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 2017 ("1Q2017")

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		
	1Q2017 RMB'000	1Q2016 RMB'000	% (+/-)
Revenue	**36,093**	**48,407**	**(25.4)**
Cost of sales	(34,128)	**(31,826)**	7.2
Gross profit	**1,965**	**16,581**	**(88.1)**
Other income	585	404	44.8
Administrative expenses	(10,068)	(9,879)	1.9
Finance costs	(4,985)	(4,199)	18.7
(Loss)/profit before income tax	**(12,503)**	**2,907**	**nm***
Income tax expense	-	(1,569)	(100.0)
Net (loss)/profit for the period	**(12,503)**	**1,338**	**nm**
(Loss)/profit attributable to:			
Owners of the parent	(8,655)	204	nm
Non-controlling interests	(3,848)	1,134	nm
	(12,503)	**1,338**	**nm**
Total comprehensive (loss)/income attributable to:			
Owners of the parent	(8,655)	204	nm
Non-controlling interests	(3,848)	1,134	nm
	(12,503)	**1,338**	**nm**

* nm denotes not meaningful

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

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

	1Q2017 RMB'000	1Q2016 RMB'000	% (+/-)
Depreciation and amortisation	14,846	10,217	45.3
Foreign exchange loss/(gain), net	(4)	(220)	(98.2)
Interest income	(3)	(284)	(98.9)
Other income	(582)	(120)	nm*
Interest expenses	4,985	4,199	18.7

1Q2017 Jiangsu Deqiao's expenses (Operations being suspended since 22 April 2016):

	1Q2017 RMB'000	1Q2016 RMB'000	% (+/-)
Cost of sales	(5,680)	-	nm
Administrative expenses	(2,304)	-	nm
Total	(7,984)	-	nm

* 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	
	31.3.2017 RMB'000	31.12.2016 RMB'000	31.3.2017 RMB'000	31.12.2016 RMB'000
Non-current assets				
Property, plant and equipment	1,473,918	1,438,570	8	11
Land use rights	255,055	257,329	-	-
Investments in subsidiaries	-	-	267,472	267,472
	1,728,973	1,695,899	267,480	267,483
Current assets				
Trade and other receivables	58,906	56,598	-	-
Amount owing by related parties	135	2,046	-	-
Amount owing by subsidiaries	-	-	769	769
Cash and cash equivalents	5,472	10,949	47	43
	64,513	69,593	816	812
Less:				
Current liabilities				
Trade and other payables	289,642	283,270	4,024	3,252
Amount owing to related parties	72,436	62,215	-	-
Amount owing to directors	14,516	13,133	2,778	2,509
Amount owing to a subsidiary	-	-	17,278	16,799
Amount owing to a former shareholder of a subsidiary	4,502	4,502	-	-
Bank and other borrowings	625,066	596,180	-	-
Current income tax payable	6,777	6,141	-	-
	1,012,939	965,441	24,080	22,560
Net current liabilities	(948,426)	(895,848)	(23,264)	(21,748)
Less:				
Non-current liabilities				
Amount owing to a related party	93,050	93,050	-	-
Amount owing to a director	11,143	11,143	-	-
Bank borrowings	136,460	143,460	-	-
Deferred tax liabilities	18,417	18,418	-	-
	259,070	266,071	-	-
Net assets	521,477	533,980	244,216	245,735
Equity				
Share capital	289,064	289,064	289,064	289,064
Statutory common reserve	14,935	14,935	-	-
Foreign currency translation account	(270)	(270)	-	-
Other reserve	84,113	84,113	-	-
Accumulated losses	(58,877)	(50,222)	(44,848)	(43,329)
Equity attributable to owners of the parent	328,965	337,620	244,216	245,735
Non-controlling interests	192,512	196,360	-	-
Total equity	521,477	533,980	244,216	245,735

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

RMB'000	As at 31 March 2017			As at 31 December 2016		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Repayable within one year [(1)]	625,066	91,454	716,520	596,180	79,850	676,030
Repayable after one year	149,960	90,693	240,653	156,960	90,693	247,653
Total	775,026	182,147	957,173	753,140	170,543	923,683

Unsecured Borrowings:

As at 31 March 2017, the Group's unsecured borrowings which were repayable within one year amounted to RMB91.5 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 RMB14.5 million owing to Mr Gu Wen Long, the Company's chairman and CEO ("**Chairman**") comprising a) RMB2.6 million of the accrued interest on loans of RMB11.1 million (please refer to the paragraph below on non-current borrowings for more information); and b) non-interest bearing loan of RMB11.9 million.

