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**SINOSTAR PEC HOLDINGS LIMITED**  
**(Company Registration No.: 200609833N)**

**UNAUDITED FINANCIAL STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

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

- 1(a) An income statement and statement of comprehensive income or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding year.

**Consolidated statement of comprehensive income for the  
1<sup>st</sup> quarter for the period ended 31 March 2018**

	31/3/2018	31/3/2017	Change
	<u>RMB'000</u>	<u>RMB'000</u>	+ / (-) %
Revenue	528,307	471,949	12
Cost of sales	(499,472)	(438,064)	14
Gross profit	<u>28,835</u>	<u>33,885</u>	(15)
Other income	715	3,085	(77)
Distribution costs	(22)	(138)	(84)
Administrative costs	(2,363)	(2,632)	(10)
Other operating expense	<u>(51)</u>	<u>(8)</u>	NM
Profit before taxation	<u>27,114</u>	<u>34,192</u>	(21)
Taxation	<u>(5,837)</u>	<u>(7,748)</u>	(25)
Total comprehensive profit for the period	<u><u>21,277</u></u>	<u><u>26,444</u></u>	(20)

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**Notes to the consolidated statement of comprehensive income**

	<b>31/3/2018</b>	<b>31/3/2017</b>	<b>Change (+/-)</b>
	<b><u>RMB'000</u></b>	<b><u>RMB'000</u></b>	<b>%</b>
Profit before taxation is arrived at after (crediting)/charging:			
Other operating income included;-			
- Interest income	(715)	(3,085)	(77)
Depreciation of property, plant and equipment	4,864	5,979	(19)

N.M. – 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	
	31/3/2018	31/12/2017	31/3/2018	31/12/2017
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	80,790	85,312	-	-
Goodwill on consolidation	2,501	2,501	-	-
Investment in subsidiaries	-	-	250,041	250,041
	<u>83,291</u>	<u>87,813</u>	<u>250,041</u>	<u>250,041</u>
<b>CURRENT ASSETS</b>				
Inventories	28,574	25,443	-	-
Trade and other receivables	25,292	17,380	-	-
Amount owing by a subsidiary	-	-	35,009	37,977
Amounts owing by affiliated companies	160,064	166,268	-	-
Cash and bank balances	446,686	438,349	327	111
	<u>660,616</u>	<u>647,440</u>	<u>35,336</u>	<u>38,088</u>
<b>TOTAL ASSETS</b>	<u>743,907</u>	<u>735,253</u>	<u>285,377</u>	<u>288,129</u>
<b>EQUITY</b>				
<b>Equity attributable to equity holders of the parent</b>				
Share capital	316,125	316,125	316,125	316,125
Retained profits/(accumulated losses)	321,848	300,571	(31,313)	(29,647)
Other reserves	51,985	51,985	-	-
<b>TOTAL EQUITY</b>	<u>689,958</u>	<u>668,681</u>	<u>284,812</u>	<u>286,478</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	51,620	52,719	565	1,651
Amounts owing to affiliated companies	522	10,113	-	-
Current tax payable	1,807	3,740	-	-
	<u>53,949</u>	<u>66,572</u>	<u>565</u>	<u>1,651</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>743,907</u>	<u>735,253</u>	<u>285,377</u>	<u>288,129</u>

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

Amount repayable in one year or less, or on demand

As at 31/3/2018		As at 31/3/2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Amount repayable after one year

As at 31/3/2018		As at 31/3/2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Details of any collateral

N.A.

