



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 30 SEPTEMBER 2014 (“9M2014”)

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			Group		
	3Q2014 RMB'000	3Q2013 RMB'000	% (+/-)	9M2014 RMB'000	9M2013 RMB'000	% (+/-)
Revenue	28,603	25,197	13.5	135,582	77,589	74.7
Cost of sales	(21,918)	(16,051)	36.6	(112,817)	(49,030)	130.1
Gross profit	6,685	9,146	(26.9)	22,765	28,559	(20.3)
Other income	939	403	133.0	4,071	1,913	112.8
Administrative expenses	(7,522)	(6,802)	10.6	(22,311)	(19,505)	14.4
Finance expenses	(404)	(76)	431.6	(857)	(3,302)	(74.0)
Other expenses	-	(7,690)	nm*	-	(7,690)	nm*
(Loss)/Profit before income tax	(302)	(5,019)	(94.0)	3,668	(25)	nm*
Income tax expense	(1,260)	(1,898)	(33.6)	(5,180)	(5,365)	(3.4)
Net loss, representing total comprehensive income for the period	(1,562)	(6,917)	(77.4)	(1,512)	(5,390)	(71.9)
(Loss)/Profit attributable to:						
Owners of the parent	(1,246)	(6,915)	(82.0)	(1,784)	(5,347)	nm*
Non-controlling interests	(316)	(2)	nm*	272	(43)	nm*
	(1,562)	(6,917)	(77.4)	(1,512)	(5,390)	(71.9)
Total comprehensive income attributable to:						
Owners of the parent	(1,246)	(6,915)	(82.0)	(1,784)	(5,347)	nm*
Non-controlling interests	(316)	(2)	nm*	272	(43)	nm*
	(1,562)	(6,917)	(77.4)	(1,512)	(5,390)	(71.9)

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

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

	Group			Group		
	3Q2014 RMB'000	3Q2013 RMB'000	% (+/-)	9M2014 RMB'000	9M2013 RMB'000	% (+/-)
Depreciation & Amortisation	5,718	5,039	13.5	18,288	15,671	16.7
Foreign exchange (gain) loss, net	85	1,452	nm*	(219)	1,647	nm*
Interest income	(966)	(198)	387.9	(2,845)	(427)	nm*
Other income	(58)	(205)	(71.7)	(923)	(1,486)	(37.9)
Interest expenses	404	76	431.6	857	3,302	(74.0)
(Gain)/Loss on sale of plant and equipment	-	51	nm*	(84)	51	nm*

* nm denotes not meaningful

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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	
	30.09.2014 RMB'000	31.12.2013 RMB'000	30.09.2014 RMB'000	31.12.2013 RMB'000
Non-current assets				
Property, plant and equipment	1,272,227	1,059,993	39	50
Land use rights	266,842	270,896	-	-
Investments in subsidiaries	-	-	217,449	217,449
	1,539,069	1,330,889	217,488	217,499
Current assets				
Trade and other receivables	45,086	42,478	41	63
Amount owing by related parties	967	3,231	-	-
Amount owing by subsidiaries	-	-	50,321	48,742
Current income tax recoverable	819	1,871	-	-
Cash and cash equivalents	127,615	232,591	1,391	1,866
	174,487	280,171	51,753	50,671
Current liabilities				
Trade and other payables	156,364	292,017	650	352
Amount owing to a related party	19,968	19,968	-	-
Amount owing to directors	1,791	1,952	1,661	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	26,789	26,109	-	-
Bank borrowings	86,300	50,900	-	-
Current income tax payable	102	312	-	-
	295,816	395,760	14,097	10,786
Net-current (liabilities)/assets	(121,329)	(115,589)	37,656	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	668,060	467,100	-	-
Deferred tax liabilities	15,694	12,702	-	-
	787,947	583,995	-	-
Net assets	629,793	631,305	255,144	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)	37,363	39,147	(33,920)	(31,680)
Equity attributable to owners of the parent	422,346	424,130	255,144	257,384
Non-controlling interests	207,447	207,175	-	-
Total equity	629,793	631,305	255,144	257,384

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

	As at 30 September 2014		As at 31 December 2013	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Repayable within one year	86,300	51,738	50,900	51,058
Repayable after one year	681,560	90,693	480,600	90,693
Total	767,860	142,431	531,500	141,751

A. Unsecured Borrowings:

As at 30 September 2014, the Group's unsecured borrowings which were repayable within one year amounted to RMB51.7 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 30 September 2014, the MEGCIF5 Convertible Loan was recorded in the book at the amortised cost of RMB26.7 million.