3) An amount of RMB27.2 million due to a related party – Wuhan Kangyang Petrochemical Co., Ltd ("**Wuhan Kangyang**") comprising a) a short-term loan of RMB25 million bearing interest at the funding cost incurred by **Wuhan Kangyang**; and b) its related interest amounting RMB2.2 million.

4) A total amount of RMB45.3 million short-term payables due to a related party – Jiangyin Jinqiao Chemical Co., Ltd ("**Jinqiao Chemical**") comprising a) RMB14.9 million of the accrued interest on loans of RMB93.1 million (refer to paragraph 6 for more information); and b) non-interest bearing loan of RMB30.3 million to partially fund Deqiao, Wuhan and Yueyang facilities.

As at 31 March 2017, the Group's non-current unsecured borrowings amounted to RMB90.7 million, and comprised the following:

5) An amount of RMB11.1 million owing to the **Chairman**. On 1 July 2013, the Group and the **Chairman** signed a supplementary agreement to extend the borrowings (non-interest bearing) to 31 December 2014. On 1 January 2015, another supplementary agreement was signed to further extend the borrowings to 30 June 2018, and the borrowing bears interest at the prevailing prime lending rate set by People's Bank of China ("**PBC**").

6) An amount of RMB93.1 million owing to **Jinqiao Chemical** for partial funding of the Foreversun Facility and Deqiao Facility. On 1 July 2013, the Group and **Jinqiao Chemical** signed a supplementary agreement to extend the borrowings (non-interest bearing) to 31 December 2014. On 1 January 2015, another supplementary agreement was signed to further extend the borrowings to 30 June 2023. Of the total borrowings, RMB29.5 million bears interest at the funding cost incurred by **Jinqiao Chemical**, and the balancing RMB63.6 million bears interest at 10% above the prevailing prime lending rate set by PBC. Any repayment for the above loan is subject to the approval from the Company's Audit Committee as well as unanimous approval from the board of Hengyang Holding Pte. Ltd ("**HHPL**"), which includes members nominated by MEGCIF Investments 5 Limited ("**MEGCIF5**").

   Of the total borrowings of RMB93.1 million, RMB79.6 million was unsecured, and RMB13.5 million was secured by part of the Company's subsidiary, Jiangyin Foreversun Chemical Logistics Co., Ltd's ("**Jiangyin Foreversun's**") tank facilities with a carrying value of RMB16.9 million as at 31 March 2017.

Secured Borrowings

As at 31 March 2017, the Group's secured borrowings amounted to RMB775.0 million comprising an amount of RMB13.5 million owing to **Jinqiao Chemical** (described in note 6 of the unsecured borrowings) and an amount of RMB761.5 million bank loans as stated below:

(RMB' million)	Loan A	Loan B	Loan C	Loan D	Loan E	Loan F	Loan G	Loan H	Loan I	Total
Nature	Construction loan					Working capital loan	Working capital loan	Working capital loan	Working capital loan	
Loan facilities granted	**400.0**	**150.0**	**427.0**	**100.0**	**120.0**	**40.0**	**38.0**	**20.0**	**80.0**	**1,375.0**
Loan amount drawn down	400.0	150.0	230.0	71.6	100.0	40.0	38.0	20.0	80.0	1,129.6
Amounts repaid	(140.0)	(143.1)	(54.0)	(8.0)	(21.0)	(2.0)	-	-	-	(368.1)
Outstanding amounts	**260.0**	**6.9**	**176.0**	**63.6**	**79.0**	**38.0**	**38.0**	**20.0**	**80.0**	**761.5**
- Repayable within one year	260.0	-	176.0	32.0	3.0	16.0	38.0	20.0	80.0	625.0
- Repayable after one year	-	6.9	-	31.6	76.0	22.0	-	-	-	136.5

