



中星石化控股有限公司
SINOSTAR PEC HOLDINGS LIMITED

Sustainable Progress



Annual Report 2015

The background features a large central tan diamond shape. To its top-left is a red triangle, and to its top-right is a blue triangle. The bottom-left corner is a light blue triangle, and the bottom-right corner is a tan triangle. The right side of the image contains two photographs: the top one shows large white industrial storage tanks under a clear blue sky, and the bottom one shows a worker in an orange protective suit handling white sacks in a warehouse.

WE ARE SINOSTAR PEC HOLDINGS LIMITED

With a comprehensive production process and the right infrastructure to carry out seamless operations, we have been successful in being a trusted producer and supplier of petrochemical products in our network in the PRC, serving growth markets in strategic proximity to our nationwide footprint.



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SINOSTAR PEC AT A GLANCE

ABOUT SINOSTAR PEC HOLDINGS LIMITED

We are one of the largest producers and suppliers of downstream petrochemical products within the 400km radius of our production facilities within the Dongming Petrochem Industrial Zone in Dongming County of Shandong Province, PRC. Located within the Zhongyuan Oilfield - one of the PRC's largest oil fields, rich in energy resources and connected by a comprehensive logistics network, our strategic placement permits us to hand out to the nearby populous and industrialised provinces such as Shandong, Henan, Anhui, Shaanxi, Hebei, Hubei and Zhejiang.

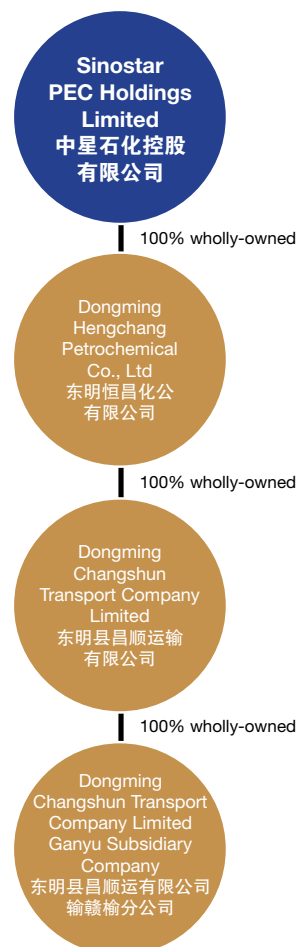
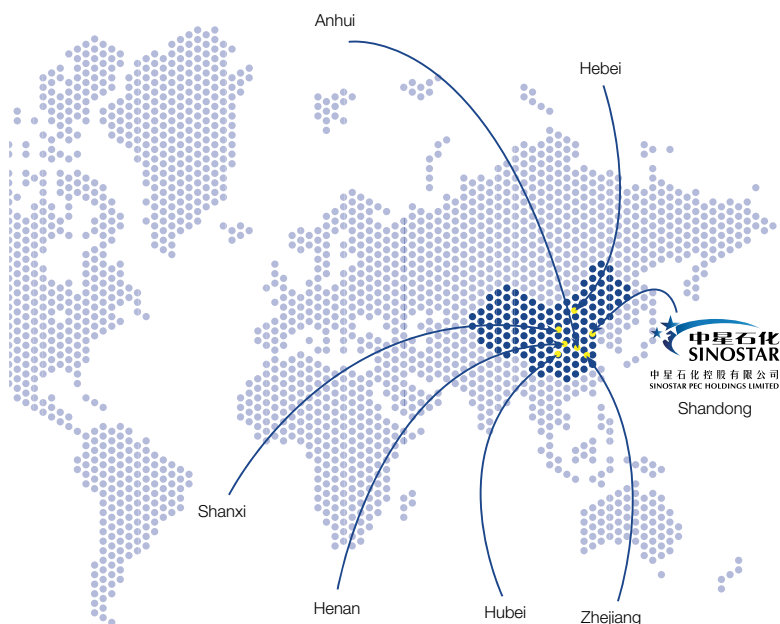
We aspire to be more than an experienced producer of petrochemical goods as well as a committed supplier of product quality, prompt delivery and good customer service.

OUR CORPORATE STRUCTURE

Our Group comprises Sinostar PEC Holdings Limited and our PRC 100% controlled subsidiary, Dongming Hengchang Petrochemical Co., Ltd. Who run a total of 550,000 tonnes of gas-fractionation production plants in two locations.

Dongming Hengchang acquired a 100% equity interest in Dongming Changshun Transport Company Limited and its subsidiary Dongming Changshun Transport Company Ltd Ganyu Subsidiary Company in July 2015 from our strategic partner, Shandong Dongming Petrochem Holdings Group.

PEOPLE'S REPUBLIC OF CHINA



We aim to be more than an experienced producer of petrochemical goods. We aim to be a committed supplier of product quality, prompt delivery and good customer service.

PRIORITISING QUALITY

We have attained 3 major international standards in the areas of quality, environment and health management: ISO9001:2001, ISO14001:2004 and OHSAS18001:1999—a testimony to the importance we place on quality and safety control.

HENGCHANG: OUR FLAGSHIP BRAND

Supported by a solid reputation and a credible track record for our commitment towards offering quality merchandise and services, our Hengchang brand of polypropylene was named “Shandong Province Famous Trade Mark” and “Shandong Top Brand” in China.

STRATEGIC AFFILIATION WITH DONGMING PETROCHEM

Our strategic affiliation with Shandong Dongming Petrochem Holdings Group (“Dongming Petrochem”) began in 2006 when we acquired Dongming Hengchang, where Dongming Petrochem was one of the founding shareholders.

Dongming Hengchang was originally set up in 2000 as a joint venture between Dongming Petrochem and its key management staff, in line with the PRC’s broad policy of reforming its state-owned enterprise, in particular, for the non-strategic downstream petrochemical activities. It was based on the premise of exclusive supply contracts with some of the companies within Dongming Petrochem Group to secure a stable and secure provision of its major new material – raw LPG.

Since incorporation, Dongming Hengchang was able to introduce into an exclusive agreement with Dongming Petrochem and one of its associated societies to be supplied of all their raw LPG to Dongming Hengchang exclusively for a period of 20 years from 2006. This ensures consistent supply of raw LPG from various channels for Dongming Hengchang.

We have gained largely from Dongming Hengchang’s history and affiliation with Dongming Petrochem. Dongming Petrochem, established in 1997, has since grown to become China’s largest independent oil refiner with primary processing capacity of 15 million tons per year. For Sinostar, through the strategic relationship with Dongming Petrochem, we are assured to receive a secure and stable supply of raw LPG which creates a solid foundation for us to continue ramping up on our existing market leadership position. The affiliation also ensures that the raw LPG we supply is of consistent quality and provide us with a competitive edge over our competitors.

FOCUS





OUR BUSINESSES AND KEY PRODUCTS

Enlisted in the fractionation of raw LPG to produce downstream petrochemicals, namely propylene, polypropylene and LPG, our products cater to a wide range of industrial application and are sold mainly to manufacturers of petrochemicals, plastic products and LPG distributors.

We have an annual capacity to process 550,000 tonnes of raw LPG and are able to further process part of our generated propylene into 50,000 tonnes of polypropylene annually.

In 2015, through our Dongming Hengchang subsidiary, we acquired Dongming Changshun Transport Company Limited and its subsidiary Dongming Changshun Transport Company Ltd Ganyu Subsidiary Company, a strategic move which we believe will provide us with recurring income.



LPG

A type of liquefied petroleum gas used as a source of fuel by households and industrial manufacturers. Primarily sold as household fuel through LPG distributors. A small portion is also sold to industrial manufacturers that use LPG as a source of fuel for their own production.

PROPYLENE

An organic compound extracted from raw LPG Sold to other petrochemical producers to produce chemical intermediates such as polypropylene, vinyl.

POLYPROPYLENE

A major derivative of propylene – a thermoplastic polymer which is resistant to chemicals and heat. Mainly sold to plastic manufacturers to produce plastic products for diverse industrial applications (i.e. Flexible packaging, rigid packaging, automotive and consumer products).

TRANSPORTATION AND LOGISTICS

A transportation and logistics company in the principal business of delivering liquefied petroleum gas and petrochemical related products to its end consumers and reduce our reliance on third party service providers.





We have an annual capacity to process 550,000 tonnes of raw LPG and are able to further process part of our generated propylene into 50,000 tonnes of polypropylene annually.



NEW ACQUISITION



The Group's recent acquisition of Dongming County Changshun Transport Company and its subsidiary Dongming Changshun Transport Company Ltd Ganyu Subsidiary Company ("Changshun") on 14 July 2015, which takes care of the service locations of Dongming Hengchang in Shandong, Henan, Hebei, Shannxi, Zheng Jiang whereas Dongming County Changshun Transport Company Limited-Ganyu Subsidiary Co which is engaging charge of the Jiangsu area.

Both companies are indirect subsidiaries of the Company, which provides logistics services and the transportation of oil and petrochemical products. This has enabled the Group to provide the delivery of LPG and petrochemical related products to our end customers and reduce the reliance on third party transportation service providers. This has resultantly increased the profit margin in the Group.

The Group has recently injected 29.4 million yuan of cash in 1Q2016 into Dongming Changshun Transport Company to be used as working capital for the expansion of the new business which currently owns 60 vehicles and intend to increase to 100 vehicles within FY2016.

Both companies are indirect subsidiaries of the Company, which provides logistics services and the transportation of oil and petrochemical products.



SUSTAIN





CHAIRMAN'S MESSAGE



Dear Shareholders,

After a credible turnaround year in 2014, it was important for the Group to strive for sustainable progression in our profitability for FY2015. In spite the sluggish recovery of the global economy and the volatility of the stock market, the Group has managed to remain profitable with a revenue increased from RMB 982.9 million to RMB 1,446.1 million, and our net profit improved significantly from RMB 3.7 million to RMB 40.7 million in 2015.

The acquisition of Dongming Changshun proved to be a success with its contribution in the Group's revenue of RMB 67.1 million in the second half of 2015.

The Group emerged out of the red in 2014 after undergoing a successful streamlining of our business operations to focus on our petrochemical business. In 2015, we reaffirmed our desire to align our business operations by acquiring Dongming Changshun Transport Company Limited ("Dongming Changshun") & its subsidiary from our strategic affiliate, Shandong Dongming Petrochem Group in July 2015. The acquisition of Dongming Changshun, a logistics and transportation company for oil & gas products, will enable the Group to provide delivery of gas & petrochemical related products to our end customers and scale down our reliance on third party transportation providers as well as to provide another revenue source. This acquisition has also embarked on a steady growth path to a sustainable progression.

The acquisition of Dongming Changshun proved to be a success with its contribution in the Group's revenue of RMB 67.1 million in the second half of 2015. Conjointly, that is a greater emphasis on the logistics service network in Dongming County as well as in Jiangsu areas. The development of the logistics system will serve to sustain the advancement of the petrochemical industry in Dongming and promote regional and industrial linkage. The Group has already unlocked the potential in the integrated logistics services by acquiring Dongming Changshun which covers the value chain of our business. The Group is counting forth to expand the logistics business as we are confident that it will provide a positive contribution to the Group's top line. With the growth in the number of vehicles, we will have lower turnaround time for the deliverance.

In the future, the Group will look to continue enhancing the quality and efficiency of the service, upgrading the service network and constructing a comprehensive logistics service system which can cover various customers.

OUTLOOK

The global oil & petrochemical industry will continue to see challenges in light of the current record-low oil costs which has seriously affected the upstream petroleum and gasoline industry. The Group will continue to strive for sustainability progression in our core petrochemical businesses and also actively expanding our transportation and logistics business to ensure that our businesses will not waver under the tension in the industry. Despite poor signs of recovery for the industry, we believe that the demand for LPG is set to rise, buoyed by robust demand from the residential sector.



The Chinese government is looking to ease policies further in light of the slowdown in the market of which likewise extend to invest and further the growth of the petrochemical industry of the state. Our strategic partner, Dongming Petrochem, was awarded a permit by the Ministry of Commerce to directly import crude oil in 2015. It is a positive step for independent local oil refineries as it eases restrictions on trade previously handled by several state-owned companies. The import license allows the refinery to import crude for other refineries that hold quotas to process imported crude. This is especially beneficial for Sinostar group as Dongming Petrochem provide assured and additional supply of raw LPG for our productions. With the country's ongoing review of crude oil import policies, we anticipate more set standards to be in space to regulate the raw role of imported crude petroleum. Through its policy refinement, the government will proceed forward to strive for greater structural adjustment and industrial upgrading within the state.

We anticipate that despite the encouraging outlook for the petrochemical industry in 2016, it will be a year filled with challenges as the global market remains volatile. During this period, we will stay vigilant and at the same time, go forward to explore other avenues in our industry to boost our revenue. We will actively search for new profit growth points in order to provide better value for our shareholders. The acquisition of Dongming Changshun has proven to be a winner with its positive contribution in the second half of 2015. As such, with our healthy cash flow, the management will continue to appear for other expansion opportunities within the petrochemical industry that will improve our business.

DIVIDEND

The Board recommended a final dividend tax exempted 1-tier dividend of 0.5 cents per ordinary share on 29 February 2016.

BOARD MOVEMENTS

Due to personal reasons, on 26 January 2015, Mr. Fan Deng Chao announced his resignation as Chief Executive Officer. The Board would like to express their appreciation for Mr. Fan's contributions as CEO and Executive Director of the Company during his tenure, and wishes him the best for his journey in advance.

The Board has appointed Mr. Zhang Liu Cheng as the new chief executive officer and he will continue to be the executive director of the Group.

The Board has also appointed Mr. Zhao Jin Qing as our new Independent Director during the year. Equally well, the board has re-designated Mr. Wu Guo Zhi as a non-executive director of the Company. He continues as a member of the Nominating Committee.

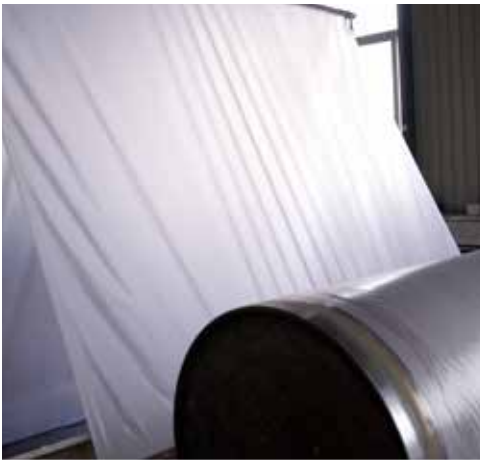
APPRECIATION

Despite the challenges ahead, one thing that we can be certain of is the uncertainty. We have to continually develop our business model to adapt to the fast changing economic environment every bit well as innovate, and enhance our values to stay relevant in this business.

On behalf of the management, I like to extend my appreciation to our shareholders for their unwavering support and trust in the Company. We are dedicated to keep steady and transparent communication with you. See you all in the upcoming Annual General Meeting.

Li Xiang Ping

Non-Executive Chairman



Our strategic partner, Dongming Petrochem, was awarded a permit by the Ministry of Commerce to directly import crude oil in 2015.