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

**Consolidated statement of cash flows for the period ended 31 March 2018**

	<b>31/3/2018</b>	<b>31/3/2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities</b>		
Profit for the period	27,114	34,192
Adjustments for:-		
Depreciation of property, plant and equipment	4,684	5,979
Interest income	(715)	(3,085)
<b>Operating profit before working capital changes</b>	<b>31,083</b>	<b>37,086</b>
Changes in working capital:		
(Increase)/decrease in inventories	(3,131)	3,051
Increase in operating receivables	(1,708)	(16,449)
(Decrease)/increase in operating payables	(10,690)	17,171
<b>Cash generated from operations</b>	<b>15,554</b>	<b>40,859</b>
Income tax paid	(7,770)	(5,122)
<b>Net cash generated from operating activities</b>	<b>7,784</b>	<b>35,737</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(162)	(43)
Interest received	715	3,085
<b>Net cash generated from investing activities</b>	<b>553</b>	<b>3,042</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,337</b>	<b>38,779</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>438,349</b>	<b>494,570</b>
<b>Cash and cash equivalents at end of period</b>	<b>446,686</b>	<b>533,349</b>

For the purpose of the consolidated statement of cash flows, the cash and cash equivalents comprise the following:

Cash on hand	131	141
Bank balances	326,555	173,209
Fixed deposit placed with financial institutions	120,000	360,000
	<b>446,686</b>	<b>533,349</b>

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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**UNAUDITED STATEMENT OF CHANGES IN EQUITY - GROUP**

	Share capital RMB'000	Retained profits RMB'000	Other reserves		subtotal RMB'000	Total RMB'000
			Statutory common reserve RMB'000	Voluntary common welfare fund RMB'000		
<b>1 January 2017 to 31 March 2017</b>						
Balance as at 1 January 2017	316,125	256,190	43,060	797	43,857	616,172
Total comprehensive income for the period	-	26,444	-	-	-	26,444
Transfer to statutory common reserve	-	-	-	-	-	-
<b>Balance as at 31 March 2017</b>	<b>316,125</b>	<b>282,634</b>	<b>43,060</b>	<b>797</b>	<b>43,857</b>	<b>642,616</b>

	Share capital RMB'000	Retained profits RMB'000	Other reserves		subtotal RMB'000	Total RMB'000
			Statutory common reserve RMB'000	Voluntary common welfare fund RMB'000		
<b>1 January 2018 to 31 March 2018</b>						
Balance as at 1 January 2018	316,125	300,571	51,188	797	51,985	668,681
Total comprehensive income for the period	-	21,277	-	-	-	21,277
Transfer to statutory common reserve	-	-	-	-	-	-
<b>Balance as at 31 March 2018</b>	<b>316,125</b>	<b>321,848</b>	<b>51,188</b>	<b>797</b>	<b>51,985</b>	<b>689,958</b>

## UNAUDITED STATEMENT OF CHANGES IN EQUITY - COMPANY

<b>1 January 2017 to 31 March 2017</b>	Share Capital <u>RMB'000</u>	Accumulated losses <u>RMB'000</u>	Total <u>RMB'000</u>
Balance as at 1 January 2017	316,125	(45,091)	271,034
Total comprehensive expense for the period	-	(1,249)	(1,249)
<b>Balance as at 31 March 2017</b>	<b>316,125</b>	<b>(46,340)</b>	<b>269,785</b>
<b>1 January 2018 to 31 March 2018</b>	Share Capital <u>RMB'000</u>	Accumulated losses <u>RMB'000</u>	Total <u>RMB'000</u>
Balance as at 1 January 2018	316,125	(29,647)	286,478
Total comprehensive expense for the period	-	(1,666)	(1,666)
<b>Balance as at 31 March 2018</b>	<b>316,125</b>	<b>(31,313)</b>	<b>284,812</b>

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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, conversion 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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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 outstanding convertibles issued or treasury shares held by the Company as at 31 December 2017. There were no changes in the Company's share capital during the current financial year reported on.

- 1(d) (iii) 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.**

<b>Company</b>	<b>31/3/2018</b>	<b>31/3/2017</b>
Total number of issued shares (excluding treasury shares)	640,000,000	640,000,000

- 1(d) (iv) A statement showing all sales, transfers, disposal, 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 not been audited or reviewed by the auditors.

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

Not applicable.

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

The Group had applied the same accounting policies and methods of computation in the financial statements for the current financial period as those adopted in the audited financial statement for the financial year ended 31 December 2017.

- 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.**

There is no change in accounting policies and methods of computation since 31 December 2017.