1) Bank loan A from the Nanyang Commercial Bank Limited, repayable over 8 years till December 2020, is secured by corporate guarantees furnished by the Company's subsidiaries **Jiangyin Foreversun** and Jingjiang Shuangjiang Ports Co., ltd. ("**Jingjiang Shuangjiang**"), the Group's related party, **Jinqiao Chemical,** and personal guarantees furnished by the **Chairman** and his spouse. In addition, this loan is also secured by mortgages against the land use rights (net carrying value of RMB63.9 million) and property, plant and equipment ("PPE") excluding the phase II project (net carrying value of RMB215.6 million) owned by the Company's subsidiaries, **Jingjiang Shuangjiang** and Jiangsu Deqiao Storage Co., Ltd. ("**Jiangsu Deqiao**"). Arising from breach of loan covenants in 2016, the bank could demand immediate repayment of the amount of RMB260.0 million. Accordingly, the non-current portion of bank loan amounting to RMB180.0 million has been reclassified as current liabilities.

2) Bank loan B from the Wuhan Rural Commercial Bank, repayable progressively from July 2013 to July 2019, is secured by corporate guarantees furnished by **Jiangyin Foreversun**, **Jiangsu Deqiao**, and mortgages against part of the PPE (net carrying value of RMB346.2 million) of Wuhan Hengyang Chemical Logistics Co., Ltd ("**Wuhan Hengyang**").

3) Bank loan C from the China Minsheng Banking Corp. Ltd., is repayable progressively from June 2014 to February 2019. The Group missed certain installment repayment in 2016 as stipulated in the agreement. The bank has not pressed for repayment. However, in the absence of a written deferment repayment agreement, the non-current amount of RMB117.4 million has been reclassified as current liabilities in accordance with FRS 1. The loan is 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 is also secured by mortgages against the land use right and PPE (carrying value of RMB488.9 million) of Wuhan Hengyang and the entire equity interest of Wuhan Hengyang owned by HHPL.

4) Bank loan D from the China Minsheng Banking Corp. Ltd., repayable progressively from December 2015 to August 2019, is 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 is also secured by mortgages against the jetties under construction of Chongqing New Hengyang Storage Co., Ltd. ("**Chongqing Hengyang**") and the entire equity interest of **Chongqing Hengyang** owned by **HHPL**.

5) Bank loan E from the Bank of China, repayable over 8 years till December 2021, is secured by corporate guarantees furnished by the Company's subsidiaries, **Jiangyin Foreversun**, and personal guarantees furnished by the **Chairman**. In addition, this loan is also secured by mortgages against the land use rights and PPE (total carrying value of RMB213.7 million) of Yueyang Hengyang Petrochemical Logistics Co., Ltd ("**Yueyang Hengyang**").

6) Bank Loan F from the Huarong Xiangjiang Bank, repayable from December 2015 to June 2018, is secured by corporate guarantees furnished by **Jiangyin Foreversun** and personal guarantees furnished by the **Chairman** and his spouse. In addition, this loan is also secured by mortgages against the jetties (total carrying value of RMB35.7 million) of **Yueyang Hengyang** and its coastline use rights.

7) Bank loan G from the Jiangyin Rural Commercial Bank, repayable in August 2017, is secured by mortgages against the land use rights (total carrying value of RMB16.8 million) of **Jiangyin Foreversun**.

8) Bank loan H from Bank of Communications, repayable in February 2017, is secured by guarantees from the **Company**, **Chairman** and **Jiangyin Foreversun**.

9) Loan I from CITIC Port Investment Co. Ltd., repayable in May 2017, is secured by mortgages against the tank facilities (total carrying value of RMB16.9 million) of Jiangyin Foreversun, second mortgages against the Property Plant and Equipment of Jiangyin Foreversun, Deqiao, Shuangjiang, Wuhan, Yueyang and Chongqing, pledge of equity investment in subsidiaries and personal guarantees furnished by the **Chairman** and his spouse.