致股东们的一封信

尊敬的股东，

经2014年的一个可信的转机，集团争取可持续发展年度盈利能力很重要。尽管全球经济缓慢复苏，股票市场变动，2015集团保持盈利和收入从9亿8290万元增加到14亿4610万元，我们的净利润从370万元到4070万元有显著提高。

集团在经历了一个从石化业务各方面成功的精简业务经营后2014年出现盈利。2015我们希望为匹配我们的商业运营从我们的战略伙伴那里于2015年七月完成收购东明昌顺运输有限公司（“东明昌顺”）及其子公司赣榆分公司。东明昌顺是一家物流和运输油气产品的公司，这将使集团提供天然气和石油化工相关产品为我们的客户

和减少依赖第三方运输商，同时也提供另一个收入来源。这项收购也走上了一个稳定的增长路径，一个可持续发展。

东明昌顺业绩从2015年八月开始合并，其收入是6710万元，其业务重点是东明县以及江苏地区物流服务。物流系统将为东明石化工业的发展和区域产业的联动服务提供促进作用。集团释放潜力的综合物流服务，通过收购东明昌顺来涵盖我们业务价值链。集团正努力扩大物流业务，因为我们相信它将为集团的最高生产线提供积极的贡献。随着汽车数量的增长，我们将面临一段低周转时间。

在未来，集团将继续加强服务质量和效率，提升服务网络，构建可涵盖不同客户的综合物流服务体系。

展望

全球石化行业将继续面临挑战因目前的低石油成本，这已经严重影响了石油和汽油上游产业。集团将继续努力为我们的核心石化企业持续发展进展，积极扩大我们的运输和物流业务，以确保我们的企业稳固。尽管行业恢复体现的是差的迹象，我们认为，住宅市场强劲的需求支撑LPG的需求是上升的。



中国政府正进一步放缓政策，市场扩大投资，从而使国家石化行业进一步增长。我们的战略合作伙伴，东明石化，2015荣获由商务部许可证直接进口原油资质。作为独立的地方炼油厂这是一个积极的步骤，它简化了以前的贸易限制。进口许可证允许炼油厂进口原油，用于其它炼油厂加工。这对集团特别有利，东明石化保证提供我们更多的LPG。随着国家对原油进口政策的不间断举措，我们预计以规范进口原油的作用将有更多的政策标准，通过其政策的完善，政府将继续努力争取更大的结构调整和产业升级。

我们预计在2016年石化行业将会有令人鼓舞的前景，这将是一个充满挑战对全球行业市场。在此期间，我们将保持警惕，同时，在其它方面继续探索其他途径，以提高收入。我们将积极寻找新的利润增长点，以便为我们的股东提供更好的价值。东明昌顺的收购已被证明将是2015年下半年的积极贡献。因此，随着我们健康的现金流，管理层将继续出现在石化行业，将改善我们的业务和其他扩张机会。

股息

董事会在2月29日建议派发末期股息免税每股普通股新元0.5分的股息。

董事会变动

由于个人原因，2015年一月26日，樊登朝先生宣布辞去总裁一职。董事会表达他们对樊先生的贡献，作为首席执行官和执行董事在他的任期内的贡献，并祝愿他在前进的旅途中最好的。

董事会已任命张留成为新的总裁，他将继续担任该集团的执行董事。

董事会还任命了赵金庆先生为我们的新的独立董事。同样，董事会也改委吴国志先生为本公司非执行董事。他继续担任提名委员会成员。

感谢

尽管前方挑战，有一件事可以肯定的是不确定性的。我们必须不断地发展我们的业务模式，以适应快速变化的经济环境，每一个位以及创新，并加强我们的价值观留在这项业务。

代表公司管理层，我想向股东们表示感谢，深表感激他们对公司坚定不移的支持和信任。我们致力于与您保持稳定和透明的沟通。在即将召开的年度股东大会上见。

李湘平
董事局主席



VISION





OPERATIONS REVIEW

FINANCIAL PERFORMANCE

The Group recorded a positive result for FY2015 despite the sluggish economy in China, as considerably as the challenges faced by the global petrochemical industry experience challenges in light of the record-low oil costs. Net profit attributable to equity holders for FY2015 rose to RMB\$40.7 million from a loss of RMB\$3.7 million for the year ended 31 December 2014 ("FY2014").

PERFORMANCE BY BUSINESS SEGMENTS

Processed LPG

Processed LPG contributed a strong 61% of total revenue in FY2015. Processed LPG revenue increased by 25.6% from RMB 705.8 million in FY2014 to RMB 886.8 million, attributed to a 75.3% increase in output produced and sold in FY2015 compared to the previous financial year. This is in spite of a reduction in the average selling price ("ASP") and the average cost of sales ("ACOS") by 28.4% and 26.9% respectively.

Propylene

The revenue from our Propylene segment increased by 123.5% to RMB 40.7 million in FY2015, mainly attributed to higher volume produced and sold during the period. The ASP and ACOS for propylene decreased by 34.4% and 33.0% respectively, due to the lower price competition from imported propylene in the domestic propylene market.

Polypropylene

Polypropylene revenue decreased by 33.7% in FY2015 due to the temporary shutdown of the plant for maintenance in the third quarter ended 30 September 2015 while the ASP and ACOS for Polypropylene also declined by 28.2% and 32.2% respectively.

Transportation and Logistics

Transport & Logistics business sees steady growth in 4Q2015. The Group's indirect subsidiaries, Dongming Changshun and together with GanYu, continued to contribute steady revenue recorded a positive RMB 67.1 million revenue, adding to 11% of total revenue in the fourth quarter ended 31 December 2015.

PROFITABILITY

Following the improved performances of our LPG and propylene business segments and also decent revenue injected from our transportation and logistics business, the Group's gross profit jumped significantly by 46.4% from RMB 33.4 million in FY2014 to RMB 48.9 million in FY2015.

Other income increased as the higher fixed amount placed with financial institutions resulted in higher interest earned for FY2015 and the increase in both the administration and distribution costs was largely due to the acquisition of the two subsidiaries which resulted in an consolidation of expenses and costs from Dongming Changshun and its subsidiary.

As a result, the Group made a net profit of RMB 40.7 million in FY2015 compared to RMB 3.7 million in FY2014.

Despite the difficult operating environment, we will continue to focus on the expansion and project execution of our newly acquired transportation and logistics business in Dongming Changshun.

BALANCE SHEET

For the full year ended 31 December 2015, the Group pared down its inventories to RMB 19.3 million. Inventories comprise of RMB 3.2 million of raw materials and balance for petrochemical products.

Trade and other receivables increased from RMB 9.1 million to RMB 61.0 million and trade and other payables also rose significantly from RMB 6.2 million to RMB 55.4 million during the year due to the consolidation of receivables and payables from the acquired subsidiaries.

The total amount owed by related parties in FY2015 stood at RMB 22.2 million, consisting of the outstanding amount of RMB 20.4 million for finished goods sold in Shandong Dongming Petrochem Group Hengji Chemical Company Limited

The amount owing to affiliated companies increased to RMB 56.7 million, largely due to the procuring of RMB 54.2 million worth of raw material from Dongming Zhongyou Fuel and Petrochemical Company Limited.

CASH FLOW

As at 31 December 2015, the Group generated a net cash inflow from RMB 120.1 million from operating activities compared to RMB 181.4 million in FY2014, which was primarily due to the decrease in inventories and set off by both the increases in operating receivables and payables.

Net cash generated from investing activities were mainly due to the acquisition of indirect subsidiary Dongming Changshun in July 2015.

Despite lesser net cash generated, the Group's free cash flow saw a considerable increase from RMB 327.0 million in FY2014 to approximately RMB 461.6 million, comprising mainly RMB 201.5 million in bank balances and RMB 260.0 million in fixed deposits.

OUTLOOK

The global petrochemical industry is set to remain challenging in light of the fluctuations of oil prices which has affected both the upstream and downstream industries. The management is on the view that the operating environment is likely to remain volatile in FY2016.

Despite the difficult operating environment, we will continue to focus on the expansion and project execution of our newly acquired transportation and logistics business in Dongming Changshun.

We will also put our focus on active balance sheet management of the Company. We believe there is still profitable growth within the Group and will continue to explore new opportunities, undeterred by the competitive and challenging environment. Furthermore, there are indications of growth in China's apparent demand for LPG with an imminent recovery in sight. Together with the substantial development of our transportation and logistics business, we will continue to work closely with our strategic and business partners, while keeping a look out on our cost control measures and potential expansion opportunities within the petrochemical industry to ultimately, deliver value for our shareholders.

Zhang Liu Cheng

CEO and Executive Director



GROWTH





BOARD OF DIRECTORS



*Clockwise from bottom right:
Li Xiang Ping, Wu Guo Zhi, Teo Moh Gin, Mr Zhao Jinqing and Zhang Liu Cheng*

LI XIANG PING

Non-Executive Chairman

Mr Li Xiang Ping started his career as an accountant at Dongming County Medicine Company in 1983. He joined the Dongming County Audit Bureau as their deputy bureau officer in 1986 where he managed internal discipline issues. In 1993, he joined Dongming County Petroleum Refining Factory as the finance manager. Mr Li subsequently became the chief accountant of Dongming County Petroleum Refining Factory and was overall in charge of the financial management of the factory.

In 1998, Mr Li was appointed as the director and chief auditor of Shandong Dongming Petrochem Group Company Limited ("Dongming Petrochem") and was responsible for the daily operations of the business as well as the accounting functions of the company. In 2001, Mr Li was appointed chairman of Dongming Petrochem group and has since been responsible for the overall development and operations of the business. Mr Li is a People's Representative in the annual National People's Congress of Shandong Province.

Mr Li is also a deputy chairman of the Dongming County Chinese People's Political Consultative Conference. Mr Li received a senior auditor qualification from the Shandong Province Audit Profession Advance Accreditation Committee in December 1998 and a senior accounting qualification from the Shandong Province Accounting Profession Advance Accreditation Committee in December 1999.

Mr Li obtained a Bachelor's degree in Financial Accounting from the University of Shandong Officials in 1999 and has completed a business administration graduate programme offered by the Shandong University in December 2004.

Since 2015, Mr Li has been appointed as the chairman of the Association of oil & petrochemical Refinery in the Shandong province (山东省炼油化工协会)

WU GUO ZHI

Non-Executive Director

Mr Wu Guozhi has more than 40 years of experience in the China petroleum industry. He started his career in 1970 in the Oil Transportation Bureau in Jilin Province where he rose quickly to become the Vice Chairman of the Trade Union, as well as Master and Party Branch Secretary of Xinmiao Oil Pump Station. In 1979, he went on to join the Tibet Autonomous Region Oil and Gas Company and served as the vice manager of its petroleum department. Between 1981 and 2010, Mr Wu took on various positions within PetroChina Company Limited and retired from the Group in June 2010 from his last position as its general manager and chairman based in Beijing.

Mr Wu holds a Bachelor's degree in 1986 from the Daqing petroleum Institute in Business Administration.

ZHANG LIU CHENG

Chief Executive Officer and Executive Director

Mr Zhang Liu Cheng is also Deputy General Manager (Finance and Administration) of our subsidiary, Dongming Hengchang.

Mr Zhang worked in the Dongming County Finance Department as an accountant between 1996 and 2001 where he was responsible for the accounting functions of the department. In June 2004, Mr Zhang joined Dongming Hengchang as its financial controller overseeing the daily operations of the financial management and the overall financial management of Dongming Hengchang.

Mr Zhang obtained a Bachelor's degree in 1996 from Shandong University in Accounting. From 2001 to 2004, Mr Zhang studied at the China Agricultural University and attained a Masters in Agricultural Economy Management. He is a certified accountant in China and a certified public valuer qualification from the Ministry of Finance of the PRC.

TEO MOH GIN

Independent Non-Executive Director

Mr Teo Moh Gin currently also holds directorship in Vive Capital Pte. Ltd and is involved in the investment related work. Mr Teo has more than 25 years of global experience in finance, business development and consulting. He started his career in 1983 as a consultant with Arthur Andersen where he was in charge of various management consultancy projects. In 1990, he joined the Government of Singapore Investment Corporation as a senior investment officer (real estate department) and was responsible for the acquisition and management of prime commercial assets.

In 1998, he joined System Access Ltd as its financial officer overseeing the finance and corporate development of the company. He was also previously with the Transworld Carnival Corporation as its chief executive officer and was responsible for the overall management of the company. He joined GKE International Ltd as their executive vice president and was responsible for their merger and acquisitions function as well as business development of the company.

Between March 2006 and January 2007, he was the chief corporate officer of Richland Group and was responsible for the corporate development of the company. He obtained a Bachelor of Accountancy (Honours) from the National University of Singapore in 1983 and a post-graduate diploma in Business Administration from the University of Manchester in 1998.

MR ZHAO JINQING

Independent Non-Executive Director

Mr Zhao Jinqing has more than 30 years of experience in the import and export licensing administration in China. He began his career in 1970 in the Lanzhou Military Region. In 1986, he went on to join the International Trade Administrative Bureau of the State Economic and Trade Commission. Between 1993 and 2014, Mr Zhao took on various positions within the Ministry of Foreign Trade and Economic Cooperation ("MOFTEC") and retired from MOFTEC in June 2010 from his last position as its Deputy Director General, Quota and License Administrative Bureau of the MOFTEC.

Mr Zhao holds a Bachelor's degree in Chinese Major from the Central Radio and Television University in 1985. He studied English full time at the University of International Business and Economics in 1992. In 2005, he obtained a Bachelor's degree of Economic Management from Party School of the Central Committee of the Communist Party of China.

KEY MANAGEMENT

LIU ZHONG HUA

Deputy General Manager (Sales and Procurement)

Mr Liu Zhong Hua is responsible and oversees the operation of the sales and procurement functions of Dongming Hengchang. Mr Liu started his career as a technician in Dongming County Petroleum Refining Factory in 1990 and was mainly responsible for managing the operational efficiency and effectiveness of the company.

He was subsequently responsible for the procurement of crude oil and related materials for the Group prior to joining us. Mr Liu obtained a Bachelor's degree in Management Engineering from China University of Petroleum in July 1990 and a Masters in Industrial Engineering from Shandong Technology University in June 2006. He received a professional senior economist qualification from the Economic Profession Accreditation Committee in October 2002.

TAN YEW CHEE WILLIAM

Chief Financial Officer

Mr William Tan is responsible for the group financial management and accounting functions of our Group. He is also the acting financial controller of subsidiary Dongming Hengchang Petrochemical Co., Ltd.

Mr Tan embarked on his career as an audit assistant in a local audit firm in 1990. From 1992 to 2001, he was Managing Director for a local SME before he joined Nixvue Systems Pte Ltd as Financial Controller from 2002 to 2005, a subsidiary of Wearnes Technology Pte Ltd. From 2005 to 2007, Mr Tan joined Unidux Electronics Ltd as Group Financial Controller and was responsible for the overall finance & accounting, human resource, business development & planning functions of the group. He joined SNF Corporation Ltd in July 2007 as Group Chief Financial Officer. Prior to joining our Group, Mr Tan was engaged by a SGX IPO-aspirant solar energy solution maker in Beijing as Financial Consultant.

Mr Tan is a non-practising member of the Institute of Singapore Chartered Accountants and a Fellow member of The Association of Certified Chartered Accountants (UK).

FINANCIAL HIGHLIGHTS

	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000
REVENUE & PROFITABILITY					
Sales	4,342,155 *	5,480,531 *	6,286,351 *	982,972	1,446,110
Gross Profit / (Loss)	24,486	(132,874)	(20,461)	33,439	48,966
Net Profit / (Loss)	(12,018)	(156,273)	(59,871)	3,701	40,735
FINANCIAL STRENGTH					
Cash & cash equivalents	376,728	86,803	86,792	326,954	461,559
Short-term Debt & borrowings	-	100,000	50,000	-	-
Net current assets	367,617	261,155	241,233	419,178	450,828
Shareholders' equity	632,875	557,788	532,852	500,988	541,723
CASH FLOW					
Operating cash flow	40,092	(340,398)	62,594	181,391	120,086
Investing cash flow	195,624	(47,972)	(12,605)	40,039	14,519
Financing cash flow	(14,877)	98,446	(50,000)	18,732	-
SHAREHOLDERS' WEALTH					
Number of shares on issue	640,000	640,000	640,000	640,000	640,000
Basic earnings per share (RMB cents)	1.01	(11.73)	(3.89)	3.46	6.36
Net asset value per share (RMB cents)	98.89	87.15	83.25	78.28	84.64
Net cash value per share (RMB cents)	58.86	13.56	13.56	51.09	72.12
Dividend yield	na	na	na	13.2%	4.5%
TOTAL MARKET CAPITALISATION MARKET PRICE					
	\$128,000	\$70,400	\$48,640	\$48,384	\$70,400
High	\$0.270	\$0.220	\$0.136	\$0.095	\$0.150
Low	\$0.170	\$0.108	\$0.012	\$0.050	\$0.060
Closing	\$0.200	\$0.110	\$0.076	\$0.076	\$0.110

* include the results of disposed subsidiary Dongming Runchang Pterochemical Co., Ltd.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Li Xiang Ping (Non-Executive Chairman)
Zhang Liu Cheng (Chief Executive Officer and Executive Director)
Wu Guo Zhi (Non-Executive Director)
Teo Moh Gin (Independent Non-Executive Director)
Zhao Jinqing (Independent Non-Executive Director)

AUDIT COMMITTEE

Teo Moh Gin (Chairman)
Zhao Jinqing
Li Xiang Ping

REMUNERATION COMMITTEE

Teo Moh Gin (Chairman)
Zhao Jinqing
Li Xiang Ping

NOMINATING COMMITTEE

Zhao Jinqing (Chairman)
Li Xiang Ping
Wu Guo Zhi

INVESTMENT COMMITTEE

Zhang Liu Cheng (Chairman)
Wu Guo Zhi
Teo Moh Gin

SECRETARY

Tan Chee How, ACIS

COMPANY REGISTRATION NUMBER

200609833N

REGISTERED OFFICE

80 Raffles Place,
#32-01 UOB Plaza 1
Singapore 048624

PRINCIPAL PLACE OF BUSINESS

27 Huanghe Road, Dongming County
Shandong Province, PRC 274500
Tel: (86) 530 6259492
Fax: (86) 530 7286492

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

AUDITOR

RT LLP
1 Raffles Place #17-02
One Raffles Place
Singapore 048616
Partner-in-charge: Ong Kian Meng
(Appointed with effect from financial year ended
31 December 2014)

LEGAL ADVISERS TO THE COMPANY ON PRC LAW

Zhong Lun Law Firm
36-37/F SK Tower
6A, Jianguomenwai Avenue
Chaoyang District
PRC 100022

INVESTOR RELATIONS

Cogent Communications Pte Ltd
100 Beach Road, #32-02/03
Shaw Tower, Singapore 189702

PRINCIPAL BANKERS

China Construction Bank
Dongming Branch
No. 10, Jie Fang Road
Dongming County, Shandong Province
PRC 274500

Bank of China
Dongming Branch Wusi Road East Wing
Dongming County, Shandong Province
PRC 274500

Agricultural Bank of China
Dongming Branch
No. 165, Xiang Yang Road
Dongming County, Shandong Province
PRC 274500

Industrial and Commercial Bank of China
Dongming Branch
No. 50, Jie Fang Road
Dongming County, Shandong Province
PRC 274500

Zhejiang Commercial Bank
Beijing Branch
No.1 Beijing Xiyuqu business district
PRC 100033

Oversea-Chinese Banking Corporation Limited
OCBC Centre
65 Chulia St #01-00
Singapore 049513

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) of Sinostar PEC Holdings Limited (the “Company”) recognises the importance of practicing good corporate governance as a fundamental part of its responsibilities to protect and enhance shareholders’ value and the financial performance of the Group.