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

	<b>1<sup>st</sup> Quarter ended 31/3/2018 RMB (cents)</b>	<b>1<sup>st</sup> Quarter ended 31/3/2017 RMB (cents)</b>
Profit per share for the period based on net profit attributable to owners of the parent company		
(a) Based on basic number of ordinary shares on issue	3.32	4.13
No. of shares in issue	640,000,000	640,000,000
(b) On a fully diluted basis	3.32	4.13
No. of shares in issue	640,000,000	640,000,000

- 7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.

	<b>Group</b>		<b>Company</b>	
	<b>31/3/2018 RMB</b>	<b>31/12/2017 RMB</b>	<b>31/3/2018 RMB</b>	<b>31/12/2017 RMB</b>
Net asset value per ordinary share	1.08	1.04	0.45	0.42
No. of share in issue	640,000,000	640,000,000	640,000,000	640,000,000

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Analysis of Revenue ( in RMB'000)	1st Qtr		1st Qtr	
	2018	%	2017	%
Processed LPG	312,874	59.2%	256,330	54.3%
Propylene	97,348	18.4%	90,665	19.2%
Polypropylene	80,099	15.2%	76,665	16.2%
Logistics & transport related services	37,986	7.2%	48,289	10.2%
<b>TOTAL</b>	<b>528,307</b>	<b>100.0%</b>	<b>471,949</b>	<b>100.0%</b>

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(a) **Processed LPG**

Sale of processed LPG increases by 22.1% from RMB 256.3 million in 1Q17 to RMB 312.8 million in 1Q18, mainly due to increase in production output by 12.5% as compare to 1Q17, couple with the increase in average selling price (“ASP”) and average cost of production (“ACP”) in 1Q18 by 8.5% and 9.7% respectively as compared to 1Q17.

(b) **Propylene**

Sale of propylene increases by 7.4% from RMB 90.6 million in 1Q17 to RMB 97.3 million in 1Q18. Increase is mainly due to increase in production output by 2.4%. ASP increases by 4.8% and ACP increases by 9.4% in 1Q18 as compare to 1Q17.

(c) **Polypropylene**

The revenue of polypropylene increases by 4.5% from RMB 76.6 million in 1Q17 to RMB 80.0 million in 1Q18. Increase is mainly ASP increased by 6.7%, offset by increases in ACP by 8.4% and decrease in the production output by 2.1% comparing with 1Q17.

(d) **Logistics & transport related service**

Revenue from this business decrease by 21.3% from RMB 48.3 million in 1Q17 to RMB 37.9 million in 1Q18. Transport income were affected by lower delivery order due to the compliance to keep in line with implementation of stringent rules set in place for transportation of flammable materials,

**Gross profit**

As a result, the group made a lower gross profit of RMB 22.8 million in 1Q18 as compare to RMB 33.9 million in 1Q17.

**Other income and expenses**

(a) **Other income**

Interest income decrease mainly due to less unutilized fund placed in fixed deposit with the financial institutions to earn interest;

(b) **Other operating expense**

Increase is mainly due to payment of additional government tax.

(c) **Taxation**

Provision made on the tax on profits generated by subsidiaries in PRC and at normal rate of 25%.

As a result, of the abovementioned, total accumulated profit for FY 2017 at RMB 68.2 million, decrease from RMB 89.8 million in FY 2016.

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## **Balance Sheet**

Highlights on changes in balance sheet items of the Group are as follows;-

(a) **Inventories**

Inventories comprises mainly of raw materials and finished goods, amounted to RMB 7.8 million and RMB 20.8 million in respectively;

(b) **Amount owing by affiliated companies**

Included mainly the 50% payment to Dongming Zhongyou Fuel and Petrochemical Company Limited amount of RMB 158.9 million for the proposed acquisition of Dongming Qianghai Petrochemical Co., Limited.

## **Cash flow**

The group generated cash of approximately RMB 7.8 million from operating activities. As a result, the Group's free cash flow decreased from RMB 533.3 million in 1Q17 to RMB 446.7 million in 1Q18.

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

None.