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	
	1Q2017 RMB'000	1Q2016 RMB'000
Operating activities		
(Loss)/profit before income tax	(12,503)	2,907
Adjustments for:		
Depreciation of property, plant and equipment	14,044	9,933
Amortisation for land use rights	802	284
Loss /(Gain) on disposal	-	3
Interest income	(3)	(284)
Interest expense	4,985	4,199
Unrealised foreign exchange loss (gain), net	-	(220)
Operating cash flows before working capital changes	7,325	16,822
Working capital changes:		
Trade and other receivables (including related parties)	(397)	(11,877)
Trade and other payables (including directors and related parties)	(19,524)	63,568
Cash (used in)/generated from operations	(12,596)	68,513
Interest paid	(3,320)	(3,329)
Income tax paid	636	(1,597)
Net cash (used in)/generated from operating activities	(15,280)	63,587
Investing activities		
Acquisition of property, plant and equipment	(13,536)	(73,183)
Interest paid and capitalised	(6,269)	(8,091)
Interest received	3	284
Net cash used in investing activities	(19,802)	(80,990)
Financing activities		
Proceeds from bank and other borrowings	25,887	40,000
Repayment of bank borrowings	(4,000)	(11,750)
Fixed deposits pledged in financial institutions	(1,000)	21,725
Amount owing to related parties	7,718	(22,676)
Net cash from financing activities	28,605	27,299
Net change in cash and cash equivalents	(6,477)	9,896
Cash and cash equivalents at beginning of the period [1]	10,949	7,291
Effect of exchange rate changes on cash and cash equivalents	-	220
Cash and cash equivalents at end of the period [1]	4,472	17,407

Note:

1) Reconciliation:

	Group	
	As at 31 March 2017 RMB'000	As at 31 Dec 2016 RMB'000
Cash and cash equivalents per consolidated statement of financial position	5,472	10,949
Restricted cash in bank	(1,000)	
Cash and cash equivalents per consolidated statement of cash flows	4,472	10,949

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 2017	**289,064**	**(43,329)**	**245,735**
Loss for the period	-	(1,519)	(1,519)
Balance as at 31 March 2017	**289,064**	**(44,848)**	**244,216**

Company	Share Capital	Accumulated losses	Total Equity
	RMB'000	RMB'000	RMB'000
(Unaudited)			
Balance as at 1 January 2016	**289,064**	**(38,439)**	**250,625**
Loss for the period	-	(1,684)	(1,684)
Balance as at 31 March 2016	**289,064**	**(40,123)**	**248,941**

Consolidated Statement of Changes in equity

	Attributable to owners of the company							
Group (RMB'000)	**Share capital**	**Statutory common reserve**	**Foreign currency translation account**	**Other reserve**	**Retained earnings**	**Equity attributable to owners of the parent**	**Non-controlling Interests**	**Total equity**
(Unaudited)								
Balance as at 1 January 2017	**289,064**	**14,935**	**(270)**	**84,113**	**(50,222)**	**337,620**	**196,360**	**533,980**
Total comprehensive income for the period	-	-	-	-	(8,655)	(8,655)	(3,848)	(12,503)
Balance as at 31 March 2017	**289,064**	**14,935**	**(270)**	**84,113**	**(58,877)**	**328,965**	**192,512**	**521,477**
(Unaudited)								
Balance as at 1 January 2016	**289,064**	**14,922**	**(270)**	**84,113**	**17,592**	**405,421**	**230,238**	**635,659**
Total comprehensive income for the period	-	-	-	-	204	204	1,134	1,338
Balance as at 31 March 2016	**289,064**	**14,922**	**(270)**	**84,113**	**17,796**	**405,625**	**231,372**	**636,997**

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 2016.

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.

	31.3.2017	31.12.2016
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.

The accounting policies and methods of computation are the same as in the Company's audited consolidated financial statements for the financial year ended at 31 December 2016. In addition, the Group adopted the new or revised FRS and Interpretations of FRS, where applicable, effective for the current financial year. The said adoption has no significant impact to the financial statements of the Group.

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

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 2017.

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.

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 share:	1Q2017	1Q2016
Weighted average number of ordinary shares used in computation of basic EPS	203,461,883	203,461,883
(a) Basic EPS (RMB cents)	(4.25)	0.10
(b) Diluted EPS (RMB cents)	(4.25)	0.10

Notes:

(a) Basic earnings per share is calculated by dividing the net profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

(b) Diluted EPS is the same as the basic EPS as the Group does not have any outstanding instruments convertible into, rights to subscribe for and options in respect of its ordinary shares during the respective financial years.

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

	Group		Company	
	31.3.2017	31.12.2016	31.3.2017	31.12.2016
Net asset value per ordinary share (RMB cents)	161.7	165.9	120.0	120.8

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 1Q2017 compared to 1Q2016

Revenue

The Group's revenue decreased by 25.4% or RMB12.3 million from RMB48.4 million in 1Q2016 to RMB36.1 million in 1Q2017.

This was mainly due to both lower storage and transportation service revenue.