This Report describes the Company’s ongoing efforts in FY2015 in keeping pace with the evolving corporate governance practices and complying with the revised Code of Corporate Governance 2012 (the “Code”) issued on 2 May 2012. Outlined below are the policies, processes and practices adopted by the Group in compliance with the principles and spirit of the 2012 Code.

This report should be read as a whole, instead of being read separately under the different principles of the Code.

STATEMENT OF COMPLIANCE

The Board confirms that for the financial year ended 31 December 2015, the Company has generally adhered to the principles and guidelines as set out in the Code save as otherwise explained below.

BOARD MATTERS

Principle 1: THE BOARD’S CONDUCT OF AFFAIRS

As at the date of this Annual Report, the Board comprises five directors, which include one Executive Director, one Non-Executive Chairman, one Non-Executive Director, and two Independent Non-Executive Directors, all of whom are from different disciplines and bring with them a diverse range of experience which will enable them to contribute effectively to the Company.

The principal functions of the Board, apart from its statutory responsibilities, include:

- reviewing and overseeing the management of the Group’s business affairs and financial controls, performance and resource allocation;
- approving matters such as corporate strategy and business plans, corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets and major corporate policies on key areas of operations; and
- approving the release of the Group’s quarterly and full-year financial results and related party transactions of a material nature.

Delegation of the Board

The Board has delegated specific responsibilities to four committees namely, the Audit Committee (“AC”), the Nominating Committee (“NC”), the Remuneration Committee (“RC”) and the Investment Committee, to assist in the execution of its responsibilities. These committees operate within clearly defined terms of reference. All Board committees are actively engaged and play an integral role in ensuring good corporate governance in the Company and within the Group.

Attendance at Board and Board Committee Meetings

The schedule of all Board and Board committees meetings and Annual General Meeting for the next calendar year is planned ahead at the beginning of each financial year, in consultation with the directors. The Board meets at least once every quarter. It also holds ad-hoc meetings as and when circumstances require. The Company’s Articles of Association provide for meetings of Directors to be held by means of telephone conference or other methods of simultaneous communication by electronic or other means. The Board and Board committees may also make decisions by way of circulating resolutions.

CORPORATE GOVERNANCE REPORT (cont'd)

The attendance of the Directors at Board and committee meetings during the financial year under review is tabulated below:

Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee		Investment Committee	
	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended
Li Xiang Ping	4	4	4	4	1	1	1	1	-	-
Zhang Liu Cheng ⁽¹⁾	4	4	-	-	-	-	-	-	1	1
Teo Moh Gin	4	4	4	4	-	-	1	1	1	1
Wu Guozhi	4	4	-	-	1	1	-	-	1	1
Zhao Jin Qing ⁽²⁾	4	4	4	4	1	1	1	1	-	-

Note:

- ⁽¹⁾ Mr Zhang Liu Cheng appointed as chief executive officer with effects from 7 March 2015 and continue as executive director of the Company.
- ⁽²⁾ Mr Zhao Jin Qing appointed as independent non-executive director of the Company on 7 March 2015.

Matters Requiring Board Approval

Matters which are specifically reserved for the decision of the full Board include:

- group strategy, business plan and annual budget;
- material acquisition and disposal of assets;
- capital-related matters including financial re-structure, market fund-raising;
- share issuances, interim dividends and other returns to shareholders; and
- any investment or expenditures exceeding set material limit.

While matters relating to the Group's objectives, strategies and policies require the Board's decision and approval, Management is responsible for the day-to-day operation and administration of the Group.

Board Orientation and Training

When a new director is to be appointed, proper briefing or explanation will be given to the new director in respect of the regulatory requirements that a director has to comply with on appointment, and the on-going obligations of a director under the Singapore Companies Act, Chapter 50, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and other regulatory requirements. The director is also given access to the Board resources, including the Company's constitutional and governing documents, Board and each committee's terms of reference, the Group's policies, annual reports, board meeting papers and other pertinent information for his reference.

CORPORATE GOVERNANCE REPORT (cont'd)

In addition, the Company shall conduct an orientation programme for newly appointed directors to familiarize them with the businesses, operations, financial performance and key management staff of the Group. They also have the opportunity to visit the Group's operational facilities and meet with management to obtain a better understanding of the business operations.

All directors who have no prior experience acting as directors of a listed company will undergo the necessary training and briefing on the roles and responsibilities as directors of a listed company. The Directors may also attend other appropriate courses, conferences and seminars at the Company's expenses.

In FY2015, a new director, namely Mr Zhao Jinqing was appointed by the Company. He was appointed as independent non-executive director on 7 March 2015.

Principle 2: BOARD COMPOSITION AND GUIDANCE

Currently the Board comprises one Executive Directors, one Non-Executive Director, two Independent Non-Executive Directors and a Non-Executive Chairman. The current number of Independent Non-Executive Directors of the Company has fulfilled the Code's requirement that at least one-third of the Board should comprise of Independent Non-Executive Directors. As at the date of this report, the Board comprises the following directors:

Name of Director	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee	Investment Committee
Li Xiang Ping	Non-Executive (Chairman)	Member	Member	Member	-
Zhang Liu Cheng	Executive (CEO)	-	-	-	Chairman
Teoh Moh Gin	Independent Non-Executive	Chairman	-	Chairman	Member
Wu Guo Zhi	Non-Executive	-	Member	-	Member
Zhao Jinqing	Independent Non-Executive	Member	Chairman	Member	-

Board Independence

The criterion of independence is based on the guidelines provided in the 2012 Code. The Board considers an "independent" director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Group.

Each Independent Non-Executive Director is required to complete a Director's Independence Checklist annually to confirm his independence based on the guidelines as set out in the Code. The Directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code. For FY 2015 the NC is of the view that all its Independent Non-Executive Directors have satisfied such criteria of independence as a result of its review. The independence of each Independent Non-Executive Director will be reviewed annually by the NC.

CORPORATE GOVERNANCE REPORT (cont'd)

Board Composition and Size

The Board's composition, size, and balance are reviewed annually by the NC to ensure that the Board has the core competencies for effective functioning and informed decision-making. Board renewal and tenure are considered together and weighed for relevant benefit in the foreseeable circumstances which are appropriate for the size and nature of activities of the Group's businesses.

The Directors consider the Board's present size of 5 members and composition appropriate to facilitate effective decision making, taking into account the nature and scope of the Group's operations, the wide spectrum of skills and knowledge of the Directors. The biographies of the Directors are set out in this Annual Report.

The Independent Non-Executive Directors also communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives and the remuneration of the Executive Directors and executive officers. Where necessary, the Independent Non-Executive Directors meet and discuss on the Group's affairs without the presence of Management.

Principle 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Non-Executive Chairman and the Chief Executive Officer of the Company are separate individuals. Mr Zhang Liu Cheng is the Chief Executive Officer and Executive Director of the Company and bears executive responsibility for the Group's business performance. He is responsible for scheduling Board meetings as and when required, setting the agenda for Board meetings in consultation with the Non-Executive Chairman and ensuring the quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders. He is also responsible for ensuring compliance with the Company's guidelines on corporate governance.

As the Non-Executive Chairman, Mr Li Xiang Ping leads the Board in encouraging constructive relations between the Board and Management, as well as between Board members. He promotes high standards of corporate governance. The Non- Executive Chairman leads each Board meeting and ensures full discussion of the items on the agenda. The Board is of the view that with the establishment of the three Board committees, there are adequate safeguards in place to prevent an uneven concentration of power and authority in a single individual. In assuming their roles and responsibilities, the Non-Executive Chairman and the Chief Executive Officer consult with the Board and the respective Committees on major issues.

Principle 4: BOARD MEMBERSHIP

The NC comprises the following members:

Zhao Jinqing (Chairman)
Li Xiang Ping
Wu Guozhi

Mr Zhao Jinqing who is an Independent Non-Executive Director as NC Chairman, and Mr Wu Guozhi is Non-Executive Director, whilst Mr Li Xiang Ping is the Non- Executive Chairman.

CORPORATE GOVERNANCE REPORT (cont'd)

The terms of reference of the NC have been approved and adopted. The duties and powers of the NC include:

- making recommendations to the Board on all Board appointments and re-nominations having regard to the director's contribution and performance (such as attendance, preparedness, participation and candour);
- ensuring that all directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years;
- determining annually whether a director is independent in accordance with paragraph 2.3 of the Code;
- formulating and deciding whether a director is able to and has adequately carried out his duties as a director of the Company, in particular, where the director concerned has multiple board representations; and
- assessing the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The dates of initial appointment of each Director, together with their directorships in other listed companies are set out below:

Name of director	Appointment	Date of initial appointment	Date of last re-election	Current Directorships in listed companies	Past Directorships in listed companies
Li Xiang Ping Age: 55	Non-Executive Chairman	6 July 2006	27 April 2015	None	None
Zhang Liu Cheng Age: 44	Chief Executive Officer and Executive Director	6 July 2006	26 April 2013	None	None
Wu Guozhi Age: 65	Non - Executive Director	27 April 2011	28 April 2014	None	None
Teo Moh Gin Age: 57	Independent Non-Executive Director	29 June 2007	27 April 2015	Changjiang Fertilizers Holdings Limited	YangZhiJiang Shipbuilding Holdings Ltd Asia Fashion Holdings Ltd Chinasun Biochemical Holding Ltd Cedar Strategic Holdings Ltd
Zhao Jinqing Age: 58	Independent Non-Executive Director	7 March 2015	27 April 2015	None	None

CORPORATE GOVERNANCE REPORT (cont'd)

The NC reviews annually the independence declarations made by the Company's Independent Non-Executive Directors based on the criterion of independence under the guidelines provided in the Code. For the year under review, the NC has ascertained the independence status of the two Independent Non-Executive Directors of the Company. The Board has also reviewed the number of years served by each Independent Non-Executive Director. In respect of Mr Teo Moh Gin, he has served as Independent Non-Executive Director of the Company for more than 9 years consecutively. Having considered his in-depth knowledge of the Group's business operations, past and continuous contributions at Board level in terms of impartial and constructive advice, the Board is of the view that there is no material conflict between his tenure and his ability to discharge his role as Independent Non-Executive Director.

Directors' Time Commitment

As a director's ability to commit time to the Group's affairs is essential for his contribution and performance, the NC has determined that the maximum number of listed company board representations which any Director of the Company may hold is six and all Directors have complied.

Selection Criteria and Nomination Process for New Directors

In the selection process for the appointment of new directors, the NC reviews the composition of the Board and identifies the skill sets which will enhance the Board's overall effectiveness. Potential candidates are identified from various sources. Thereafter, the NC conducts an initial assessment to review a candidate's qualifications, attributes and past experience followed by interviewing short-listed candidates. The proposed candidates' independence, expertise, background and right skills will be considered before the NC makes its recommendations to the Board.

Rotation and Re-election of Directors

All Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 104 of the Company's Articles of Association, one-third of the Directors shall retire from office at least once every three years at the Company's Annual General Meeting ("AGM"). In addition, Article 106 of the Company's Articles of Association provides that the retiring directors are eligible to offer themselves for re-election.

Pursuant to Article 114 of the Company's Articles of Association, Directors shall have power at any time to appoint any other qualified person as Director either to fill a casual vacancy or as an addition to the Board. But any Director so appointed shall hold office only until the next Annual General Meeting of the Company, and shall be eligible for re-election.

At the forthcoming AGM, Mr Zhang Liu Cheng and Mr Wu Guo Zhi will be retiring by rotation pursuant to the Article 104 of the Articles and Association. Both of them, being eligible for re-election have offered themselves for re-election. The key information on Mr Zhang Liu Cheng and Mr Wu Guo Zhi can be found in the 'Board of Directors' section of the Annual Report.

Key Information on Directors

Key information on each Director is set out on pages 24 and 25 of the Annual Report.

CORPORATE GOVERNANCE REPORT (cont'd)

Principle 5: BOARD PERFORMANCE

The Board's performance is linked to the overall performance of the Group. The Board should ensure compliance with the applicable laws and the Board members should act in good faith, with due diligence and care in the best interest of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual director. The Board performance assessment is undertaken collectively and informally on a continual basis by the NC with input from the other Board members. A formal review of the Board's performance is conducted annually by way of a Board Assessment Checklist, which is circulated to the Board members for completion and thereafter, for the NC to review to determine the actions required to improve the corporate governance of the company and effectiveness of the Board and committees of the Board.

For financial year ended 31 December 2015, individual assessment of directors had been conducted at the NC meeting held on 28 February 2015. The criteria for assessment include performance of principal functions and fiduciary duties, level of participation at meetings and individual attendance record.

The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole is adequate to measure the effectiveness of the Board's performance. Although some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group.

Principle 6: ACCESS TO INFORMATION

Management acknowledges the importance of the complete, adequate and timely supply of information. Agenda, board papers and related materials, background or explanatory information relating to matters to be discussed at the Board meeting and Board committee meetings are distributed to all Directors in advance to allow sufficient time for Directors to prepare for meetings and facilitate the effective discussion during meetings. Any additional materials or information requested by the Directors is promptly furnished.

Any material variance between the actual results and the budgets will be explained to the Board at the relevant time at the Board or Board committee meetings. Should Directors, whether as a group or individually, require professional advice, the Group, upon direction by the Board, shall appoint a professional advisor selected by the Group or the individual, approved by the Chairman, to render the advice. The cost of such service shall be borne by the Group.

The Company Secretary attends all Board meetings and is responsible to the Board for advising on the implementation of the Group's compliance requirements pursuant to the relevant statutes and regulations. All Directors have separate and independent access to the advice and services of the Company Secretary.

CORPORATE GOVERNANCE REPORT (cont'd)

REMUNERATION MATTERS

Principle 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

As at the date of this Annual Report, the RC comprises the following members:

Teo Moh Gin (Chairman)
Zhao Jingjing
Li Xiang Ping

Mr Teo Moh Gin and Mr Zhao Jingjing are Independent Non-Executive Directors, whilst Mr Li Xiang Ping is a Non-Executive Chairman.

The terms of reference of the RC have been approved and adopted. The duties and powers of the RC include:

- recommending to the Board a framework of remuneration for the directors and senior management;
- determining specific remuneration packages for each Executive Director. The RC should cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind. In setting remuneration packages, the RC should be aware of pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's relative performance and the performance of individual Directors;
- the remuneration of Non-Executive Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and the responsibilities of the directors. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised;
- in the case of service contracts of Directors, reviewing and recommending to the Board the terms of renewal of the service contracts. There should be a fixed appointment period for all directors after which they are subject to re-election. The service contracts should not be excessively long or with onerous removal clauses. The RC should consider what compensation commitments the directors' contracts of service, if any, would entail in the event of early termination. The RC should aim to be fair and avoid rewarding poor performers; and
- considering the various disclosure requirements for directors' and key executives' remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties.