**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.**

On the proposed acquisition of Dongming QianHai Petrochemical Co.,Ltd., the target company still fine-tuning its main De-hydrogenation(脱氢)installation resulted equipment adjustments and testing carried out in the month of February and April 2018. Target company management required more time for Dongming Qianhai to carryout more details production run test to ensure all installation are able to meet the production stage before to complete the acquisition. As announced on 1<sup>st</sup> May 2018, both parties have agreed to extend the Long Stop Date to complete the proposed acquisition to 30 April 2019. The group will make necessary announcement in due course and in a timely manner.

The group remains cautiously optimistic about it long-term future as it has fortified its position in the petrochemical industry and will continue to forge closely working relationship with its strategic partner.

**11 Dividend**

**(a) Current Financial Period Reported On**

**Any dividend recommended for the current financial period reported on?**

None.

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**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

None.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

Not applicable.

**13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

Note Rule 920(1)(a)(ii) – An issuer must announce the aggregate value of transactions conducted pursuant to the general mandate (if any) for interested person transactions for the financial periods which it is required to report on pursuant to Rule 705.

<b>Name of Interested Person</b>	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
For periods from January 2018 to March 2018:-  Dongming Zhongyou Fuel and Petrochemical Company Limited (东明中油燃料石化有限公司) <ul style="list-style-type: none"><li>- Purchase of raw LPG</li><li>- Purchase of utilities</li><li>- Logistics &amp; transport related services provided to</li></ul>		RMB 451,619,036 RMB 1,047,997 RMB 3,863,540

<p>Shandong Dongming Petrochem Group Co., Ltd. (山东东明石化集团有限公司)</p> <ul style="list-style-type: none"> <li>- Purchase of utilities, part &amp; components</li> <li>- Sale of processed LPG</li> <li>- Logistics &amp; transport related services provided to</li> </ul>		<p>RMB 4,926,967</p> <p>RMB 19,889,487</p> <p>RMB 51,421</p>
<p>Dongming Runze Petrochemical Co., Ltd (东明润泽化工有限公司)</p> <ul style="list-style-type: none"> <li>- Purchase of utilities, part &amp; components</li> </ul>		<p>RMB 4,069,476</p>
<p>Dongming Crude Oil Distribution Co., Ltd (东明石油经销有限公司)</p> <ul style="list-style-type: none"> <li>- Logistics &amp; transport related services provided to</li> </ul>		<p>RMB 399,694</p>
<p>Shandong Dongming Lishu Petroluem Co., Ltd (山东东明梨树化学有限公司)</p> <ul style="list-style-type: none"> <li>- Sales of processed LPG</li> </ul>		<p>RMB 66,357,064</p>
<p>Dongming Qianhai Petrochemical Co., Limited (东明前海化工有限公司)</p> <ul style="list-style-type: none"> <li>- Sales of processed LPG</li> <li>- Logistics &amp; transport related services provided to</li> </ul>		<p>RMB 140,998,662</p> <p>RMB 586,888</p>
<p>Dongming Runming Oil Products Distribution Co., Limited (东明润明油品销售有限公司)</p> <ul style="list-style-type: none"> <li>- Logistics &amp; transport related services provide to</li> </ul>		<p>RMB 58,341</p>

**14. NEGATIVE CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5)**

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

**15 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable.

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**16 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

**17 A breakdown of sales.**

Not applicable.

**18 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

**19 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(11) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Not applicable				

**BY ORDER OF THE BOARD**

**ZHANG LIU CHENG  
EXECUTIVE DIRECTOR**

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**CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5)**  
**OF THE SGX-ST LISTING MANUAL**

We, Li Xiang Ping and Zhang Liu Cheng, being Directors of the Company, do hereby confirm for and on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the first quarter ended 31 March 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors  
Sinostar PEC Holdings Limited

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Li Xiang Ping  
Executive Director

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Zhang Liu Cheng  
Executive Director

**BY ORDER OF THE BOARD**

**ZHANG LIU CHENG**  
**EXECUTIVE DIRECTOR**