The revenue from the storage service segment decreased by RMB9.6 million mainly due to RMB14.8 million decrease in revenue from Jiangsu Deqiao arising from suspension of operations. This was partially offset by the higher revenue from Jiangyin Hengyang, Chongqing Hengyang and Yueyang Hengyang's business expansion.

Revenue from the transportation services declined by RMB2.7 million due to lower throughout from a major customer.

Cost of sales

The Group's cost of sales increased by 7.2% or RMB2.3 million from RMB31.8 million in 1Q2016 to RMB34.1 million in 1Q2017. This was mainly due to higher jetty use charges in Jiangyin Hengyang arising from the price increase of pipeline transportation in the storage.

Gross profit

As a result of the above, the Group's gross profit decreased by 88.1% or RMB14.6 million from RMB16.6 million in 1Q2016 to RMB2.0 million in 1Q2017.

	Storage		Transportation		Elimination		Total	
	1Q2017	1Q2016	1Q2017	1Q2016	1Q2017	1Q2016	1Q2017	1Q2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	16,799	27,186	19,294	21,969	0	(748)	36,093	48,407
Cost of Sales	(18,265)	(16,395)	(17,487)	(19,187)	1,624	3,756	(34,128)	(31,826)
Gross Profit	(1,466)	10,791	1,807	2,782	1,624	3,008	1,965	16,581
Gross profit margin	-8.7%	39.7%	9.4%	12.7%			5.4%	34.3%

The overall gross profit margin decreased to 5.4% in 1Q2017 as compared to 34.3% in 1Q2016 arising mainly from the suspension of operations. The other reason was the transportation service revenue decreased but the fixed overhead could not reduce at the same proportion.

Other operating income

The Group's other operating income amounted to the RMB0.6 million in 1Q2017 and comprised RMB0.3 million scrap material sales from Deqiao, RMB0.2 million subsidy from the Government for logistics companies and RMB0.1 million miscellaneous income.

The Group's other operating income amounted to RMB0.4 million in 1Q2016 and comprised mainly RMB0.3 million interest income and sundry income amounting to RMB0.1 million.

Administrative expenses

The Group's administrative expenses increased marginally by 1.9% or RMB0.2 million from RMB9.9 million in 1Q2016 to RMB10.1 million in 1Q2017. This was mainly due to the manpower cost increase in Yueyang Hengyang.

Finance costs

The Group's finance costs increased by RMB0.8 million from RMB4.2 million in 1Q2016 to RMB5.0 million in 1Q2017 due to higher working capital loan from CITIC Port Investment Co Ltd. The finance costs for 1Q2017 comprised interest for the working capital loan and related party loan amounting to RMB2.5 million and RMB2.5 million interest cost for Chongqing and Yueyang's bank construction loan. The finance costs for 1Q2016 comprised interest for the working capital loan amounting RMB1.5 million and RMB2.7 million interest cost for Chongqing and Yueyang's bank loan.

Income tax expense

There was no income tax charge as all subsidiaries incurred losses in 1Q2017.

Net loss

As a result of the above, the Group recorded a net loss of RMB12.5 million in 1Q2017 as compared a net profit of RMB1.3 million in 1Q2016.

The net loss attributable to owners of the parent was at RMB8.7 million in 1Q2017 as compared net profit RMB0.2 million in 1Q2016.

Statement of financial position of the Group as at 31 March 2017

Non-current assets

As at 31 March 2017, the Group's non-current assets amounted to RMB1.7 billion, and accounted for 96.4% of the Group's total assets.

	31.3.2017	31.12.2016
	RMB'000	RMB'000
Construction in-progress	942,691	898,914
Land use rights	255,055	257,329
Tank facilities	261,404	266,409
Buildings on leasehold land	109,927	110,590
Jetties	109,077	110,055
Electronic system and equipment	44,059	45,235
Furniture and fixture	297	317
Motor vehicles	6,463	7,050
	1,728,973	1,695,899

The increase of RMB33.1 million in 1Q2017 was mainly due to the continued capital expenditure and capitalization of interest incurred for the construction of development projects. The increase was partially offset by the depreciation and amortization charged in the current financial period.

Current assets

As at 31 March 2017, the Group's current assets amounted to RMB64.5 million comprising trade and other receivables, amount owing by related parties, and cash and cash equivalents, and accounted for 3.6% of its total assets.