Procedure for setting Remuneration

The Executive Directors' remuneration packages are based on service contracts. Independent Non- Executive Directors are paid yearly directors' fees of an agreed amount and these fees are subject to shareholders' approval at AGM.

The RC's recommendations are submitted for endorsement by the entire Board. The overriding principle is that no director should be involved in deciding his own remuneration.

CORPORATE GOVERNANCE REPORT (cont'd)

Principle 8: LEVEL AND MIX OF REMUNERATION

Remuneration of Executive Directors and Key Management Personnel

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors are commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. In setting remuneration packages, the Company takes into consideration the remuneration packages and employment conditions within the industry and in comparable companies. The remuneration package also takes into account the Company's relative performance and the performance of individual Directors.

The Non-Executive and Independent Non-Executive Directors are paid Directors' fees, taking into account factors such as effort and time spent, and responsibilities of the Directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

The Executive Directors do not receive Directors' fees. The remuneration packages of the Executive Directors include basic salary and year end performance bonus.

The Company has entered into service agreements with the Executive Director, Mr Zhang Liu Cheng for an initial period of three years with effect from 26 September 2007. Upon the expiry of the initial period of three years, the employment of the Executive Directors shall be automatically renewed on a year-to-year basis on such terms and conditions as the parties may agree. The service agreement provides for termination by each party giving not less than six months' notice in writing.

In respect of the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss, the RC is of the view that this contractual provisions may not be required after taken into account the variable components of the Executive Directors and the key management personnel. Apart from the foregoing, the Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

Notwithstanding the foregoing, the RC does not rule out the implementation of such contractual provisions in future and will review and monitor the situation regularly.

Remuneration of Non-Executive Directors

The Independent Non-Executive Directors receive directors' fees, in accordance with their contributions, taking into account factors such as responsibilities, effort and time spent for serving the Board and Board Committees. For the financial year ending 31 December 2016, directors' fees of S\$344,000 are recommended by the Board and subject to the approval of shareholders at the Company's AGM to be held on 28 April 2016.

CORPORATE GOVERNANCE REPORT (cont'd)

Principle 9: DISCLOSURE ON REMUNERATION

Details of the remuneration of Executive Directors of the Company and top five key management personnel of the Group for the financial year ended 31 December 2015 are set out below:

Remuneration bands	Salary ⁽¹⁾ %	Variable or performance related income/ bonuses %	Directors' fees(2) %	Total %
Directors				
Below S\$250,000				
Li Xiang Ping	-	-	100	100
Zhang Liu Cheng	80	20	-	100
Wu Guo Zhi	-	-	100	100
Teo Moh Gin	-	-	100	100
Zhao Jinqing	-	-	100	100
Executive Officers				
Below S\$250,000				
Liu Zhong Hua	100	-	-	100
Tan Yew Chee	80	20	-	100

Notes:

- (1) Salary is inclusive of salary, allowances, Central Provident Fund contributions and pension funds.
(2) Directors' fees are subject to approval of the shareholders at the forthcoming AGM.

In aggregate, the total remuneration paid to the top five key management personnel in financial year ended 2015 is S\$401,000.

There is no employee in the Group who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the financial year ended 31 December 2015.

The Company has not implemented any employee share scheme during the financial year ended 31 December 2015.

ACCOUNTABILITY AND AUDIT

Principle 10: ACCOUNTABILITY

The Board provides shareholders with financial statements for the first three quarters and full financial year within the timeframe in line with Rule 705 of the Listing Manual of SGX-ST. In presenting the annual and quarterly financial statement to shareholders, the Board aims to provide the shareholders with a balanced and understandable analysis and explanation of the Group's financial performance, position and prospects.

Management provides the Board with management accounts, operation review and related explanation and any other information as the Board may require together with the financial statements on a quarterly basis. The Audit Committee reviews the financial statements and reports to the Board for approval. The Board authorises the release of the results to the SGX-ST and the public via SGXNET.

The Board also provides negative assurance confirmation to shareholders for the quarterly financial statements in accordance with Rule 705(5) of the Listing Manual of SGX-ST.

CORPORATE GOVERNANCE REPORT (cont'd)

Principle 11: RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

As the Group does not have a risk management committee, the Board, AC and Management assume the responsibility of the risk management function. Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has implemented a system of internal controls designed to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed.

The AC makes enquiries with, and relies on reports, from the internal and external auditors on any material non-compliance and internal control weaknesses. The AC has reviewed with internal and external auditors their findings during their audit for the financial year under review. The external auditors, in the course of conducting their annual audit procedures on the statutory financial statements, also reviewed the Group's significant internal financial controls to the extent of their scope as laid out in their audit plan. Any material non-compliance and internal financial control weaknesses noted by the internal and external auditors are reported to the AC together with their recommendations. The Management would then take appropriate actions to rectify the weaknesses highlighted.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and the documentation on the Group's key risks referred to above, reviews performed by Management, AC and the Board, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 31 December 2014. This is in turn supported by assurance from the CEO and the Chief Financial Officer that:

- (a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the company's operations and finances and are in accordance with the relevant accounting standards; and
- (b) they have evaluated the effectiveness of the Company's internal controls and have discussed with the Company's external and internal auditors of their reporting points and note that there have been no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise or report financial data.

CORPORATE GOVERNANCE REPORT (cont'd)

Whistle-blowing Policy

The Company has put in place a whistle-blowing policy and procedures, which provides staff with well-defined and accessible channels within the Group for reporting possible improprieties in matters of financial reporting or other matters in confidence and there is independent investigation of such matters and appropriate follow-up action.

There were no whistle-blowing letters received during the year and until the date of this report.

Interested Person Transactions

The Company is required to comply with the requisite rules under Chapter 9 of the SGX-ST Listing Manual for interested person transactions.

All interested person transactions will be properly documented and submitted to the AC for quarterly review to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the shareholders.

In addition, an interested person transaction of a value equal to or more than 3% of the Group's latest audited net tangible assets will be approved by the AC prior to entry into such transactions. In the event that a member of the AC is interested in any interested person transaction, he will abstain from reviewing that particular transaction.

The Board will ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the SGX-ST Listing Manual and accounting standards are complied with.

On 16 July 2014, the Company had in its extraordinary general meeting ("EGM") obtained the approval of the shareholders to enter into recurrent IPTs with Dongming Petrochem Group pursuant to Chapter 9 of the Listing Manual, provided that they are transacted on normal commercial terms and will not be on terms or conditions that would be prejudicial to the interests of the Company and/or its minority shareholders ("2014 IPT General Mandate"). Particulars of the 2014 IPT General Mandate were set out in its circular to the shareholders dated 1 July 2014 ("2014 Circular").

The 2014 IPT General Mandate had continued in force until the conclusion of the Company's annual general meeting held on 27 April 2015 ("2015 AGM"), where the Company had inadvertently omitted to renew the 2014 IPT General Mandate. Accordingly, the 2014 IPT Mandate had lapsed and the past IPTs with Dongming Petrochem Group, which have occurred since the expiration of the 2014 IPT Mandate were carried out without any shareholders' mandate.

The Company is proposing to convene an EGM to seek shareholders' ratification, confirmation and approval of the Past Recurrent IPTs which occurred after the expiration of the 2014 IPT General Mandate (the "Proposed Ratification of Past Recurrent IPTs") and to obtain new IPT transaction mandate.

CORPORATE GOVERNANCE

REPORT (cont'd)

Notwithstanding the inadvertent lapses, the Company had constantly disclosed the interest person transactions in quarterly result announcements in FY2015. A summary of the interested person transactions for FY2015 is as follows:

Name of Interested Person	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 April to December 2015)	(For periods from January to March 2015)
Dongming Zhongyou Fuel and Petrochemical Company Limited (东明中油燃料石化有限公司) -Purchase of raw LPG; -Prepayment for raw materials -Payment of utilities supplied -Sale of transportation services	RMB 1,045,356,777 RMB 80,000,000 RMB 4,211,968 RMB 871,634	RMB 211,380,979 RMB 88,000,000 RMB 782,730 NIL
Shandong Dongming Petrochem Group Co., Ltd. (山东东明石化集团有限公司) -Purchase of steam gas -Payment of utilities supplied -Sale of transportation services	RMB 11,974,400 RMB 6,786,109 RMB 1,324,353	RMB 1,772,600 RMB 1,072,034 NIL
Shandong Dongming Petrochem Group Hengji Chemical Company Limited (山东东明恒基化工有限公司) -Sales of LPG	RMB 82,904,049	NIL
Dongming Runchang Petrochemical Co., Ltd. (东明润昌化工有限公司) -Purchase of steam gas	RMB 4,658,308	RMB 1,874,322
Dongming Runbang Petrochemical Co., Ltd. (东明润邦化工有限公司) -Purchase of utilities supplied	RMB 2,879,554	RMB 1,321,240
Dongming Runze Petrochemical Co., Ltd. (东明润泽化工有限公司) -Purchase of steam gas -Purchase of utilities supplied	RMB 4,233,239 RMB 1,406,940	NIL NIL

CORPORATE GOVERNANCE REPORT (cont'd)

Name of Interested Person	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) (For periods from April to December 2015)	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 to March 2015)
Shandong Dongming Lishu Petroluem Co., Ltd (山东东明梨树化学有限公司) -Sales of LPG	RMB 74,163,745	RMB 34,104,193
Dongming RunMing Oil Products Distribution Co., Ltd (东明润明油品销售有限公司) -Sale of transportation services -Purchase of transportation services	RMB 880,671 RMB 87,799	NIL NIL
Dongming Crude Oil Distribution Co., Ltd (东明石油经销有限公司) -Sale of transportation services	RMB 1,487,221	NIL

Internal Code on Dealings in Securities

The Company has adopted and implemented policies in line with the Rule 1207 (19) of the SGX-ST Listing Manual in relation to the dealing of shares of the Company. The policies have been made known to Directors, executive officers and any other persons as determined by the Management who may possess unpublished material price-sensitive information of the Group.

The Company has procedures in place prohibiting Directors and officers from dealing in the Company's shares during the two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and the one month before the announcement of the Company's full year financial statements ("Prohibited Periods"), or if they are in possession of unpublished material price-sensitive information of the Group.

Directors and officers are required to comply with and observe the laws on insider trading even if they trade in the Company's securities outside the Prohibited Periods. They are discouraged from dealing in the Company's securities on short-term considerations and should be mindful of the law on insider trading.

The Board confirms that for the financial year ended 31 December 2015, the Company has complied with Listing Rule 1207(19).

CORPORATE GOVERNANCE REPORT (cont'd)

Principle 12: AUDIT COMMITTEE

The AC comprises the following members:

Teo Moh Gin (Chairman)
Zhao Jinqing
Li Xiang Ping

Mr Teo Moh Gin and Mr Zhao Jinqing are Independent Non-Executive Directors, whilst Mr Li Xiang Ping is the Non- Executive Chairman.

The terms of reference of the AC have been approved and adopted. The roles and functions of the AC include:

- reviewing with the external auditors their audit plan, their evaluation of the system of internal accounting controls, their audit report, their management letter and the Management's response;
- reviewing the internal control and procedures and ensuring co-ordination between the external auditors and the Management, reviewing the co-operation and assistance given by the Management to the external auditors, and discussing problems and concerns, if any, arising from the interim and final audits and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);
- ensuring that a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually by the external auditors;
- reviewing and ensuring the integrity of the financial statements of the Group before submission to the Board focusing in particular, on significant financial reporting issues, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- commissioning, reviewing and discussing with the external auditors, if necessary, any suspected fraud or irregularity, or suspected failure of internal controls, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results and/or financial position, and the Management's response;
- reviewing the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors, and where the external auditors also supply a substantial volume of non-audit services to the Company, keeping the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- reviewing the independence of the external auditors annually, and recommending to the Board the appointment, re-appointment or removal of the external auditors and approving the remuneration and terms of engagement of the external auditors;
- approving internal control procedures and arrangements for all interested person transactions;
- ensuring that arrangements are in place for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence and that there is independent investigation of such matters and for appropriate follow up action;
- reviewing transactions falling within the scope of the SGX-ST Listing Manual, in particular, matters pertaining to Interested Person Transactions and Acquisitions and Realisations as laid down in Chapters 9 and 10 respectively;
- reviewing any potential conflicts of interests;
- undertaking such other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- generally undertaking such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

CORPORATE GOVERNANCE REPORT (cont'd)

The AC shall have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and full discretion to invite any director or executive officer of the Group to attend its meetings, and be given reasonable resources to enable it to discharge its functions properly and effectively.

In addition to the foregoing, the AC is assisted by the Investment Committee (“IC”), which was formed in FY2015 as part of the Company’s efforts to strengthen its investment risk management processes and framework.

The IC comprising the following members:

Zhang Liu Cheng (Chairman)
Teo Moh Gin
Wu Guozhi

Mr Teo Moh Gin and Mr Zhao Jinqing are Independent Non-Executive Directors, whilst Mr Zhang Liucheng is the Group CEO & Executive Director. The terms of reference of the IC, which have been approved and adopted, are as follows:-

- to analyse the economic and systematic risk and evaluate its impact on the company;
- to develop risk management policies and processes;
- to oversee and monitor the investment risk management policies and process of the company and its subsidiaries;
- to evaluate and review major investment, capital investment and financing and make recommendation to Board for consideration;
- to determine the matters delegated by the Board on urgent basis ; and
- such other matters as may be assigned by the Board from time to time.

The AC meets with the external auditors, without the presence of the Management, at least annually.

The Company has complied with Rules 712 and 715 of the Listing Manual in the appointment of its external auditors.

For the year ended 31 December 2015, the amount of audit fees paid or payable to external auditors of the Group amounted to S\$128,000. There was no non-audit services related work carried out by External Auditor during the financial year.

Principle 13: INTERNAL AUDIT

The Company has engaged BDO LLP as an internal auditor to conduct review of the systems of internal controls in selected areas and to report independently the findings and recommendations of any internal control weaknesses to the AC and to the Management for remedial action.

The internal auditors have a direct and primary reporting line to the Chairman of the AC and the internal auditors would report administratively to the Chief Executive Officer and assist the Board in monitoring and managing business risks and internal controls of the Group. The AC reviews and approves the internal audit plan prior to the commencement of the audit. Reports from the internal auditors containing the summary of findings and recommendations for improvements (if any), are tabled and discussed at meetings by the AC members.

CORPORATE GOVERNANCE REPORT (cont'd)

The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The internal auditors carry out its function according to the standards set by nationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC has reviewed the internal audit plan and the Internal auditor's evaluation of the Group's system of internal controls, their audit findings and the Management's response to those findings. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group.

Principle 14: SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Update of IPO proceeds

Balance as of 31 December 2015 is as follows:

	RMB (million)
Net IPO Proceeds	278.5
Equity contribution in a subsidiary company	(255.0)
Balance cash & equivalent at bank	<u>23.5</u>

On 15 February 2016, the Company announced that the group had utilized the full balance of RMB23.5 million for a capital injection into the newly acquired subsidiary, Dongming Changshun Transport Company Limited.

Procedures for shareholders to convene Extraordinary General Meetings and Annual General Meetings

(a) Pursuant to the Articles

Subject to the provisions of the Act as to special resolutions and special notice, at least fourteen days' notice in writing (exclusive both of the day on which the notice is served or deemed to be served and of the day for which notice is given) of every general meeting shall be given in the manner hereinafter mentioned to such persons (including the Auditors) as are under the provisions herein contained entitled to receive notice from the Company. Provided that general meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:

- (1) in the case of an annual general meeting by all the Members entitled to attend and vote thereat; and
- (2) in the case of an extraordinary general meeting by that number or majority in number of the Members having a right to attend and vote thereat as is required by the Act.

Provided also that the accidental omission to give notice to, or the non-receipt by, any person entitled thereto shall not invalidate the proceedings at any general meeting.

- (1) Every notice calling a general meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that a proxy need not be a Member of the Company.
- (2) In the case of an annual general meeting, the notice shall also specify the meeting as such.
- (3) In the case of any general meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of the business; and if any resolution is to be proposed as a special resolution or as requiring special notice, the notice shall contain a statement to that effect.

