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Issuer: Hengyang Petrochemical Logistics Limited

Stock code: 5PD

Meeting details:

Date: 18 Apr 2024

Time: 10.00 a.m.

Venue: Cantonment Room, M Hotel Singapore, 81 Anson Road, Singapore 079908

Q1. As noted in the corporate profile, the group has expanded its foothold to become a one-stop service and solutions provider along the Yangtze River. Currently, the group’s storage facilities are located at Jiangyin (“ForeverSun Facility”), Jingjiang (“Deqiao Facility”), Wuhan City (“Wuhan Facility”), Chongqing City (“Chongqing Facility”), Yueyang City (“Yueyang Facility”) and Tianjin (“Tianjin Facility”).

In FY2023, revenue from the storage service segment increased due to organic growth and acquisitions/consolidation of subsidiaries.

- (i) **To help shareholders better understand the group’s performance, would the board consider disclosing the utilisation rates of the group’s facilities and tracking the utilisation over time in the annual report?**
- (ii) **What are the key drivers influencing the utilisation rates of the facilities?**
- (iii) **How does the company evaluate the competitive landscape and market demand dynamics? Furthermore, what strategies does management employ to enhance profitability in response to the current market dynamics?**
- (iv) Separately, the group’s revenue in the transportation segment decreased by 44% to RMB 45.31 million as the China Holdco Group ceased loss-making transportation routes. **Could management provide insights into whether the optimisation process has concluded and if the transportation segment is sustainable and profitable at the current reduced scale?**

The financial highlights of the China Holdco Group is shown on page 10.

CHINA HOLDCO GROUP

RMB'000	FY2023 (Audited)	FY2022 (Audited)	VAR	% (+/-)
Revenue	486,321	405,340	80,981	19.98
Cost of sales	(348,052)	(302,900)	45,152	14.91
Gross profit	138,269	102,440	35,829	34.98
Other income ⁽²⁾	10,093	36,345	(26,252)	(72.23)
Administrative and other expenses ⁽³⁾	(90,521)	(77,238)	13,283	17.20
Finance costs ⁽⁴⁾	(118,569)	(72,732)	45,837	63.02
Loss before tax from operation	(60,728)	(11,185)	49,543	(442.94)
Income tax credit/(expense)	8,273	(3,158)	(11,431)	(361.97)
Loss for the financial year	(52,455)	(14,343)	(38,112)	265.72
Non-controlling interest	(14,338)	(7,558)	(6,780)	(89.71)
Owners of China Holdco	(38,117)	(6,785)	(31,332)	461.78
Share proportion of Company in China Holdco ⁽⁵⁾	41.64%	41.36%	0.28%	-
Share of result of China Holdco	(15,872)	(3,325)	(12,547)	377.35
Depreciation and amortisation on fair value adjustment ⁽⁶⁾	(1,767)	(2,083)	(316)	15.17
Share of result of joint venture	(17,640)	(5,408)	(12,232)	226.18

(Source: company annual report)

The financial statements in the annual report are that of the listed entity, i.e. Hengyang Petrochemical Logistics Limited. As such, in the consolidated statement of comprehensive income, there is no revenue reported as revenue is reported at the China Holdco level. Similarly, the consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows reflect only the Singapore entity and does not provide any visibility of the performance of the China Holdco, other than the 1-page snapshot shown on page 10 (see diagram above) and Note 7 Investment in a Joint Venture.

- (v) **Would the audit committee (AC) consider including a comprehensive report on the China Holdco Group in the annual report? The report should mirror the format of a typical SGX listed company's annual report, with detailed financial statements, relevant notes to the financial statements, management structure, corporate governance report and remuneration practices of the China Holdco Group?**

Q2. The group's sustainability report can be found on pages 17 to 37 of the annual report. China has set a national target to achieve net zero emissions by 2060 and the company is cognisant of the need to transition to a low-carbon economy.