As at 31 March 2017, a total of RMB58.9 million in trade and other receivables were recorded, of which,

(a) RMB30.0 million was trade receivables and other receivables from third party customers;

(b) RMB18.9 million was deductible VAT; and

(c) RMB10.0 million was other receivables which included prepayments for purchase of PPE and transportation services, deposits for the acquisition of land use rights and utilities services, and advance to staff.

As at 31 March 2017, the amounts owing by related parties amounted to RMB0.1 million representing trade receivables for the provision of transportation services.

The Group's cash and cash equivalents were denominated in RMB, SGD and USD. The Group's cash and cash equivalents as at 31 March 2017 stood at RMB5.5 million, a decrease of RMB5.4 million as compared to RMB10.9 million as at 31 December 2016. The decrease was mainly due to the payment made for the cost of construction of the development projects offset by drawdown of bank borrowings. Please refer to the cashflow analysis for more information.

Current liabilities

As at 31 March 2017, the Group's current liabilities amounted to RMB1,012.9 million comprising trade and other payables, amount owing to related parties, amount owing to

directors, amount due to a former shareholder of a subsidiary, current portion of bank borrowings, and current income tax payable. This accounted for 79.6% of its total liabilities.

As at 31 March 2017, a total of RMB289.6 million trade and other payables were recorded. This mainly comprised:

(a) RMB269.4 million due to contractors and government authorities in relation to the various construction projects, of which an amount of RMB86.5 million were related to the land use rights acquired. The Group expects that the Government authority will waive the amount payable in line with the local investment promotion scheme; and

(b) RMB20.2 million of trade payables which included RMB3.1 million payable to third-party transport companies for leasing of tank trucks.

The Group's trade and other payables as at 31 March 2017 increased by RMB6.4 million as compared to that of 31 December 2016 due to construction costs recorded during the reporting period.

As at 31 March 2017, the Group had a total of RMB91.5 million short-term unsecured borrowings. This comprised:

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

(b) RMB14.5 million due to the **Chairman;**

(c) RMB27.2 million due to its related party **Wuhan Kangyang**; and

(d) RMB45.3 million due to its related party **Jinqiao Chemical**.

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

The Group's short-term bank borrowings as at 31 March 2017 amounted to RMB625.1 million which were the short-term working capital loan of RMB38.0 million for its transportation segment and the current portion of the various construction loans as disclosed in section 1(b)(ii), secured borrowings.

As at 31 March 2017, the Group had RMB6.8 million in current income tax payable.

Non-current liabilities

As at 31 March 2017, the Group's non-current liabilities amounted to RMB259.1 million, made up 20.4% of its total liabilities, and comprising:

(a) RMB136.5 million of long-term bank borrowings, net of the portion classified under current liabilities of RMB625.0 million as disclosed above. Please refer to section 1(b)(ii) for more details on the Group's borrowings.

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

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

(d) RMB18.4 million of deferred tax liabilities.

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

As at 31 March 2017, the Group had an amount of RMB18.4 million in deferred tax liabilities. The deferred tax liabilities arose from temporary difference between the Group's accounting carrying value and tax carrying values of the PPE.

Shareholders' equity

As at 31 March 2017, the Group's equity attributable to owners of the parent was RMB329.0 million, mainly comprising:

(a) share capital of RMB289.1 million;

(b) statutory common reserve of RMB14.9 million;

(c) foreign currency translation reserve negative RMB0.3 million

(d) other reserve of RMB84.1 million comprising RMB83.0 million arising from dilution of interest in a subsidiary, **HHPL** as a result of the new shares issued by **HHPL** to a non-controlling shareholder in FY2013 and RMB1.1 million arising from dilution of interest in a subsidiary, Jiangyin Golden Bridge Transportation Co., Ltd. **("Golden Bridge")** as a result of the new shares issued by **Golden Bridge** to a non-controlling shareholder in FY2015 ; and

(e) accumulated loss of RMB58.8 million.

As at 31 March 2017, the Group' non-controlling interests was RMB192.5 million, comprising mainly **MEGCIF5**'s 35% interest in the Group's subsidiary, **HHPL**.

Working capital

As at 31 March 2017, the Group was in a net current liabilities position of RMB948.4 million as compared to net current liabilities of RMB895.8 million as at 31 December 2016.