CORPORATE GOVERNANCE REPORT (cont'd)

(b) Pursuant to the Act

- (i) Convening of an extraordinary general meeting on requisition
 - (a) The Directors of the Company, notwithstanding anything in its Articles, shall, on the requisition of members holding at the date of the deposit of the requisition not less than 10% of such of the paid-up capital as at the date of the deposit carries the right of voting at general meetings immediately proceed duly to convene an extraordinary general meeting of the company to be held as soon as practicable but in any case not later than 2 months after the receipt by the Company of the requisition.
 - (b) The requisition shall state the objects of the meeting and shall be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.
 - (c) If the Directors do not within 21 days after the date of the deposit of the requisition proceed to convene a meeting the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may themselves, in the same manner as nearly as possible as that in which meetings are to be convened by Directors convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from that date.
 - (d) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors to convene a meeting shall be paid to the requisitionists by the Company, and any sum so paid shall be retained by the company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.
 - (e) A meeting at which a special resolution is to be proposed shall be deemed not to be duly convened by the Directors if they do not give such notice thereof as is required by the Act in the case of special resolutions.
- (ii) Calling of meetings
 - (a) Two or more members holding not less than 10% of the total number of issued shares of the Company (excluding treasury shares) may call a meeting of the Company.
 - (b) A meeting of a Company or of a class of members, other than a meeting for the passing of a special resolution, shall be called by notice in writing of not less than 14 days or such longer period.
 - (c) A meeting shall, notwithstanding that it is called by notice shorter than is required by paragraph (ii) (b), be deemed to be duly called if it is so agreed:
 - (1) In the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; or
 - (2) In the case of any other meeting, by a majority in number of the members having a right to attend and vote thereat, being a majority which together holds not less than 95% of the total voting rights of all the members having a right to vote at that meeting.

CORPORATE GOVERNANCE REPORT (cont'd)

Principle 15: COMMUNICATION WITH SHAREHOLDERS

The Company's quarterly, half year and full year announcements are issued via SGXNET and the Company's website at www.sinostar-pec.com. The Company discloses all material information on a timely basis and to all shareholders.

The Company supports the Code's principle to encourage communication with and participation by shareholders. Shareholders are encouraged to attend the Annual General Meeting (AGM) to ensure a greater level of shareholder participation. The Articles of Association allow a shareholder of the Company to appoint up to two proxies to attend the AGM and vote in place of the shareholder. Shareholders are given the opportunity to pose questions to the Board or the Management at the AGM. The members of the AC, NC, RC and IC will be present at the AGM to answer questions relating to matters overseen by the committees. The external auditors will also be present to assist the directors in addressing any queries posed by the shareholders.

Principle 16: CONDUCT OF SHAREHOLDER MEETINGS

All shareholders receive reports or circulars of the Company including notice of general meeting by post within the mandatory period. Notice of general meeting is announced through SGXNET.

All registered shareholders are invited to participate and given the right to vote on resolutions at general meetings. Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy form is sent with notice of general meeting to all shareholders. A shareholder may appoint up to two proxies to attend and vote on his behalf at the meeting through proxy forms deposited 48 hours before the meeting. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

All Directors, Management, Company Secretary, external auditors and legal advisors (if necessary), attend the general meetings. The procedures of general meetings provide shareholders the opportunity to ask questions relating to each resolution tabled for approval and open communication are encouraged by the shareholders with the Director on their views on matters relating to the Company. To enhance shareholder participation, the Company's Articles of Association allows all resolutions at general meetings to vote by poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage to the audience at the general meetings.

The polling results are also announced to the SGX-ST and posted on the Company's website after the meetings.

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DIRECTORS' STATEMENT

for the financial year ended 31 December 2015

The directors submit this annual report to the members together with the audited consolidated financial statements of Sinostar PEC Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the financial year ended 31 December 2015 and the statement of financial position of the Company as at 31 December 2015.

Opinion of the directors

In the opinion of the directors,

- (a) the statements of financial position of the Company and of the Group, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows of the Group, together with the notes thereon, are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and of the financial performance of the business, changes in equity and cash flows of the Group for the financial year ended on that date, and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Names of directors

The directors of the Company in office at the date of this statement are:

Li Xiang Ping	(Non-executive chairman)
Zhang Liu Cheng	(Chief executive officer and Executive director)
Wu Guo Zhi	(Non-executive director)
Teo Moh Gin	(Independent non-executive director)
Zhao Jin Qing	(Independent non-executive director)

Arrangements to enable directors to acquire shares or debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement of which the object was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or of any other corporate body.

Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

DIRECTORS' STATEMENT (cont'd)

for the financial year ended 31 December 2015

Directors' interest in shares or debentures (cont'd)

	Holdings registered in the name of director or nominee			Holdings in which director is deemed to have an interest		
	As at 1 January 2015	As at 31 December 2015	As at 21 January 2015	As at 1 January 2015	As at 31 December 2015	As at 21 January 2015
The Company - <u>Sinostar PEC Holdings Limited</u> (Ordinary shares with no par value)						
Li Xiang Ping	-	-	-	329,996,000	330,681,800	330,780,200
Zhang Liu Cheng	200,000	200,000	200,000	-	-	-
Teo Moh Gin	100,000	100,000	100,000	-	-	-
Holding company - <u>Intelligent People Holdings Limited</u> (Ordinary shares of US\$1 each)						
Li Xiang Ping	7,195	10,000	10,000	-	-	-

Mr Li Xiang Ping, by virtue of the provisions of Section 7 of the Singapore Companies Act, Chapter 50, is deemed to have an interest in the whole of the issued share capital of the wholly-owned subsidiary of the Company and Intelligent People Holdings Limited.

Share options

No options were granted during the financial year to take up unissued shares of the Company or its subsidiaries.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

Audit Committee

The Audit Committee at the end of the financial year comprises the following members:

Teo Moh Gin (Chairman)
Zhao Jin Qing
Li Xiang Ping

DIRECTORS' STATEMENT (cont'd)

for the financial year ended 31 December 2015

Audit Committee (cont'd)

All members of the Audit Committee were non-executive directors.

The Audit Committee performs the functions set out in Section 201B(5) of the Singapore Companies Act, Chapter 50, the Listing Manual of the Singapore Exchange and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed the following:

- (i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditor. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- (ii) the audit plan of the Company's independent external auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 as well as the independent auditor's report thereon; and
- (iv) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The Audit Committee, together with the Board, reviewed the effectiveness of the Group's system of internal controls put in place to address the key financial, operational and compliance risks affecting the operation.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, RT LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The independent auditor, RT LLP, has expressed its willingness to accept re-appointment.

DIRECTORS' STATEMENT (cont'd)

for the financial year ended 31 December 2015

Other information required by the SGX-ST

Material information

Apart from the Service Agreements entered between the executive directors and the Company, there are no material contracts to which the Company or its subsidiaries, is a party which involve directors' interests subsisted or have been entered into during the financial year.

Interested person transactions

There were no interested person transactions as defined in Chapter 9 of Listing Manual of the Singapore Exchange conducted during the financial year except as disclosed under "Interested Person Transactions" on "Corporate Governance" and on Note 26 to the financial statements.

On behalf of the Directors

.....
LI XIANG PING
DIRECTOR

.....
ZHANG LIU CHENG
DIRECTOR

5 April 2016

INDEPENDENT AUDITOR'S REPORT

to the Members of Sinostar PEC Holdings Limited
for the financial year ended 31 December 2015

Report on the Financial Statements

We have audited the accompanying financial statements of Sinostar PEC Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

INDEPENDENT AUDITOR'S REPORT (cont'd)

to the Members of Sinostar PEC Holdings Limited
for the financial year ended 31 December 2015

Other Matter

On 16 July 2014, the Company announced that shareholders had approved the adoption of a general interested party transaction ("IPT") mandate ("2014 IPT Mandate") to enter into certain recurrent transactions with Shangdong Dongming Petrochem Group Co., Ltd and certain categories of its companies, corporations and entities (collectively, "Dongming Petrochem Group"). It has come to the attention of the Company that it had inadvertently omitted to seek its shareholders' approval for the renewal of the 2014 IPT Mandate at its annual general meeting held on 27 April 2015, and as a result, the 2014 IPT Mandate has lapsed. Accordingly, the past IPTs with Dongming Petrochem Group, which have occurred after the 2014 IPT Mandate has lapsed, were carried out without any shareholders' approval. We were informed by management that the Company has appointed relevant professional advisors to assist in ratifying these past IPTs with Dongming Petrochem Group. However, as at the date of this report, the Group has not yet convened an extraordinary general meeting to seek a special approval from its shareholders to ratify these past IPTs with Dongming Petrochem Group. We draw your attention to the uncertainty related to the outcome of this convening of extraordinary general meeting or the non-compliance of the SGX listing rules. Our opinion is not qualified in this respect of this matter.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 5 April 2016

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2015

		The Group		The Company	
		2015	2014	2015	2014
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current					
Property, plant and equipment	5	88,394	81,810	8	-
Goodwill	32	2,501	-	-	-
Land use rights	6	-	-	-	-
Subsidiaries	7	-	-	250,041	250,041
		90,895	81,810	250,049	250,041
Current					
Inventories	8	19,336	30,408	-	-
Trade and other receivables	9	60,980	9,075	-	24
Amount owing by a subsidiary	7	-	-	25,836	30,007
Amounts owing by affiliated companies	10	22,171	59,224	-	-
Cash and bank balances	11	461,559	326,954	43	913
		564,046	425,661	25,879	30,944
Total assets		654,941	507,471	275,928	280,985
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	12	316,125	316,125	316,125	316,125
Retained earnings/(accumulated losses)	13	182,335	143,257	(41,062)	(35,640)
Other reserves	14	43,263	41,606	-	-
Total equity		541,723	500,988	275,063	280,485
Liabilities					
Current					
Trade and other payables	15	55,453	6,205	865	500
Amounts owing to affiliated companies	16	56,654	278	-	-
Current tax payable		1,111	-	-	-
		113,218	6,483	865	500
Total equity and liabilities		654,941	507,471	275,928	280,985

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Continuing operations			
Revenue	4	1,446,110	982,972
Cost of sales		(1,397,144)	(949,533)
Gross profit		48,966	33,439
Other income	17(a)	9,551	3,056
Distribution costs	17(b)	(5,284)	(4,666)
Administrative expenses	17(c)	(11,891)	(9,679)
Other operating expenses	17(d)	(19)	(20)
Profit before taxation from continuing operations	18	41,323	22,130
Taxation	19	(588)	-
Profit from continuing operations, net of tax		40,735	22,130
Discontinued operation			
Loss from discontinued operation	20	-	(18,429)
Profit, representing total comprehensive income for the financial year		40,735	3,701
Attributable to :			
Equity holders of the Company		40,735	(7,304)
Non-controlling interests		-	11,005
Net profit, representing total comprehensive income for the financial year		40,735	3,701
Equity holders of the Company:			
Continuing operations		40,735	22,130
Discontinued operation		-	(29,434)
Net profit/(loss), representing total comprehensive income for the financial year attributable to equity holders of the Company		40,735	(7,304)
Non-controlling interests:			
Continuing operations		-	-
Discontinued operation		-	11,005
		-	11,005
		RMB cents	RMB cents
Earnings/(loss) per share	21		
Continuing operations			
- Basic		6.36	3.46
- Diluted		6.36	3.46
Discontinued operation			
- Basic		-	(4.60)
- Diluted		-	(4.60)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2015

	Share capital RMB'000	Retained earnings RMB'000	Other reserves			Attributable to equity holders of the Company RMB'000	Non- controlling interests RMB'000	Total RMB'000
			Statutory common reserve RMB'000	Voluntary common reserve RMB'000	Sub-total RMB'000			
Balance as at 1 January 2014	316,125	181,829	40,809	797	41,606	539,560	94,887	634,447
Net (loss)/profit, representing total comprehensive income for the year	-	(7,304)	-	-	-	(7,304)	11,005	3,701
Dividends paid	-	(31,268)	-	-	-	(31,268)	-	(31,268)
On disposal of a subsidiary	-	-	-	-	-	-	(105,892)	(105,892)
Balance as at 31 December 2014 (Note 32)	316,125	143,257	40,809	797	41,606	500,988	-	500,988
Net profit, representing total comprehensive income for the year	-	40,735	-	-	-	40,735	-	40,735
Transfer to statutory common reserve	-	(1,657)	1,657	-	1,657	-	-	-
Balance as at 31 December 2015	316,125	182,335	42,466	797	43,263	541,723	-	541,723

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2015

	2015 RMB'000	2014 RMB'000 (Note 34)
Cash Flows from Operating Activities		
Profit from continuing operations, net of tax	41,323	22,130
Loss from discontinued operations, net of tax (Note 20)	-	(18,429)
Profit for the year	41,323	3,701
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	12,544	38,826
Amortisation of land use rights	-	4
Loss on disposal of property, plant and equipment	155	-
Property, plant and equipment written off	-	73,978
Write down of inventories to net realisable value	-	2,299
Interest income	(9,551)	(3,056)
Loss on disposal of a subsidiary (Note B)	-	40,887
Operating profit before working capital changes	44,471	156,639
Decrease in inventories	11,109	149,553
(Increase)/decrease in operating receivables	(26,076)	38,394
Increase/(decrease) in operating payables	19,207	(4,499)
Cash generated from operations	48,711	340,087
Tax refunded	523	-
Net cash generated from operating activities	49,234	340,087
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment (Note A)	(28,540)	(75,011)
Proceeds from disposal of property, plant and equipment	38	-
Disposal of a subsidiary, net of cash disposed of (Note B)	-	114,403
Acquisition of a subsidiary, net of cash acquired (Note C)	16,170	-
Decrease/(increase) in amounts owing by affiliated companies	40,358	(337,067)
Interest received	9,551	647
Net cash generated from/ (used in) investing activities	37,577	(297,028)
Cash Flows from Financing Activities		
Proceeds from additional bank borrowings	-	50,000
Increase in amount owing to affiliated companies	47,794	178,371
Dividends paid	-	(31,268)
Net cash generated from financing activities	47,794	197,103
Net Increase in cash and bank balances	134,605	240,162
Cash and cash equivalents at beginning of financial year	326,954	86,792
Cash and cash equivalents at end of financial year (Note 11)	461,559	326,954

Note A:

Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RMB12,206,000 (2014: RMB75,011,000). Cash payments of RMB28,540,000 (2014: RMB75,011,000) were made. Of these cash payment made, RMB16,334,000 (2014: nil) were advances paid to suppliers (Note 9).

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2015 (cont'd)

Note B:

In 2014, the Group disposed of its 51% owned subsidiary, Dongming Runchang Petrochemical Co., Ltd. ("Dongming Runchang") for a cash consideration of RMB116,067,000. The effect of the disposal on the cash flows of the Group is as follows:-

Carrying amounts of assets and liabilities disposed of:

	RMB'000
Property, plant and equipment	263,235
Land use rights	372
Inventories	195,642
Trade and other receivables	124,664
Amount owing by affiliated companies	126,129
Amount owing by holding company	156,778
Cash and bank balances	1,664
Total assets	868,484
Trade and other payables	31,092
Bank borrowings	100,000
Amount owing to affiliated companies	474,546
Total liabilities	605,638
Net assets disposed of	262,846
Non-controlling interest	(105,892)
Loss on disposal	(40,887)
Sales proceeds from disposal	116,067
Less: Cash and bank balances in subsidiary disposed of	(1,664)
Net cash inflow on disposal	114,403

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2015 (cont'd)

Note C:

During the financial year, the Group acquired a wholly-owned subsidiary, Dongming Changshun Transport Company Limited ("Changshun Transport") for a cash consideration of RMB9,724,000. The effect of the acquisition on the cash flows of the Group is as follows:-

Identifiable assets acquired and liabilities assumed:

RMB'000

Property, plant and equipment	7,115
Inventories	37
Trade and other receivables	9,495
Amount owing by affiliated companies	3,305
Cash and bank balances	25,894
Total assets	45,846
Trade and other payables	30,041
Amount owing to affiliated companies	8,582
Total liabilities	38,623
Total identifiable net assets	7,223
Add: Goodwill	2,501
Purchase consideration	9,724
Less: Cash and cash equivalents in subsidiary acquired	(25,894)
Net cash inflow on acquisition (Note 32)	(16,170)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

1 General information

The Company is listed on the Singapore Exchange Mainboard (SGX-ST) and incorporated and domiciled in Singapore as a limited liability company.