As at 30 September 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. 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.

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 a net carrying value of RMB16.4 million as at 30 September 2014.

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B. Secured Borrowings

As at 30 September 2014, the Group's secured borrowings stood at RMB767.9 million. The secured borrowings comprised the following:

(RMB' million)	Loan A	Loan B	Loan C	Loan D	Loan E	Loan F	Total
Nature	construction loan					working capital loan	
Loan facilities granted	400.0	180.0	180.0	120.0	100.0	15.0	995.0
Loan amount drawn down	400.0	150.0	60.0	100.0	71.6	15.0	796.6
Amounts Repaid	(15.0)	(22.0)	(4.2)	(1.0)	(-)	(-)	(42.2)
Outstanding amounts	385.0	128.0	55.8	99.0	71.6	15.0	754.4
- Repayable within one year	50.0	1.9	10.4	9.0	-	15.0	86.3
- Repayable after one year	335.0	126.1	45.4	90.0	71.6	-	668.1

- 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**, 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 RMB69.0million) and fixed assets excluding the phase II project (net carrying value of RMB258.1 million) owned by the Company's subsidiaries, **Jingjiang Shuangjiang** and **Jiangsu Deqiao**.
- 2) Bank loan B from the Wuhan Rural Commercial Bank, repayable progressively from July 2013 to September 2019, is secured by corporate guarantees furnished by the Company's subsidiaries, **Jiangyin Foreversun**, **Jiangsu Deqiao**, and mortgages against the fixed assets (net carrying value of RMB251.8 million) of Wuhan Hengyang Chemical Logistics Co., Ltd ("**Wuhan Hengyang**").
- 3) Bank loan C from the China Minsheng Banking Corp.. Ltd., repayable progressively from June 2014 to February 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 land use right (net carrying value of RMB135.5 million) of **Wuhan Hengyang** and the entire equity interest of Wuhan Hengyang owned by Hengyang Holding Pte. Ltd.
- 4) Bank loan D 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 fixed assets (total net carrying value of RMB240.3 million) of Yueyang Hengyang Petrochemical Logistics Co., Ltd ("**Yueyang Hengyang**").
- 5) Bank loan E 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** and the entire equity interest of Chongqing New Hengyang owned by Hengyang Holding Pte. Ltd.
- 6) Bank loan F from the Jiangyin Rural Commercial Bank, repayable in 1 year, is secured by mortgages against the land use rights (net carrying value of RMB20.9 million) of **Jiangyin Foreversun**.
- 7) An amount of RMB13.5 million owing to Jinqiao Chemical described in note 6 of the unsecured borrowings.