Excluding (a) the RMB86.5 million for the land use rights acquired, which the Group expects the Government authority to waive in line with the local investment promotion scheme; (b) the RMB14.5 million due to its Chairman which is repayable only when the Group's internal resources permit; (c) the RMB72.4 million due to its related parties, which the related parties are willing to give the Group financial support, and (d) re-classification of RMB278.1 million of non-current bank borrowings to current liabilities in relation to China Minsheng Banking Corp. Ltd. and Nanyang Commercial Bank Corp. Ltd, the Group's net working capital deficit was RMB496.9 million as at 31 March 2017.

Statement of Cash flows of the Group for 1Q2017

As at 31 March 2017, the Group recorded cash and cash equivalents of RMB5.5 million as compared to RMB10.9 million as at 31 December 2016.

Net cash used in operating activities for 1Q2017, after meeting working capital requirements and paying income tax and interest expenses, were RMB15.3 million for 1Q2017.

Net cash generated in financing activities for the 1Q2017 amounted to RMB28.6 million, was the net effect of additional bank loan drawdowns of RMB25.9 million, restricted deposit with bank of RMB1.0 million, increase in the amount owing to the related parties of RMB7.7 million, and bank loan repayments of RMB4.0 million.

Net cash used in investing activities for the 1Q2017, amounted to RMB19.8 million, was mainly for the Group's construction projects and paying the bank loan interest.

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

The Group has not issued any forecast. There has been no significant variance in the business environment in which the Group operated.

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

months.

The Chinese economy expanded by 6.9% in the first quarter year-on-year growth rate in 2017[1], higher than the 6.7% in 2016 and within the government's target range of 6.5% to 7%. Nonetheless, market conditions remain challenging amidst less than favourable global economic conditions and geopolitical uncertainty.

The Group expects that the cash flow situation will improve after the proposed investment from CITIC Port Investment Co. Ltd. in 65% indirectly owned subsidiary, Jiangyin Foreversun Chemical Logistics Co., Ltd ("China Holdco") in 2Q2017 ("Proposed Transactions") as defined in Circular dated 13 April 2017 ("Circular") to shareholders. This was approved at the Extraordinary General Meeting on 28 April 2017.

The Board and the Management are still working actively to enable the Group to recover as soon as practicable from the Accident.

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 1Q2017.

(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 1Q2016.

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

No dividend has been declared for 1Q2017.

[1] http://www.stats.gov.cn/tjsj/zxfb/201704/t20170417_1484963.html

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)[5]	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 (1)		
· Jinqiao Chemical	-	27,725
· Shanghai Kangyang(2)	-	11
Intereste expense charged		
· Jinqiao Chemical	-	1,299
· Wuhan Kangyang(2)	-	406
Gu Wenlong		132

Notes:

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

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

(3) Golden Hope is controlled by Mr Gu Wen Long, the **Chairman** of the Group.

The Company had obtained a renewal of the shareholders' mandate ("**Shareholders' Mandate**") at its annual general meeting held on 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 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 for some of the bank loans that the Group has obtained. Please refer to section 1(b)(ii) for more details on the secured borrowings.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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 1Q2017 to be false or misleading in any material aspect.

15. Updates to the Industrial Fire Which Happened on 22 April 2016 ("Accident")

Operations in Deqiao facility had been suspended since 22 April 2016. The management strives to resume operations of the Deqiao facility by the end of 2017.

16. Accounting treatment of proposed investment from CITIC Port Investment Co. Ltd. in a subsidiary ("CITIC Investment")

As stated in the Circular in relation to the Proposed Transactions, the Company is currently in discussions with its auditors, BDO LLP, on the accounting treatment of the proposed investment. If it is determined that the Group will lose control over the China Holdco upon Completion, the assets and liabilities of the China Holdco and its subsidiaries will be derecognized from the Group's consolidated financial statements.

In relation to the foregoing, the Company will make the relevant announcement(s) as and when appropriate. Please refer to the Circular for further details.

GU WEN LONG
Chairman and Chief Executive Officer

DIONG TAI PEW
Lead Independent Director (AC Chairman)

BY ORDER OF THE BOARD

GU WEN LONG
Chairman and Chief Executive Officer

5 May 2017

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 persons for the Sponsor are Mr Yee Chia Hsing, Head, Catalist and Mr. Ken Lee, Associate Director, Investment Banking. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.