The immediate and ultimate holding company of the Company is Intelligent People Holdings Limited ("Intelligent People"), a company incorporated in the British Virgin Islands ("BVI").

The Company's registered office is located at 80 Raffles Place, #32-01 UOB Plaza 1, Singapore 048624.

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are stated in Note 7 to the financial statements.

The financial statements of the Company and of the Group for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

2(a) Basis of preparation

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

The Group's principal operations are conducted in the People's Republic of China ("PRC") and hence the financial statements are presented in Renminbi ("RMB"), being the functional and presentation currency of the Company and the Group. All financial information are presented in RMB, rounded to the nearest thousand (RMB'000), unless otherwise stated.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires management to exercise judgements in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting periods, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only the financial year or in the future year of the revision and future financial years if the revision affects both current and future financial years.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

2(a) Basis of preparation (cont'd)

Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 to the financial statements, management had made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Allowance for impairment of trade receivables

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade receivables and doubtful debt expenses in the period in which such estimate has been changed. Management believes no allowance for impairment of trade receivables is necessary. The carrying amount of trade receivables is disclosed in Note 9.

Environmental remediation

The Group has not incurred any expenditure for environmental remediation, is currently not involved in any environmental remediation, and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. However, the PRC government may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. The outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present and hence not provided for but which could be material.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimated uncertainty at the end of the reporting periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimate on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future development however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumption when they occur.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis after deducting the residual value over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 3 to 20 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2015 is RMB88,394,000. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

2(a) Basis of preparation (cont'd)

Key sources of estimation uncertainty (cont'd)

Income taxes

The Group has exposure to income taxes in Singapore and PRC. Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The details of taxation are disclosed in Note 19.

Allowance for inventory obsolescence

The Group reviews the aging analysis of inventories at the end of each reporting period, and makes allowance for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories is disclosed in Note 8.

2(b) Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 108 Operating segments

The Group has adopted the above amendment to FRS 108 on 1 January 2015. The amendment is applicable for annual periods beginning on or after 1 July 2014. It sets out the required disclosures on the judgements made by management in aggregating operating segments. This includes description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment asset to entity's assets when segment assets are reported.

The Group has included the additional required disclosures in Note 29 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

2(c) FRS and INT FRS issued but not yet effective

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's and Company's accounting periods beginning on or after 1 January 2016 and which the Group and Company have not early adopted:

Effective for the Group's and Company's annual accounting period beginning on 1 January 2016:

- Amendments to FRS 27: Separate financial statements (Equity method in separate financial statements)
- Amendments to FRS 16 Property plant and equipment and FRS 38 Intangible assets (Clarification of acceptable methods of depreciation and amortisation)
- Amendments to FRS 1 Presentation of financial statements (Disclosure initiative)

Effective for the Group's and Company's annual accounting period beginning on 1 January 2017:

- Amendments to FRS 7(Disclosure Initiative) and Amendments to FRS 12 (Recognition of Deferred Tax Assets for Unrealised Losses)

Effective for the Group's and Company's annual accounting period beginning on 1 January 2018:

- FRS 115 Revenue from Contracts with Customers
- FRS 109 Financial Instruments

The directors do not anticipate that the adoption of the above FRS and INT FRS in future periods will have a material impact on the financial statements of the Company and the Group in the period of their initial adoption except for FRS 115 and FRS 109. Management is currently evaluating the potential impact of the application of FRS 115 and FRS 109 on the financial statements of the Group and of the Company in the period of their initial application.

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Group accounting

Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 7 to the financial statements.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

3 Summary of significant accounting policies (cont'd)

Group accounting (cont'd)

Consolidation (cont'd)

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and statements of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

3 Summary of significant accounting policies (cont'd)

Property, plant and equipment and depreciation

Property, plant and equipment are initially measured at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the straight-line method to write off the cost of the assets after deducting the residual value over the estimated useful lives as follows:

Buildings on leasehold land	20 years
Plant and machinery	5 - 20 years
Electronic system and equipment	3 - 20 years
Motor vehicles	4 - 5 years
Office equipment	5 years

The cost of property, plant and equipment includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. All other repair and maintenance expenses are recognised in profit or loss when incurred.

The carrying amount of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

For acquisitions and disposals during the financial year, depreciation is provided from the month after acquisition and to the month of disposal respectively. Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

At the end of each reporting period, the residual values and useful lives of property, plant and equipment are reviewed, and adjusted prospectively, if appropriate. The useful lives and depreciation method are reviewed at each financial year-end to ensure that the method and year of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

3 Summary of significant accounting policies (cont'd)

Land use rights

Land use rights represented up-front payment to long-term interests in the usage of land and were stated at cost less accumulated amortisation and impairment losses, if any. Amortisation was charged so as to write off the cost of the land use rights, using the straight-line method, over the period of the grant of 50 years, which was the lease term.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted-average basis and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured inventories, cost includes all direct expenditure and production overheads based on the normal level of activity.

Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sales.

Financial assets

Financial assets, other than hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at each reporting date with the exception that the designation of financial assets at fair value through profit or loss is irrevocable.

All financial assets are recognised on their trade date - the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company and the Group have transferred substantially all of the risks and rewards of ownership.

An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, only when the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the amount and settle the liability simultaneously.

Other than loans and receivables, the Company and the Group do not hold any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

3 Summary of significant accounting policies (cont'd)

Financial assets (cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company and the Group provide money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, of which they are classified as non-current assets.

Loans and receivables include trade and other receivables (excluding VAT receivables, advances made to suppliers of raw materials, advances made to suppliers of property, plant and equipment, advances made to staff and prepayments), amount owing by a subsidiary, amounts owing by affiliated companies and cash and bank balances. They are subsequently measured at amortised cost using the effective interest method, less impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or writeback is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, fixed deposits with financial institutions which are subject to an insignificant risk of change in value.

Investment in subsidiaries

In the Company's financial statements, investment in subsidiaries are carried at cost less accumulated impairment losses. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of investments are recognised in profit or loss.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

3 Summary of significant accounting policies (cont'd)

Related parties

A related party is defined as follows:

- a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.
- b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Financial liabilities

The Group's financial liabilities include trade payables and other payables (excluding VAT payables and advances received from customers) and amounts owing to affiliated companies.

Financial liabilities are recognised when the Company and the Group become a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance costs" in profit or loss. Financial liabilities are derecognised if the Company's and the Group's obligations specified in the contract expire or are discharged or cancelled.

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Dividend distributions to shareholders, if any, are included in current financial liabilities when the dividends are approved for payment.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

3 Summary of significant accounting policies (cont'd)

Provisions

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

PRC corporate income tax is provided at rates applicable to an enterprise in the PRC on income for financial reporting purpose, adjusted for income and expenses items which are not assessable or deductible for income tax purposes.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

3 Summary of significant accounting policies (cont'd)

Income taxes (cont'd)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax refunds with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

Value-added tax

The Group's sales of goods in the PRC are subject to value-added tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position, respectively.

Revenue, expenses and assets are recognised net of the amount of VAT except:

- (i) where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables that are stated with the amount of VAT included.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

3 Summary of significant accounting policies (cont'd)

Impairment of non-financial assets

The carrying amounts of the Company's and the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company and the Group at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets, if any, with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal and value-in-use. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of report period.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

3 Summary of significant accounting policies (cont'd)

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes VAT and is arrived at after deduction of trade discounts, if any. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from sale of propylene, polypropylene and liquefied petroleum gas ("LPG") products is recognised when goods are sold to customers, which generally coincides with their delivery and acceptance.

Revenue from rendering of transport and logistic services is recognised as and when services are rendered. The lead time for rendering transport and logistic service is usually very short, lasting not more than two weeks.

Interest income is recognised using the effective interest method.

Employee benefits

Pension obligations

The Company and the Group participate in the defined contribution national pension and other welfare schemes as provided by the laws of the countries in which it has operations.

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the PRC subsidiaries.

The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. The contributions to these Schemes are charged to profit or loss in the period to which the contributions relate.

Employee leave entitlements

No accrual has been made for employee leave entitlements as any unconsumed annual leave not utilised will be forfeited.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors, Chief Financial Officer and certain general managers are considered key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

3 Summary of significant accounting policies (cont'd)

Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Company and the Group are presented in RMB, which is also the functional currency of the Company.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

Non-monetary items are not retranslated at the end of the reporting period and are measured at historical cost (translated using the exchange rates at transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when the fair value was determined.

Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

Disclosures on financial risk management objectives and policies are provided in Note 28.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

3 Summary of significant accounting policies (cont'd)

Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognized) is recognized in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

- (a) represents a separate major line of business or geographical area of operations; or
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

4 Revenue

Revenue comprises sale of propylene, polypropylene and LPG products and transport services, excluding applicable VAT, and is detailed as follows:

The Group	2015 RMB'000	2014 RMB'000
Liquefied petroleum gas	886,766	658,521
Propylene	240,675	107,671
Polypropylene	251,570	216,734
Transport and logistic services	67,099	-
Others	-	46
	1,446,110	982,972

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

5 Property, plant and equipment

The Group	Buildings on leasehold land RMB'000	Plant and machinery RMB'000	Electronic system and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost						
Balance as at 1 January 2014	31,629	491,005	9,746	329	45,159	577,868
Additions	3,729	61,335	9,788	87	72	75,011
On disposal of a subsidiary	(25,268)	(325,656)	-	(146)	(42,413)	(393,483)
Written off	-	(105,117)	(93)	(121)	(2,666)	(107,997)
Balance as at 31 December 2014	10,090	121,567	19,441	149	152	151,399
Additions	-	1,300	-	10,898	8	12,206
Disposal	-	(1,919)	-	-	-	(1,919)
On acquisition of a subsidiary (Note 32)	-	28	-	10,767	130	10,925
Balance as at 31 December 2015	10,090	120,976	19,441	21,814	290	172,611
Accumulated depreciation						
Balance as at 1 January 2014	8,810	153,551	8,907	274	23,488	195,030
Depreciation for the year						
- continuing operations (Note 18)	416	7,542	1,127	22	-	9,107
- discontinued operations	684	23,370	605	-	5,060	29,719
	1,100	30,912	1,732	22	5,060	38,826
On disposal of a subsidiary	(3,942)	(99,579)	-	(141)	(26,586)	(130,248)
Written off	-	(32,037)	(53)	(111)	(1,818)	(34,019)
Balance as at 31 December 2014	5,968	52,847	10,586	44	144	69,589
Depreciation for the year (Note 18)	416	9,369	1,691	986	82	12,544
Disposal	-	(1,726)	-	-	-	(1,726)
On acquisition of a subsidiary (Note 32)	-	26	-	3,720	64	3,810
Balance as at 31 December 2015	6,384	60,516	12,277	4,750	290	84,217
Carrying amount						
Balance as at 31 December 2015	3,706	60,460	7,164	17,064	-	88,394
Balance as at 31 December 2014	4,122	68,720	8,855	105	8	81,810

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

5 Property, plant and equipment (cont'd)

	Electronic system and equipment RMB'000
The Company	
Cost	
Balance as at 31 December 2014 and 1 January 2015	19
Addition	8
Balance as at 31 December 2015	27
Accumulated depreciation	
Balance as at 31 December 2014 and 2015	19
Carrying amount	
Balance as at 31 December 2015	8
Balance as at 31 December 2014	-

	The Group			
	2015		2014	
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
Depreciation expense charged to:				
Cost of sales	11,551	-	9,098	29,636
Administrative expenses [Note 17(c)]	7	-	9	83
	11,578	-	9,107	29,719

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

6 Land use rights

	2015 RMB'000	2014 RMB'000
The Group		
Cost		
Balance at beginning of the year	-	395
On disposal of a subsidiary	-	(395)
Balance at end of the year	-	-
Accumulated amortisation		
Balance at beginning of the year	-	19
Additions (Note 18)	-	4
On disposal of a subsidiary	-	(23)
Balance at end of the year	-	-
Carrying amount		
At end of the year	-	-

Land use rights related to the following parcel of land:

Location	Period	Land area [square metre ("sq. m")]
山东省东明县菜园集乡经济园区	50 years (expiring on 18/12/2058)	3,109.92

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

7 Subsidiaries

	2015 RMB'000	2014 RMB'000
The Group		
Investment in subsidiaries	250,041	250,041
Amount owing by a subsidiary	25,836	30,007

The Group has the following investment in subsidiaries:

Name	Country of incorporation/ principal place of business	Cost of investment		Effective percentage of equity held		Principal activities
		RMB'000	RMB'000	RMB'000	RMB'000	
<u>Subsidiary held by the Company</u>						
Dongming Hengchang Petrochemical Co., Ltd. ⁽¹⁾ (东明恒昌化工有限公司) ("Dongming Hengchang")	The People's Republic of China	250,041	250,041	100%	100%	Manufacture and sale of propylene, polypropylene and LPG products
<u>Subsidiary held by Dongming Hengchang</u>						
Dongming Changshun Transport Company Limited ⁽¹⁾⁽²⁾ (东明县昌顺运输有限公 司) ("Changshun Transport")	The People's Republic of China	-	-	100%	-	Provide logistics and transportation for petroleum products
<u>Subsidiary held by Changshun Transport</u>						
Dongming Changshun Transport Company Limited Gan Yu Subsidiary Co. ⁽¹⁾⁽²⁾ (东明县昌顺运输有限公司赣 榆分公司) ("Gan Yu")	The People's Republic of China	-	-	100%	-	Provide logistics and transportation for petroleum products
		250,041	250,041			

⁽¹⁾ Audited by RT LLP, Singapore for consolidation purposes

⁽²⁾ Acquired on 12 August 2015

The amount owing by a subsidiary relates to unsecured advances and accrued interest on the advances, both of which are repayable by 28 November 2016 (2014: 28 November 2015). Interest is charged at 3% (2014: 3%) per annum. The carrying value approximates the fair value of the advances.

The amount owing by a subsidiary is denominated in RMB.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

8 Inventories

	2015	2014
The Group	RMB'000	RMB'000
Raw materials	3,965	8,771
Finished goods	17,540	23,936
Consumables	130	-
	21,635	32,707
Less:		
Allowance for inventories		
Balance at beginning of the year	(2,299)	-
Write down of inventories to net realisable value (Note 18)	-	(2,299)
Balance at end of the year	(2,299)	(2,299)
Inventories at net realisable value	19,336	30,408
Inventories charged to cost of sales	1,397,144	949,533

The cost of inventories recognised as an expense and included in “cost of sales” amounted to RMB1,397,144 (2014: RMB949,533).

In 2014, the cost of inventories recognised as an expense included RMB2,299,000 in respect of write-downs of inventories to net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

9 Trade and other receivables

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	29,370	5,329	-	-
VAT receivable	1,246	726	-	-
Advances made to suppliers of raw materials	53	587	-	-
Advances made to suppliers of property, plant and equipment	16,334	-	-	-
Advances made to staff	2,046	-	-	-
Prepayments	-	24	-	24
Interest receivables	5,401	2,409	-	-
Other receivables	6,530	-	-	-
	60,980	9,075	-	24

The age analysis of trade receivables that are neither past due nor impaired is as follows:

The Group	2015	2014
	RMB'000	RMB'000
Current (within 30 days)	29,370	5,329

There is no class of financial assets that are past due but not impaired.

The credit term for transport and logistic business is usually not more than two weeks.

The advances made to suppliers of raw materials are unsecured, interest-free and represent down-payment for the supply of raw materials. The carrying value approximates their fair values.

The advances made to suppliers of property, plant and equipment are unsecured, interest-free and represent down-payment for the purchase of property, plant and equipment. The carrying value approximates their fair values.

The advances made to staff were for business purpose. The carrying values approximated the fair values.

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollar	-	24	-	24
Renminbi	60,980	9,051	-	-
	60,980	9,075	-	24

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

10 Amounts owing by affiliated companies

Affiliated companies refer to companies with common director(s).

The non-trade amounts owing by affiliated companies relate to unsecured advances which are interest-free and repayable on demand. The carrying values approximate their fair values.

11 Cash and bank balances

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	52	100	18	91
Bank balances	201,507	126,854	25	822
Fixed deposit	260,000	200,000	-	-
	461,559	326,954	43	913

The fixed deposit earned interest at 3.00%-3.30% (2014: 3.08%-3.30%) per annum have maturity of 1 year (2014: 6 month to 1 year).

For the purposes of consolidated statement of cash flows, cash and cash equivalents is equal to cash and bank balances.

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollar	31	913	43	913
United States dollar	12	-	-	-
Renminbi	461,516	326,041	-	-
	461,559	326,954	43	913

Cash and cash equivalents of RMB461,559,000 (2014: RMB326,041,000) held in People's Republic of China are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends.