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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		Group	
	3Q2014 RMB'000	3Q2013 RMB'000	9M2014 RMB'000	9M2013 RMB'000
Operating activities				
(Loss)/Profit before income tax	(302)	(5,019)	3,668	(25)
Adjustments for:				
Depreciation of property, plant and equipment	5,219	4,529	17,219	14,566
Amortisation for land use rights	499	510	1,069	1,105
(Gain)/Loss on disposal of plant and equipment	-	51	(84)	51
Write off of property, plant and equipment	-	12	-	12
Interest income	(966)	(198)	(2,845)	(427)
Interest expense	404	76	857	3,302
Operating cash flows before working capital changes	4,854	(39)	19,884	18,584
Working capital changes:				
Trade and other receivables (including related parties)	4,045	(15,995)	1,786	(19,140)
Trade and other payables	(8,429)	5,980	(9,330)	5,166
Cash generated from operations	470	(10,054)	12,340	4,610
Interest expense paid	(177)	-	(177)	(549)
Income tax paid	(280)	(1,674)	(1,345)	(2,661)
Net cash generated from (used in) operating activities	13	(11,728)	10,818	1,400
Investing activities				
Acquisition of property, plant and equipment	(95,459)	(103,802)	(316,536)	(363,915)
Acquisition of land use rights	-	(229)	-	(585)
Acquisition of equity interest from a non-controlling shareholder in a subsidiary	-	(30,314)	-	(30,314)
Proceeds from disposal of property, plant and equipment	-	53	-	53
Interest paid and capitalised	(10,114)	(9,974)	(36,334)	(20,578)
Interest received	689	145	716	269
Refund of restricted deposit with a bank	42,600	-	35,303	60,000
Net cash used in investing activities	(62,284)	(144,121)	(316,851)	(355,070)
Financing activities				
Proceeds from capital injection in a subsidiary	-	244,314	-	274,435
Proceeds from bank borrowings	96,560	60,000	276,560	280,000
Repayment of bank borrowings	(21,800)	(1,000)	(40,200)	(61,000)
Proceeds from convertible loan	-	26,936	-	26,936
Amount owing to related parties	-	-	-	(5,961)
Amount owing to directors	-	-	-	(1,218)
Net cash generated from financing activities	74,760	330,250	236,360	513,192
Net change in cash and cash equivalents	12,489	174,401	(69,673)	159,522
Cash and cash equivalents at beginning of the period ⁽¹⁾	108,409	146,839	190,571	161,718
Cash and cash equivalents at end of the period ⁽¹⁾	120,898	321,240	120,898	321,240

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Note:

Reconciliation:

	Group	
	As at 30 Sep 2014 RMB'000	As at 31 Dec 2013 RMB'000
Cash and bank balances per consolidated statement of financial position	127,615	232,591
Restricted cash in bank	(6,717)	(42,020)
Cash and cash equivalents per consolidated statement of cash flows	120,898	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
Loss for the period	-	(1,157)	(1,157)
Balance as at 30 June 2014	289,064	(33,230)	255,834
Loss for the period	-	(690)	(690)
Balance as at 30 September 2014	289,064	(33,920)	255,144
(Unaudited)			
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
Loss for the period	-	(34)	(34)
Changes in ownership interests in a subsidiary with no change in control	-	448	448
Balance as at 30 June 2013	289,064	(22,505)	266,559
Loss for the period	-	(8,451)	(8,451)
Balance as at 30 September 2013	289,064	(30,956)	258,108

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Consolidated Statement of Changes in equity

Group (RMB'000)	Attributable to owners of the company						Total equity
	Share capital	Statutory common reserve	Other reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling Interests	
(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
Total comprehensive income for the period	-	-	-	(582)	(582)	308	(274)
Balance as at 30 June 2014	289,064	12,915	83,004	38,609	423,592	207,763	631,355
Total comprehensive income for the period	-	-	-	(1,246)	(1,246)	(316)	(1,562)
Balance as at 30 September 2014	289,064	12,915	83,004	37,363	422,346	207,447	629,793
(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
Total comprehensive income for the period	-	-	-	115	115	(10)	105
Balance as at 30 June 2013	289,064	18,487	-	96,378	403,929	60,544	464,473
Total comprehensive income for the period	-	-	-	(6,915)	(6,915)	(2)	(6,917)
Dilution of interest in a subsidiary	-	(6,471)	83,004	(42,131)	34,402	(34,402)	-
Acquire shares in subsidiaries from a non-controlling shareholder	-	-	-	-	-	(60,435)	(60,435)
Capital injection by a non-controlling shareholder	-	-	-	-	-	244,314	244,314
Balance as at 30 September 2013	289,064	12,016	83,004	47,332	431,416	210,019	641,435

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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 30 June 2014.

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.

	<u>30 Sep 2014</u>	<u>31 Dec 2013</u>
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.