- (i) What are some of the key sustainability related strategies and guidelines set by the board in recent years?**
- (ii) How does management see the long-term impact on its business, considering it is involved in the storage and transport of bulk liquid petrochemicals, gases and oils such as Methanol, Acetic Acid, Phenol, Acetone, Styrene, Ethylene Glycol, Polyether Polyol, Propane, Butane, Gasoline, Diesel, Kerosene, Fuel Oil and Base Oil?**
- (iii) Can management identify the products that are susceptible to potential phase-out due to environmental concerns, such as being categorised as "dirty"?**

The sustainability report appears to be limited in scope as it covers only the Deqiao Facility, which accounts for less than a third of the revenue of the China Holdco Group in FY2023. In this sustainability report, the company reports for the first time ever its Scope 1 and Scope 2 emissions.

- (iv) Has the board evaluated how it could further improve the scope and commitment of the group in the sustainability journey by including the entire operations of the China Holdco Group in the sustainability report?**
- (v) Will the board be setting a timeline to achieve a comprehensive overview of its sustainability efforts based on the entire operations of the China Holdco Group?**

Q3. At the annual general meeting scheduled to be held on 18 April 2024, Mr Loy Boon Huat and Mr Khaw Shee Kai will be retiring pursuant to Regulation 97 of the Constitution of the company and will be seeking their re-election.

The directors were first appointed on 19 December 2023. The directors' biographies can be found on pages 12 and 13 of the annual report. Additional information on the two directors can be found on pages 120 and 121.

A snapshot of the announcement of appointment of Mr Loy Boon Huat is shown below:

CHANGE - ANNOUNCEMENT OF APPOINTMENT::APPOINTMENT OF LOY BOON HUAT AS INDEPENDENT DIRECTOR OF THE COMPANY

Date Of Appointment

19/12/2023

Name Of Person

Loy Boon Huat

Age

66

Country Of Principal Residence

Singapore

The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)

The Board, having considered the recommendation of the Nominating Committee, has reviewed, considered, assessed and concluded that Mr Loy Boon Huat ("Mr Loy") possesses the requisite qualifications and work experience to carry out his duties as Independent Director of the Company, and has accordingly approved the appointment of Mr Loy as Independent Director of the Company.

Whether appointment is executive, and if so, the area of responsibility

The appointment is non-executive.

Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)

Independent Director, member of the Audit Committee, Nominating Committee and Remuneration Committee

Professional qualifications

Master of Science in Industrial & Systems Engineering, National University of Singapore
Bachelor Science in Mechanical Engineering (1st Class Hons) - University of Strathclyde Glasgow/Scotland
Qualified Professional Engineer in Singapore and Certified Chartered Engineer (UK)

(Source: <https://links.sgx.com/1.0.0/corporate-announcements/D1IM8FJAINBGEZQX/fc8fdb3c919e4ce5522d1ecbfcdd273499a03a1a78b2a996d4e972253c29035>; emphasis added)

- (i) **Would the board, particularly the nominating committee (NC), elaborate further on the rationale, selection criteria, board diversity considerations and the search and nomination process, that led to the appointments of Mr Loy Boon Huat and Mr Khaw Shee Kai, as required in the SGX template?**

On 9 January 2024, the company announced that Mr Loy Boon Huat's appointment as chairman of the board. Mr Loy Boon Huat was also made the chairman of the NC and the remuneration committee (RC) while Mr Khaw Shee Kai assumed the position of the chairman of the AC.

- (ii) **What were the selection criteria used by the board to shortlist and appoint the chairman of the board and the board committees?**

With all due respect, the two newly appointed independent directors are first time directors and both appear to have little/no experience in a listed company. The principal operating entity, Jiangyin Foreversun Chemical Logistics Co., Ltd. ("China Holdco"), has reported significant losses of RMB(56.69) million in FY2023, RMB(18.59) million in FY2022, RMB(5.66) million in FY2021 and RMB(5.93) million in FY2020.

- (iii) **Can the independent directors elaborate further on the ways in which they would be able to contribute to the group's success if they are re-elected at the AGM?**

Separately, it is noted that the Mr Tee Tuan Sem, the executive vice chairman and executive director, resides in Malaysia and served as the executive vice chairman of f ILB Group Berhad (formerly known as Integrated Logistics Berhad ("ILB")) until 1 April 2024.

- (iv) **Can the director help shareholders better understand his roles and responsibilities as an executive director and also executive vice chairman of the company? How effective is the director given that the group has its operations in China and the corporate structure and listing in Singapore while the director resides in Malaysia?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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