12 Share capital

	No. of shares		Amount	
	2015	2014	2015	2014
			RMB'000	RMB'000
The Group and The Company				
Issued and fully paid, with no par value:				
Balance at beginning and end of year	640,000,000	640,000,000	316,125	316,125

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

13 Retained earnings/(accumulated losses)

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Retained earnings/(Accumulated losses)				
- Balance at beginning of the year	143,257	181,829	(35,640)	(29,540)
- Total comprehensive income for the financial year	40,735	(7,304)	(5,422)	25,168
- Dividends paid	-	(31,268)	-	(31,268)
- Transfer from statutory common reserve	(1,657)	-	-	-
- Balance at end of the year	182,335	143,257	(41,062)	(35,640)

14 Other reserves

	2015	2014
The Group	RMB'000	RMB'000
Other reserves comprised the following:		
Statutory common reserve		
- Balance at beginning of financial year	40,809	40,809
- Transfer from retained earnings	1,657	-
- Balance at end of the year	42,466	40,809
Voluntary common reserve		
- Balance as at beginning and end of the year	797	797
Total reserves	43,263	41,606

In accordance with the relevant laws and regulations of the PRC, the subsidiaries are required to transfer between 5% and 10% of its profit after taxation to the statutory common reserve until the statutory common reserve balance reaches 50% of the respective registered capital. For the purpose of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Statutory common reserve can be used to make good previous year's losses and for conversion to capital, if any, subject to approval from the PRC authorities and provided that the balance remains not less than 25% of the registered capital.

The voluntary common reserve has been combined with statutory common reserve in prior years under PRC statutory accounts.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

15 Trade and other payables

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	28,717	-	-	-
Accrual for salaries and related costs	3,132	2,906	-	-
VAT payables	990	-	-	-
Professional fee payables	-	302	-	302
Provision for directors' fees	-	198	-	198
Other governmental taxes payable	493	605	-	-
Advances received from customers	4,824	1,575	-	-
Amount owing to directors	140	140	-	-
Amount owing to staff	50	50	-	-
Amount owing to supplier of property, plant and equipment	8,793	-	-	-
Refundable deposits received from third parties	5,850	-	-	-
Amount owing to sundry creditors	2,464	429	865	-
	55,453	6,205	865	500

The fair value of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the statements of financial position to be reasonable approximation of their fair value.

The advances received from customers represent down-payment for sales orders placed.

Refundable deposits received from third parties represent money received from outsourced transport and logistic companies which are interest-free and repayable upon completion the transport and logistic service.

The amount owing to directors represents unsecured advances from directors which are interest-free and repayable on demand.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollar	865	500	865	500
Renminbi	54,588	5,705	-	-
	55,453	6,205	865	500

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

16 Amounts owing to affiliated companies

	2015 RMB'000	2014 RMB'000
The Group		
<u>Trade</u>		
- 东明中油燃料石化有限公司	51,854	-
- 山东东明石化集团有限公司	3,057	-
- 山东润泽化工有限公司	1,743	-
<u>Non-trade</u>		
- 东明县昌顺运输有限公司	-	278
	56,654	278

Affiliated companies refer to companies with common director(s).

The non-trade amounts owing to affiliated companies represent advances from affiliated companies, are unsecured, interest-free, repayable on demand and denominated in RMB. The carrying value approximates their fair values.

17(a) Other income

	2015 RMB'000	2014 RMB'000
The Group		
Interest income - bank (Note 18)	9,356	3,056
Exchange gain	32	-
Others	163	-
	9,551	3,056

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

17(b) Distribution costs

The Group	2015 RMB'000	2014 RMB'000
Employee benefit costs [Note 17(e)]	3,987	3,015
Travelling expenses	22	6
Entertainment expenses	5	15
Freight charges	963	1,437
Operating lease rentals - equipments	103	103
Others	204	90
	5,284	4,666

17(c) Administrative expenses

The Group	2015 RMB'000	2014 RMB'000
Depreciation of property, plant and equipment (Note 5)	7	9
Directors' fees (Note 18)	1,555	824
Employee benefit costs [Note 17(e)]	2,666	2,682
Exchange loss (Note 18)	275	1,419
Operating lease rentals	213	264
Entertainment expenses	332	271
Travelling and accommodation	627	602
Stamp duty & property tax	417	398
Repair and maintenance	59	1
Environment fee	118	132
Professional fee	247	1,075
Audit fee (Note 18)	823	480
Cleaning expense	216	216
Compensation paid to injured workers ⁽¹⁾	2,148	-
Loss on disposal of property, plant and equipment (Note 18)	155	-
Others	2,033	1,306
	11,891	9,679

Note ⁽¹⁾:

During the financial year, the DMHC was ruled by the PRC court to pay compensation amounting to RMB2,148,000 for an injured worker. The directors are of the view that no further compensations to this injured worker is required following the PRC court ruling.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

17(d) Other operating expenses

	2015 RMB'000	2014 RMB'000
The Group		
Others	19	20

17(e) Employee benefit costs

	2015 RMB'000	2014 RMB'000
The Group		
Directors' remuneration		
- salaries and related costs	876	1,586
- defined contributions	14	23
Key management personnel (other than directors)		
- salaries and related costs	1,033	993
- defined contributions	82	76
Other than directors and key management personnel		
- salaries and related costs	17,866	8,874
- defined contributions	2,459	1,590
	22,330	13,142
As disclosed in:		
Cost of sales	15,677	7,445
Distribution costs [Note 17(b)]	3,987	3,015
Administrative expenses [Note 17(c)]	2,666	2,682
	22,330	13,142

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

18 Profit before taxation from continuing operations

The Group	Note	2015 RMB'000	2014 RMB'000
Profit before taxation has been arrived at after charging and (crediting):			
Depreciation of property, plant and equipment	5	11,578	9,107
Amortisation of land use rights	6	-	4
Operating lease rentals		316	367
Directors' fees	17(c)	1,555	824
Exchange loss	17(c)	275	1,419
Audit fee			
- Auditor of the Company	17(c)	647	480
- Other auditors	17(c)	176	-
Write down of inventories to net realisable value	8	-	2,299
Interest income	17(a)	(9,356)	(3,056)
Exchange gain	17(a)	(32)	-
Loss on disposal of property, plant and equipment	17(c)	155	-

19 Taxation

The Group	2015 RMB'000	2014 RMB'000
Current taxation	588	-

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the relevant statutory rate of income tax on the Group's profit as a result of the following:

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

19 Taxation (cont'd)

The Group	2015 RMB'000	2014 RMB'000
Profit/(loss) before taxation from:		
- continuing operations	40,735	22,130
- discontinued operations (Note 20)	-	(18,429)
Total profit before taxation	40,735	3,701
Tax at statutory rate of 25% (2014 : 25%)	11,544	(5,495)
Tax at statutory rate of 17% (2014 : 17%)	(825)	4,366
Adjustments:		
Tax effect on non-taxable income	(1,204)	(5,432)
Tax effect on non-deductible expenses	825	1,066
Utilisation of previously unrecognised tax losses	(9,685)	(5,615)
Deferred tax assets on temporary differences	-	-
not recognised in current years	-	11,110
Others	(67)	-
	588	-

No provision for Singapore tax has been made as the Company did not derive any significant taxable income in Singapore.

The applicable tax rates of the Group's subsidiaries in the PRC, Dongming Hengchang, Changshun Transport and Gan Yu for the financial year ended 31 December 2015 are 25% (2014: 25%), 25% (2014: NA) and 25% (2014: NA) respectively.

Unappropriated profits

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on the dividends to foreign investors from foreign investment enterprises establish in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is tax treaty between Mainland China and the jurisdiction of the foreign investor. As the amount of unappropriated profits prior to 1 January 2008 amounted to RMB114,633,000 (2014: RMB114,633,000) has not yet been utilised, the directors are of the view that no deferred tax liabilities arising from unappropriated profits is required at the end of the reporting period.

Unrecognised deferred tax liabilities

As at 31 December 2015, the aggregate amount of temporary differences relating to undistributed profits of a subsidiary for which deferred tax liabilities have not been recognised is RMB81,233,005 (2014: RMB81,233,000). No deferred tax liability has been recognised because the Group has not fully utilised the subsidiary's unremitted earnings before 31 December 2007 as discussed above.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

19 Taxation (cont'd)

Tax losses

The Group has unabsorbed tax losses amounting to approximately RMB15,950,000 (2014:RMB54,690,000), comprising solely from Dongming Hengchang which are subject to agreement with the relevant tax authorities. These unabsorbed tax losses can be carried forward for offsetting against future taxable income provided that the provisions of the relevant tax legislations are complied with.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the unutilised tax benefits arising from these unabsorbed tax losses because the directors are of the view that it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

20 Loss from discontinued operation

On 19 March 2014, the Group's subsidiary Dongming Hengchang entered into a conditional Sale & Purchase Agreement with:

- i) its subsidiary, Dongming Runchang to acquire certain gas fractionation processing installation and related assets at a consideration of approximately RMB89,581,000, being an amount representing the market value of the asset based on a valuation report dated 17 February 2014. These assets were used by Dongming Runchang in its business of the downstream production and supply of petrochemical products, in particular, processed liquefied petroleum gas and propylene. The purchase consideration will be offset against the outstanding entrusted loan of RMB280,000,000; and
- ii) an external entity, Heze Long Ding Investment Limited incorporated in the PRC, to dispose of its 51% equity interest in its subsidiary, Dongming Runchang after i) above, at a consideration of RMB116,068,860 (being 51% of the valuation of the subsidiary Dongming Runchang as disclosed in the valuation report dated 17 February 2014).

The sale was completed on 26 August 2014.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

20 Loss from discontinued operation (cont'd)

The results of the discontinued operation are as follows:

	2014
The Group	RMB'000
Revenue	3,658,543
Expenses	(3,676,972)
Loss before taxation from discontinued operation (Note 20)	(18,429)
Taxation	-
Loss after taxation from discontinued operation	(18,429)
Profit/(loss) attributable to equity holders of the Company relates to:	
- Profit/(loss) from continuing operation	22,130
- Loss from discontinued operation	(29,434)
Total	(7,304)
Non-controlling interest:	
- Profit/(loss) from continuing operation	-
- Profit from discontinued operation	11,005
Total	11,005

The impact of the discontinued operations on the cash flows of the Group is as follows:

	RMB'000
The Group	
Operating activities	(142,405)
Investing activities	89,197
Financing activities	50,000
Net cash outflows	(3,208)

Details of assets disposed of in relation to discontinued operations are as follows:

	RMB'000
The Group	
Sales proceeds from disposal	116,067
Carrying amount of net assets disposed of	(262,846)
Non-controlling interest	105,892
Loss on disposal	(40,887)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

21 Earnings/(loss) per share

The Group

The basic earnings/(loss) per share from continuing operations is calculated on the Group's profit/(loss) after taxation attributable to equity holders of the Company of RMB40,735,000 (2014: RMB22,130,000) based on the weighted average number of ordinary shares in issue of 640,000,000 (2014: 640,000,000) shares during the financial year.

The diluted earnings/(loss) per share from continuing operations is calculated on the Group's profit/(loss) after taxation attributable to equity holders of the Company of RMB40,735,000 (2014 : RMB22,130,000) based on the weighted average number of ordinary shares in issue of 640,000,000 (2014 : 640,000,000) shares during the financial year.

There are no dilutive potential ordinary shares that were outstanding during the financial year.

The basic and diluted loss per share from discontinued operations are calculated by dividing the "Loss from discontinued operations" by the "Weighted average number of ordinary shares for basic earnings and loss per share computation" and "Weighted average number of ordinary shares adjusted for the effect of dilution" respectively.

22 Retirement benefit plans

The eligible employees of the Group, who are citizens of the PRC, are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss for the financial year representing defined contribution national pension plan is:

	2015	2014
The Group	RMB'000	RMB'000
Defined contribution national pension plan	1,734	1,295

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

23 Dividends

	2015 RMB'000	2014 RMB'000
The Group and The Company		
Ordinary dividends paid		
- interim tax-exempt (one-tier) dividend paid in respect of the current financial year of S\$Nil (2014 : S\$0.01) per share	-	31,268
Proposed but not recognised as a liability as at 31 December :		
Dividends on ordinary share, subject to shareholders' approval at an Annual General Meeting to be convened		
- final exempt (one-tier) dividend for 2015 : S\$0.005 (2014:S\$Nil) per share	15,076	-

24 Commitments

24.1 Operating lease commitments (non-cancellable)

At the end of reporting period, the Group was committed to making the following lease rental payments under non-cancellable operating leases for leasehold land, office building and offices:

	2015 RMB'000	2014 RMB'000
The Group		
Not later than one year	523	555
Later than one year and not later than five year	2,613	2,773
Later than five years	10,819	18,833

The lease on the Group's leasehold land with an area of 48,653.3 sq. m on which rental is payable for the parcel of land located at 27 Huanghe Road, Dongming County, Shandong Province, PRC (中华人民共和国山东省东明县黄河路27号) will expire in 2053. The current rent payable on the lease is RMB197,000 per annum.

The lease on the Group's leasehold land with an area of 91,524.04 sq. m on which rental is payable for the parcel of land located at 山东省东明县菜园集乡经济园区 will expire in 2058. The current rent payable on the lease is RMB371,000 per annum.

The leases on the Group's office building and offices on which rentals are payable will expire between 31 December 2025, the earliest date, and 1 May 2026, the latest date. The current rents payable on the leases are between RMB1,800 and RMB12,000 per annum.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

24 Commitments (cont'd)

24.2 Purchase commitments

At the end of reporting period, the Group entered into purchase commitment for the supply of LPG materials from the following supplier:

- 东明中油燃料石化有限公司 26 April 2006 to 25 April 2026

The ordering quantities are on the basis of as and when required for which the pricing is based on the prevailing market rate.

25 Related Party transactions

Key management personnel compensation

Key management personnel compensation is as follows:

	2015 RMB'000	2014 RMB'000
The Group		
Salaries and related costs	1,909	2,579
Defined contributions	96	99
	<u>2,005</u>	<u>2,678</u>

Entrusted loan transaction

In 2012, the Group through its wholly owned subsidiary, Dongming Hengchang had granted an entrusted loan of RMB280 million to Dongming Runchang through a bank. The period of the entrusted loan was for two (2) years from 21 February 2012 to 21 February 2014, at a fixed interest rate of 4% per annum. The interest rate charged was based on terms between the parties and was lower than the then prevailing market rate by about 2%. The estimated amortised cost of the intercompany transaction arising from the interest rate differential amounted to approximately RMB1,003,000 (2013: RMB1,003,000) and the financial impact was not material. The entrusted loan transaction was in nature an intercompany transaction, and therefore it had been eliminated at Group level. The entrusted loan which had been renewed for another year till 21 February 2015 was assigned to an external entity following the Sales and Purchase Agreement entered on 19 March 2014.

Apart from the above, there are no other related party in accordance with the definition of related party as disclosed in the accounting policy under Note 3.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

26 Affiliated companies transactions

As an additional disclosure, the Group disclosed the following significant affiliated companies transactions entered into between the Group and its affiliated companies at terms agreed between the companies:

The Group	2015 RMB'000	2014 RMB'000
Sales to affiliated companies		
- 东明中油燃料石化有限公司	872	41
- 山东东明石化集团恒基化工有限公司	82,904	78,872
- 山东东明梨树化学有限公司	108,268	205,798
- 山东东明石化集团有限公司	1,324	-
- 东明润明油品销售有限公司	881	-
	<u>194,249</u>	<u>284,711</u>
Purchases from affiliated companies		
- 东明中油燃料石化有限公司	1,256,738	938,974
- 东明润明油品销售有限公司	88	-
	<u>1,256,826</u>	<u>938,974</u>
Rental fee charged by affiliated companies		
- 山东东明石化集团有限公司	-	209
- 东明润邦化工有限公司	-	51
- 东明中油燃料石化有限公司	-	5
- 东明石油经销有限公司	-	220
	<u>-</u>	<u>485</u>
Utilities charged by affiliated companies		
- 东明中油燃料石化有限公司	4,994	-
- 东明润昌化工有限公司	6,533	-
- 东明润邦化工有限公司	4,201	2,439
- 山东东明石化集团汇泽有限公司	-	16,209
- 山东东明石化集团有限公司	21,605	-
- 东明润泽化工有限公司	5,640	-
	<u>42,973</u>	<u>18,648</u>
Other expense charged by affiliated companies		
- 东明中油燃料石化有限公司	-	421
	<u>-</u>	<u>421</u>
Consignment fee paid to affiliated company		
- 东明石油经销有限公司	<u>1,487</u>	<u>4,320</u>
Prepayment to affiliated company		
- 东明中油燃料石化有限公司	<u>80,000</u>	<u>-</u>

Affiliated companies refer to companies with common director(s).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

27 Disclosure of directors' remuneration

	2015	2014
Number of directors		
RMB750,000 to RMB1,000,000	1	1
RMB500,000 to RMB749,999	1	1
RMB250,000 to RMB499,999	3	2
Below RMB250,000	-	1

28 Financial risk management objectives and policies

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included market risk, foreign currency risk and interest rate risk, credit risk, liquidity risk and market price risk.