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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.**

Earnings per ordinary shares:	Group		Group	
	3Q2014	3Q2013	9M2014	9M2013
Weighted average number of ordinary shares used in computation of basic EPS	203,461,883	203,461,883	203,461,883	203,461,883
(a) Basic EPS (RMB cents)	(0.61)	(3.40)	(0.88)	(2.63)
(b) Diluted EPS (RMB cents)	(0.61)	(3.40)	(0.88)	(2.63)

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	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Net asset value per ordinary share (RMB cents)	207.6	208.5	125.4	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 9M2014 compared to 9M2013

Revenue

The Group's revenue increased by 74.7% or RMB58.0 million from RMB77.6 million in 9M2013 to RMB135.6 million in 9M2014.

The increase was due to the additional revenue of RMB69.4 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 RMB11.4 million revenue from the Group's storage service segment. The decrease was mainly due to:

- (a) the reduced storage volume from customers as a result of economic slowdown;
- (b) some customers switching to spot leases in view of the uncertain and relatively weak economy;

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- (c) the change of product mix which the storage volume for products with higher storage fee, such as phenol, ethylene glycol and xylene dropped in 9M2014; and
- (d) the ongoing decline in storage fees in the increasing competitive market along Yangtze River downstream region.

Cost of sales

In line with the higher revenue, the Group's cost of sales increased by RMB63.8 million from RMB49.0 million in 9M2013 to RMB112.8 million in 9M2014.

The increase in cost of sales was mainly due to the increase in cost of sales of RMB67.5 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 RMB3.7 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 9M2014 as compared to 9M2013, as well as decreased jetty usage fees charged by the third party jetty operator due to lower throughput in 9M2014.

Gross profit

As a result of the above, the Group's gross profit decreased by 20.3% or RMB5.8 million from RMB28.6 million in 9M2013 to RMB22.8 million in 9M2014.

	Storage		Transportation		Total	
	9M2014	9M2013	9M2014	9M2013	9M2014	9M2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	52,924	64,351	82,658	13,238	135,582	77,589
Cost of sales	(33,462)	(37,146)	(79,355)	(11,884)	(112,817)	(49,030)
Gross profit	19,462	27,205	3,303	1,354	22,765	28,559
Gross profit margin	36.8%	42.3%	4.0%	10.2%	16.8%	36.8%

The overall gross profit margin declined to 16.8% in 9M2014 as compared to 36.8% in 9M2013 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 61% of the overall sales in 9M2014 as compared 17.1% in 9M2013.

Additionally, the cost of sales for the storage segment did not reduce in proportion to the decline of its revenue as the fixed costs portion is not affected by the revenue level; hence lower gross profit margin for the storage segment was registered in 9M2014.

Other income

The Group's other operating income amounted to RMB4.1 million in 9M2014 and comprised mainly:

- (a) interest income amounting to RMB2.8 million;
- (b) service charges of RMB0.4 million received from the local Port Authority for collecting port fees from the common clients on behalf of the Authority;
- (c) subsidies of RMB0.2 million received from Government for proper and safe disposal of retired tank trucks;
- (d) foreign exchange gain amounting to RMB0.2 million; and

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(e) sundry incomes amounting to RMB0.5 million.

Administrative expenses

The Group's administrative expenses increased by 14.4% or RMB2.8 million from RMB19.5 million in 9M2013 to RMB22.3 million in 9M2014. This was mainly due to:

- (a) higher manpower and travelling expenses due to the Group's business development and expansion plans; and
- (b) the professional fee in relation to the ISO accreditation and safety standardization courses in 9M2014.

Other expenses

The expenses of approximately RMB7.7 million recorded in 9M2013 were for the professional fees incurred in relation to the Proposed Transaction as defined in the Circular. The Proposed Subscription and the Proposed Acquisition as defined in the Circular had been completed on 25 September 2013.

Finance costs

The Group's finance costs reduced by 74% or RMB2.4 million from RMB3.3 million in 9M2013 to RMB0.9 million in 9M2014. The finance cost for 9M2014 comprised the imputed interest for the MEGCIF5 Convertible Loan amounting RMB0.7 million and interest for the working capital loan amounting RMB0.2 million. The finance cost for 9M2013 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 decreased by 3.4% or RMB0.2 million from RMB5.4 million in 9M2013 to RMB5.2 million in 9M2014. The decrease was mainly resulted from the lower profit generated by the storage services segment in 9M2014 as compared to 9M2013.

