included accruals of operational expenses and payables for various types of taxes.

The Group's trade and other payables as at 31 March 2014 decreased by RMB53.1 million as compared to that of 31 December 2013 was a result of timely payments made during the current period.

As at 31 March 2014, the Group had a total amount of RMB51.3 million short-term unsecured borrowings. This comprised:

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

(b) RMB0.5 million due to the **Chairman**;

(c) RMB20.0 million due to its related party **Jinqiao Chemical**; and

(d) RMB26.3 million of MEGCIF5 Convertible Loan owing to a shareholder of a subsidiary.

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

In addition, included in the amount owing to directors were an amount of RMB1.1 million owing to a director of the Company in respect of the consultancy services incurred in previous year, and accrued salary amounting RMB0.1 million as at 31 March 2014.

Other than the short-term unsecured borrowings, included in the amount owning to a related party was an amount of RMB2.5 million advance payment received for the transportation service.

The Group's short-term bank borrowings as at 31 March 2014 stood at RMB56.1 million which was the current portion of the RMB400 million, RMB148 million and RMB90 million bank loan drawn down for the construction of the Deqiao Phase II project, Wuhan Hengyang Facility and Yueyang Hengyang Facility respectively. Please refer to section 1(b)(ii) for more details on the Group's borrowings.

As at 31 March 2014, the Group had an amount of RMB1.1 million in current tax payable.

Non-current liabilities

As at 31 March 2014, the Group's non-current liabilities amounted to RMB699.8 million, and made up for 66.6% of its total liabilities, comprising:

(a) RMB581.9 million of long-term bank borrowings:

    (i) As at 31 March 2014, the entire amount of the RMB400 million bank loan facility obtained from the Nanyang Commercial Bank (China) Limited, Wuxi branch had been fully drawn down.

(ii) As at 31 March 2014, out of the RMB180 million bank loan facility obtained from the Wuhan Rural Commercial Bank, RMB150 million had been drawn down and RMB2.0 million was repaid.

(iii) As at 31 March 2014, out of the RMB120 million bank loan facility obtained from the Bank of China, Cheng Ling Ji Branch, RMB90 million had been drawn down in 1Q2014.

(b) RMB93.1 million due to a related party – **Jinqiao Chemical**;

(c) RMB11.1 million owing to the **Chairman**; and

(d) RMB13.7 million of deferred tax liabilities.

Please refer to section 1(b)(ii) for more details on the Group's borrowings.

As at 31 March 2014, the Group had an amount of RMB13.7 million in deferred tax liabilities. The deferred tax liabilities rose from temporary difference between the Group's accounting carrying value and tax carrying values of the fixed assets.

Shareholders' equity

As at 31 March 2014, the Group's equity attributable to equity holders was at RMB424.2 million, comprising:

(a) share capital of RMB289.1 million;

(b) statutory common reserve of RMB12.9 million;

(c) other reserve of RMB83.0 million arising from dilution of interest in a subsidiary, HHPL as a result of the new shares issued by HHPL to a non-controlling shareholder in FY2013; and

(d) retained profits of RMB39.2 million.

As at 31 March 2014, the Group' non-controlling interests was at RMB207.5 million, comprising mainly MEGCIF 5's 35% interest in the Group's subsidiary, HHPL.

Working capital

As at 31 March 2014, the Group was in a net current liabilities position of RMB89.5 million as compared to a net current liability of RMB115.6 million as at 31 December 2013. Excluding the MEGIF5 convertible loan of RMB26.3 million which will be converted into equity interest upon obtaining Chongqing Approvals; and the RMB81.6 million for the land use rights acquired, which the Group expects the Government authority to waive in line with the local investment promotion scheme, the Group's net working capital would be a net current asset of RMB18.4 million as at 31 March 2014.

In view of the foregoing, the Directors are of the opinion that, barring any unforeseen circumstances and after taking into consideration the Group's existing cash and cash equivalents and the net cash expected to be generated from the Group's future operating activities, the working capital available to the Group is sufficient to meet the Group's present requirements.

Cash flow statement of the Group for 1Q2014

As at 31 March 2014, the Group recorded cash and cash equivalents of RMB193.0 million as compared to RMB232.6 million as at 31 December 2013.

The lower profit before tax coupled with heavy working capital requirement during the current period resulted a net cash outflow of RMB1.1 million for operating activities.

Net cash generated from financing activities for the 1Q2014, amounted to RMB120 million, was from the additional loan drawdowns of RMB120 million from banks.