Net profit (loss)

As a result of the above, the Group recorded a net loss of RMB1.5 million in 9M2014 as compared a net loss of RMB5.4 million in 9M2013.

Financial position of the Group as at 30 September 2014

Non-current assets

As at 30 September 2014, the Group's non-current assets amounted to RMB1,539.1 million, and accounted for 89.8% of the Group's total assets.

	30.09.2014	31.12.2013
	RMB'000	RMB'000
Construction in-progress	917,765	696,187
Land use rights	266,842	270,896
Tank facilities	205,447	208,012
Buildings on Leasehold Land	69,896	70,626
Jetties	56,746	57,739
Electronic system and equipment	14,358	17,819
Motor vehicles	8,015	9,610
	1,539,069	1,330,889

The increase of RMB208.2 million was mainly due to the additional cost incurred for the construction of development projects amounting to RMB221.6 million, and the additional cost

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incurred for the tank facilities amounting RMB6.7 million. The increase was partially offset by the depreciation and amortization charged in the current financial period.

Current assets

As at 30 September 2014, the Group's current assets amounted to RMB174.5 million comprising trade and other receivables, amounts owing by related parties, tax receivable and cash and bank balances, and accounted for 10.2% of its total assets.

As at 30 September 2014, a total of RMB45.1 million in trade and other receivables were recorded, of which,

- (a) RMB12.6 million was trade receivables from third party customers;
- (b) RMB9.4 million was deductible VAT;
- (c) RMB2.4 million was interest receivable from bank for fixed deposit; and
- (d) RMB20.7 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 interest receivable for fixed deposits which were deposited with the bank during the last quarter of 2013, VAT receivables, the prepayment made to third-party transport service providers, as well as the prepayment for the various construction works in 9M2014.

As at 30 September 2014, the amounts owing by related parties amounted to RMB1.0 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 as well as less sales transacted during the last quarter, 3Q2014.

The Group's cash and cash equivalents are denominated in RMB, USD and SGD. The Group's cash and cash equivalents as at 30 September 2014 stood at RMB127.6 million, a decrease of RMB105.0 million as compared to RMB232.6 million as at 31 December 2013. 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 30 September 2014, the Group's current liabilities amounted to RMB295.8 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 27.3% of its total liabilities.

As at 30 September 2014, a total of RMB156.4 million trade and other payables were recorded. This comprised:

- (a) RMB148.9 million payables due to contractors and government authorities in relation to the various construction projects, of which an amount of RMB81.6 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;
- (b) RMB5.2 million of trade payables which included RMB2.4 million payable to third-party transport companies for leasing of tank trucks; and
- (c) RMB2.3 million accruals for operational expenses and various types of tax payables.

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The Group's trade and other payables as at 30 September 2014 decreased by RMB135.7 million as compared to that of 31 December 2013 was a result of payments for the construction cost made during the current period.

As at 30 September 2014, the Group had a total amount of RMB51.7 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) RMB26.7 million of MEGCIF5 Convertible Loan owing to a shareholder of a subsidiary.

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

In addition, included in the amount owing to directors were an amount of RMB0.9 million owing to a director of the Company in respect of the consultancy services incurred in previous year, and accrued directors fees amounting RMB0.5 million as at 30 September 2014.

The Group's short-term bank borrowings as at 30 September 2014 stood at RMB86.3 million which were the short-term working capital loan amounting RMB15 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 30 September 2014, the Group had RMB0.1 million in current tax payable.

Non-current liabilities

As at 30 September 2014, the Group's non-current liabilities amounted to RMB787.9 million, made up 72.7% of its total liabilities, and comprising:

- (a) RMB668.1 million of long-term bank borrowings net of the portion classified under current liabilities of RMB 86.1 million as disclosed above. Please refer to section 1(b)(ii) B 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) RMB15.6 million of deferred tax liabilities.

As at 30 September 2014, the Group had an amount of RMB15.6 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 fixed assets.

Shareholders' equity

As at 30 September 2014, the Group's equity attributable to equity holders was at RMB422.3 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 RMB37.3 million.

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As at 30 September 2014, the Group's non-controlling interests was at RMB207.4 million, comprising mainly MEGCIF5's 35% interest in the Group's subsidiary, HHPL.

Working capital

As at 30 September 2014, the Group was in a net current liabilities position of RMB121.3 million as compared to a net current liability of RMB115.6 million as at 31 December 2013. Excluding the MEGIF5 convertible loan of RMB26.8 million which will be converted into equity interest upon obtaining Chongqing Approvals; 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; and the RMB20.0 million due to its related party **Jinqiao Chemical**, which Jinqiao Chemical is willing to give the Group financial support, the Group's net working capital would be a net asset of RMB7.1 million as at 30 September 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 9M2014

As at 30 September 2014, the Group recorded cash and cash equivalents of RMB127.6 million as compared to RMB232.6 million as at 31 December 2013.

Net cash flows generated from operating activities for 9M2014, after meeting the working capital requirements of RMB7.5 million and paying income tax and interest of RMB1.5 million, were RMB10.8 million.

Net cash generated from financing activities for the 9M2014, amounted to RMB236.4 million, was the net effect of the additional bank loan drawdowns of RMB276.6 million and the bank loan repayments of RMB40.2 million.

The net cash generated from operating activities and financing activities were used 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.

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.

The operating conditions in China remain challenging for the Group. China's economic slowdown further as gross domestic product expanded at 7.3% in the third quarter from a year earlier¹. This reflects the slowest rate of growth in more than five years. In view of the weaker economic outlook, the Group shall take a more prudent approach in assessing new project developments and continue to improve its operational efficiency and cost reduction measures.

¹ References: The Wall Street Journal, <http://online.wsj.com/articles/chinas-slowdown-raises-pressure-on-beijing-to-spur-growth-1413893980>, China's Slowdown Raises Pressure on Beijing to Spur Growth, 21 October 2014

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In line with our strategy of penetrating into the growing inland market of the Yangtze River, the construction of our three new petrochemical storage plants in Wuhan, Hubei province, Yueyang, Hunan province and Chongqing municipality helps us gain first mover advantage to capitalize on the growing need for petrochemical transportation and storage services. Furthermore, it allows us to ride on the positive development of the “golden waterway” along the Yangtze River. The “golden waterway” is an economic belt linking the more developed eastern areas to the central and western parts of China. The development of petrochemical bases and chemical industry parks along the Yangtze River augurs well for the Group’s future in this region.

Upon the completion of the initial phases of its Wuhan, Chongqing and Yueyang projects, as well as the expansion of the Deqiao project, the Group expects to more than triple its storage capacity from 265,600 cubic meters to approximately 962,600 cubic meters.

During the third quarter of 2014, the Yueyang plant officially commenced its tank trial operations. Additionally, one of the jetties under the Chongqing project has launched its trial operations.

Looking ahead, the Group shall continue to explore opportunities to bundle its land transportation and storage services. Additionally, we hope to build synergies through effective partnerships with key petrochemical giants along the Yangtze River to secure more business.

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 9M2014.

(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 9M2013.

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

No dividend has been declared for 9M2014.

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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		
- Jinqiao Chemical Co., Ltd. ("Jinqiao Chemical") ⁽¹⁾	-	19,710
- Shanghai Kangyang Petrochemical Co., Ltd. ("Shanghai Kangyang") ⁽²⁾	-	661
- Wuhan Kangyang Petrochemical Co., Ltd. ("Wuhan Kangyang") ⁽²⁾	-	103
- Jiangyin Saisheng New Material Co., Ltd. ("Jiangyin Saisheng") ⁽²⁾	-	1,248
- Golden Hope Industrial Co., Ltd. ("Golden Hope") ⁽³⁾	-	945

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 Catalyst.

Guarantees provided for the Group Companies:

The **Chairman** and his spouse, Ms Sun Fang, have provided personal guarantees for some of the bank loans the Group has obtained. Please refer to section 1(b)(ii) B for more details on the secured borrowings.

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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 9M2014 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

11 November 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.