The net cash generated from financing activities were mainly used for the Group's construction projects, paying the bank loan interest, and placement of restricted deposit with banks.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement had been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Against a more challenging macro-economic backdrop in China, the Group is cautious on its future expansion plans along the Yangtze River. To improve its competitive position at the Yangtze River Delta, the Group has extended to the upper-middle reaches. The Group believes its early entry into the growing inland petrochemical market will help it gains first mover advantage and reinforce its position as an emerging leader in the petrochemical logistics industry in this region.

To provide higher value for its customer base, the Group continues to explore opportunities to bundle its transportation and storage services together for existing and potential clients. Capitalizing on its established track record and long-standing collaborations with key petrochemical leaders along the Yangtze River, hopefully this will place the Group in a more favorable position to clinch more contracts.

Included in the 2014 Government Work Report, Chinese government stressed the need for better development and usage of the Yangtze golden waterway connecting the east and west, building mutual support and positive interaction along the costal and western. With the inclusion of building Yangtze River economic belt relying on the golden waterway into the national strategy, the Group expects more opportunities for its future development.

With the completion of the initial phases of its projects over the next one or two years, the Group expects its storage capacity to increase from 265,600 cubic meters to approximately 962,600 cubic meters across five strategic areas along Yangtze River, namely Jiangyin and Jingjiang in Jiangsu province, Yueyang in Hunan province, Wuhan in Hubei province and Chongqing municipality.

While the long-term prospects look promising, the Group expects the business environment during the year to remain challenging.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No dividend has been declared or recommended for 1Q2014.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No dividend has been declared or recommended for 1Q2013.

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

No dividend has been declared for 1Q2014.

13. Interested Person Transactions

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandated pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under the existing shareholders' mandated pursuant to Rule 920 (excluding transactions less than $100,000)
	RMB'000	RMB'000
Provision of Petrochemical storage services and land transport services		
- Jiangyin Chemical Co., Ltd. ("Jinqiao Chemical")[(1)]	-	9,676
- Shanghai Kangyang Petrochemical Co., Ltd. ("Shanghai Kangyang")[(2)]	-	199
- Wuhan Kangyang Petrochemical Co., Ltd. ("Wuhan Kangyang")[(2)]	-	16
- Jiangyin Saisheng New Material Co., Ltd. ("Jiangyin Saisheng")[(2)]	-	201
- Golden Hope Industrial Co., Ltd. ("Golden Hope")[(3)]	-	712

Notes:

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

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

(3) Golden Hope is controlled by Mr Gu Wen Long.

The Company had obtained a renewal of the shareholders' mandate ("**Shareholders' Mandate**") at its annual general meeting held on 23 April 2014. The Shareholders' Mandate applies to the Mandated Transactions, as defined in the next paragraph, that are carried out between any member of the Group, with Mr Gu Wen Long and/or his associates, including but not limited to, Golden Hope and/or Jinqiao Chemical and its subsidiaries and associated companies, as the case may be ("**Interested Persons**").

The Mandated Transactions covered by the Shareholders' Mandate are: a) provision of petrochemical storage services and land transport services by the Group to the Interested Persons; and/or b) receiving financing support in the form of borrowing of funds from the Interested Persons. Transactions which do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist.

Guarantees provided for the Group Companies:

The **Chairman** and his spouse, Ms Sun Fang, have provided personal guarantees in favour of the following banks:

(a) the Wuhan Rural Commercial Bank (武汉农村商业银行股份有限公司), in respect of the Group's secured bank loan facility of RMB180 million which was to fund the investment costs of the construction and development of the Wuhan Facility. As 31 March 2014, RMB150 million of the bank loan facility was drawn down, and which RMB2 million was repaid.

(b) the Nanyang Commercial Bank (China) Limited, Wuxi branch (南洋商业银行中国有限公司无锡分行), in respect of the Group's secured bank loan facility of RMB400 million which was to fund the investment costs of the construction and development of the Deqiao phase II Facility. As 31 March 2014, RMB400 million of the bank loan facility was fully drawn down.

The **Chairman** has also provided personal guarantee in favour of the Bank of China, Cheng Ling Ji Branch (中国城陵矶支行), in respect of the Group's secured bank loan facility of RMB120 million which was to fund the investment costs of the construction and development of the Yueyang Facility. As 31 March 2014, RMB90 million of the bank loan facility was drawn down.

14. CONFIRMATION BY THE BOARD

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm that to the best of the knowledge of the Directors of the Company, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for 1Q2014 to be false or misleading in any material aspect.

MR. GU WEN LONG
Chairman and Chief Executive Officer

MR. DIONG TAI PEW
Lead Independent Director (AC Chairman)

BY ORDER OF THE BOARD

GU WEN LONG
Chairman and Chief Executive Officer

14 May 2014

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Yee Chia Hsing, Head, Catalist. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.