The board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group's financial instruments carried on the statements of financial position include cash and bank balances, receivables and payables.

28.1 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group has minimal monetary balances denominated in Singapore dollar. Accordingly, the exposure to foreign exchange risk is minimal. In addition, the Group's operational activities are mainly carried out in RMB. The risk arising from movements in foreign exchange rates is minimised as the Group has minimal transactions in foreign currencies.

Exposure to foreign currency risk is insignificant as the Group's income and related expenses, assets and liabilities are substantially denominated in RMB which is the functional currency of the Group. The exposure is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

28 Financial risk management objectives and policies (cont'd)

28.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The exposure of the Company and the Group to interest rate risk relates mainly to its bank deposits and cash funds placed with financial institutions as shown in Note 11 to the financial statements respectively.

28.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. The Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

The Company's and the Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The trade receivables of transport and logistic business comprise 3 debtors (2014:NA) that individually represented 86% of trade receivables of the Group.

Further details of credit risks on trade and other receivables are disclosed in Note 9.

28.4 Liquidity risk

Liquidity risk is the risk that the Company and the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company's and the Group's financial liabilities based on contractual undiscounted cash flows is disclosed in the notes to the financial statements (Notes 7, 9 and 15).

The Company and the Group manage its liquidity risk by ensuring the availability of adequate funds to meet all its obligations in a timely and cost-effective manner.

28.5 Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

As the Company and the Group do not hold any quoted or marketable financial instrument, they are not exposed to any movement in market prices.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

28 Financial risk management objectives and policies (cont'd)

28.6 Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables				
Cash and bank balances	461,559	326,954	43	913
Trade and other receivables	41,301	7,738	-	-
Amount owing by subsidiaries	-	-	25,836	30,007
Amounts owing by affiliated companies	22,171	59,224	-	-
Financial liabilities				
Amortised cost				
Trade and other payables	49,146	6,205	865	500
Amount owing to affiliated companies	56,654	278	-	-

28.7 Commodity price risk

In particular, the sales and purchase of gasoline and diesel in the PRC for financial year ended 31 December 2014 was subjected to price regulatory control by the authorities in the PRC unlike the petrochemical business. The Company and the Group does not hedge against this risk.

29 Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

1. The gas separation segment is the manufacturing and sales of LPG, propylene and polypropylene.
2. The transport services segment is the provision of logistics and transportation for petroleum products.
3. The other segment is the sales of steam to its affiliated companies.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

29 Segment information (cont'd)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated statement of profit or loss and other comprehensive income. Distribution costs, administrative expenses, other operating expenses and income taxes are managed on a group basis and are not allocated to operating segments.

Allocation basis and transfer pricing

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other income, expenses and income tax expense.

The allocation of the Group's assets and liabilities as well as the revenues and profits and other material segmental items thereon attributable to individual segments is not presented as the information is not provided to the chief operating decision maker. Most of the business is operated under the subsidiaries in the PRC, Dongming Hengchang, Changshun Transport and Gan Yu, where the customers and suppliers are common to the individual segments.

Transfer prices between operating segments are at terms agreed between the parties.

(a) Reportable segments

	Gas Separation		Transport & logistic Service		Others		Total for Continuing operations	
	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE:								
External customers	1,379,011	982,926	67,596	-	-	46	1,466,607	982,972
Inter-segment sales	-	-	(497)	-	-	-	(497)	-
Total revenue	1,379,011	982,926	67,099	-	-	46	1,446,110	982,972
Results								
Segment results	43,367	33,439	3,118	-	-	-	46,485	33,439
Unallocated expenses:								
Unallocated corporate expenses							(5,750)	(2,959)
Depreciation							-	(9,107)
Written off inventories to net realisable value							-	(2,299)
Profit from operations							40,735	19,074
Finance income							-	3,056
Profit before taxation							40,735	22,130
Taxation							-	-
Profit after taxation							40,735	22,130

In the current financial year, revenue of RMB 664,731 (2014: RMB 205,789) attributable from sales of raw LPG are derived from one (2014: one) major customer.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

29 Segment information (cont'd)

(b) Geographical information

No information on geographical information is presented as the principal operation of the Group relates entirely to the manufacture and sale of propylene, polypropylene and LPG products and provision of services entirely in the PRC.

30 Capital management

The Group's objectives when managing capital are:

- (a) To safeguard the Group's ability to continue as a going concern;
- (b) To support the Group's stability and growth;
- (c) To provide capital for the purpose of strengthening the Group's risk management capability; and
- (d) To provide an adequate return to shareholders.

The Group's capital structure consists of equity attributable to owners of the parent, comprising issued capital, retained earnings and other reserves.

The Group monitors capital on the basis of the carrying amount of equity less cash and bank balances as presented in the statement of financial position.

There were no changes in the Group's approach to capital management during the year. As disclosed in Note 14, the subsidiaries in PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirements in accordance with the directors, has been complied by the PRC subsidiaries for the financial years ended 31 December 2015 and 2014.

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and to maintain an optimal capital structure to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares or convertible loans. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

31 Financial instruments

Fair values

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

However, the Company and the Group do not anticipate that the carrying amounts recorded at end of reporting period would be significantly different from the values that would eventually be received or settled.

32 Business combinations

On 12 August 2015, the Group acquired a 100% equity interest in Dongming Changshun Transport Company Limited ("Changshun Transport"). The principal activity of Changshun Transport is that of providing logistics and transportation for petroleum products in PRC. As a result of the acquisition, the Group is expected to increase its presence in PRC. It also expects to reduce costs through economies of scale.

Details of the consideration paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

	RMB'000
Cash consideration transferred for the business	9,724

(b) Effect on cash flows of the Group

	RMB'000
Cash paid (as above)	(9,724)
Add: Cash and cash equivalents in subsidiary acquired	25,894
Cash inflow on acquisition	16,170

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

32 Business combinations (cont'd)

(c) Identifiable assets acquired and liabilities assumed

	RMB'000
Cash paid (as above)	
Property, plant and equipment	7,115
Inventories	37
Trade and other receivables	9,495
Amount owing by affiliated companies	3,305
Cash and bank balances	25,894
Total assets	45,846
Trade and other payables	30,041
Amount owing to affiliated companies	8,582
Total liabilities	38,623
 Total identifiable net assets	 7,223
Add: Goodwill	2,501
Cash consideration transferred for the business	9,724

(d) Acquisition-related costs

There is no any acquisition-related costs in this financial year.

(e) Acquired receivables

The fair value of trade and other receivables is RMB9,495,000 and includes trade receivables with a fair value of RMB4,841,000.

(f) Goodwill

The goodwill of RMB2,501,000 arising from the acquisition of Changshun Transport is attributable to the distribution network in PRC and the synergies expected to arise from the economies of scale in combining the operations of the Group with those of Changshun Transport. The entire goodwill arising from acquisitions is allocated to one cash generating unit (CGU), the transport and logistics business of the Group, which is the transport and logistic service reportable segment.

(g) Revenue and profit contribution

The acquired business contributed revenue of RMB67,099,000 and net profit of RMB3,306,000 to the Group from the period from 12 August 2015 to 31 December 2015.

Had Changshun Transport been consolidated from 1 January 2015, consolidated revenue and consolidated profit for the financial year ended 31 December 2015 would have been RMB1,551,045,000 and RMB43,349,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015 (cont'd)

33 Events occurring after balance sheet date

- (a) On 15 February 2016, the Company announced that its subsidiary, Changshun Transport has increased its paid up share capital from RMB600,000 to RMB30,000,000 through capital injection by Dongming Hengchang. The capital injected by Dongming Hengchang will be used as working capital for Changshun Transport.

The source of the capital injection was through the balance of the Company's IPO proceeds of RMB27,500,000 which was raised during the year 2007 and RMB1,900,000 was through internal resources.

Pursuant to the abovementioned capital injection, the IPO proceeds had been fully utilised as at the date of this announcement.

- (b) On 2 March 2016, the Singapore Exchange has notified the Company that it would be placed on the watch-list due to the Minimum Trading Price ("MTP") Entry Criterion with effect from 3 March 2016.

The Company must take active steps to meet the requirements of Listing Rule 1314(2) within 36 months from 3 March 2016, failing which the Exchange may either remove the Company from the Official List, or suspend trading of the listed securities of the Company with a view to removing the Company from the Official List.

Listing Rule 1314(2) states that the Company will be assessed by the Exchange for removal from the Watch-list if it has remained on the Watch-list for at least 6 months (this will exclude the time spent on the Watch-list due to the Financial Entry Criteria) and records volume-weighted average price of at least S\$0.20 over the last 6 months prior to the date of the Singapore Exchange's review.

34 Reclassifications and comparative figures

Certain reclassifications have been made to the prior year's consolidated statement of cash flow to enhance comparability with the current year's financial statements. The prior year adjustments relate to the reclassification on the amount owing by affiliated companies and the amount owing to affiliated companies from cash flows from operating activities to cash flows from investing activities and cash flows from financing activities respectively. As a result, the figures for the comparatives have been restated as follows:

	Group	
	Previously reported	As restated
	RMB'000	RMB'000
Consolidated Statement of Cash Flow		
Net cash generated from operating activities	181,391	340,087
Net cash generated from/(used in) investing activities	40,039	(297,028)
Net cash generated from financing activities	18,732	197,103
	<u>240,162</u>	<u>240,162</u>

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SHAREHOLDINGS STATISTICS

SINOSTAR PEC HOLDINGS LIMITED Shareholdings Statistics as at 28 March 2016

Number of Issued shares : 640,000,000
 No of Treasury Share Held : Nil
 Class of shares : Ordinary shares fully paid
 Voting rights : One vote of each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	0	0.00	0	0.00
100 - 1,000	105	3.72	100,800	0.02
1,001 - 10,000	1,298	46.01	9,179,400	1.43
10,001 - 1,000,000	1,402	49.70	76,188,200	11.90
1,000,001 and above	16	0.57	554,531,600	86.65
TOTAL	2,821	100.00	640,000,000	100.00

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 28 March 2016, approximately 42.85% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual issued by SGX-ST is complied with.

SHAREHOLDINGS

STATISTICS (cont'd)

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	Intelligent People Holdings Ltd	329,996,000	51.56
2	Phillip Securities Pte Ltd	70,543,800	11.02
3	UOB Kay Hian Pte Ltd	58,695,200	9.17
4	Raffles Nominees (Pte) Ltd	55,099,800	8.61
5	DBS Vickers Securities (S) Pte Ltd	9,071,000	1.42
6	Citibank Nominees Singapore Pte Ltd	7,695,000	1.20
7	DBS Nominees Pte Ltd	6,088,600	0.95
8	See Gim Tee or Sei Kim Hoe	4,046,000	0.63
9	Mok Tian Soon	2,130,200	0.33
10	United Overseas Bank Nominees Pte Ltd	2,111,000	0.33
11	Heng Kheng Long or Cynthia Poa Kheng Bee	2,095,000	0.33
12	Wei Ran	2,017,000	0.32
13	Chia Soon Loi	1,650,000	0.26
14	Chuah Poh Tin	1,200,000	0.19
15	OCBC Nominees Singapore Pte Ltd	1,082,000	0.17
16	See Gim Tee	1,011,000	0.16
17	Aw Yong Sai Chin	1,000,000	0.16
18	Maybank Kim Eng Securities Pte Ltd	975,000	0.15
19	RHB Securities Singapore Pte Ltd	869,200	0.14
20	Weng Tuck Wah	750,000	0.12
TOTAL		558,125,800	87.22

SUBSTANTIAL SHAREHOLDERS

	No. of Shares				Total	
	Direct Interests	%	Deemed Interests	%	Number of Shares	%
Intelligent People Holdings Limited ⁽¹⁾	329,996,000	51.56	784,200	0.12	330,780,200	51.68
Yoof Investments Limited	35,030,000	5.47	-	-	35,030,000	5.47
Li Xiang Ping ⁽²⁾	-	-	330,780,200	51.68	330,780,200	51.68

Note:

⁽¹⁾ Intelligent People Holdings limited is deemed to be interested in 784,200 ordinary shares held under the name of RHB Securities Singapore Pte Ltd.

⁽²⁾ Li Xiang Ping is deemed to be interested in 330,780,200 shares held by Intelligent People Holdings Limited and RHB Securities Singapore Pte Ltd. by virtue of Section 7 of the Companies Act, Cap. 50.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sinostar PEC Holdings Limited (the “**Company**”) will be held at Grand Salon Room Level 2, Conrad Centennial Singapore, 2 Temasek Boulevard Singapore 038982 on Thursday, 28 April 2016 at 9.30 a.m. for the purpose of transacting the following businesses:

As Ordinary Business:

1. To receive and adopt the Directors’ Report and Audited Accounts for the financial year ended 31 December 2015 and the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final exempt (one-tier) dividend of SGD 0.5 cents per share for the financial year ended 31 December 2015. **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to the Company’s Articles of Association:

Mr Zhang Liu Cheng (Article 104) **(See Explanatory Note 1)** **(Resolution 3)**
Mr Wu Guo Zhi (Article 104) **(See Explanatory Note 2)** **(Resolution 4)**
4. To approve the payment of Directors’ Fees of S\$344,000 (2015 S\$344,000) for the financial year ending 31 December 2016, to be paid quarterly in arrears. **(Resolution 5)**
5. To re-appoint RT LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an annual general meeting.

As Special Business:

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. Authority to allot and issue shares in the capital of the Company (“Shares”) – Share Issue Mandate

“That, pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) and Rule 806 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorized and empowered to:

- (A) (i) issue Shares in the Company whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company shall in their absolute discretion deem fit; and

- (B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as at the time of passing of this Resolution);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of convertible securities;
 - (b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares.
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier."

(See Explanatory Note 3)

(Resolution 7)

By Order of The Board

Tan Chee How
Company Secretary

Singapore, 13 April 2016

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Explanatory Notes:

1. Mr Zhang Liu Cheng, if re-elected, will remain as Chief Executive Officer and Executive Director of the Company. The detailed information of Mr Zhang Liu Cheng can be found under the section entitled 'Board of Directors' in the Annual Report.
2. Mr Wu Guo Zhi is a Non Independent, Non-Executive Director of the Company. He also serves as Member of the Investment Committee and Nominating Committee. Upon his re-election, Mr Wu will continue to serve as as Member of the Investment Committee and Nominating Committee. Save as disclosed herein, Mr Wu does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders (as defined in the Singapore Code of Corporate Governance 2012). The detailed information of Mr Wu Guo Zhi can be found under the section entitled 'Board of Directors' in the Annual Report.
3. The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares. In determining the 20% which may be issued other than on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time the Ordinary Resolution 6 is passed.

Notes:

- (i) A Member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.
- (ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- (iii) If the member is a corporation, the instrument appointing the proxy must be under its common seal or the hand of its attorney or a duly authorised officer.
- (iv) The instrument appointing a proxy must be deposited at the registered office of the Company at 80 Raffles Place, #32-01 UOB Plaza, Singapore 048624 not less than 48 hours before the time appointed for holding the Annual General Meeting.

PROXY FORM

ANNUAL GENERAL MEETING

SINOSTAR PEC HOLDINGS LIMITED

Company No. 200609833N

(Incorporated in Singapore with limited liabilities)

IMPORTANT

1. For investors who have used their CPF monies to buy shares in the capital of Sinostar PEC Holdings Limited, this Annual Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (Name)

of _____ (Address)

being a member/members of SINOSTAR PEC HOLDINGS LIMITED (the "Company"), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings %

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings %

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting ("Meeting") of the Company to be held on Thursday, 28 April 2016, at 9.30 a.m. at Grand Salon Room Level 2, Conrad Centennial Singapore, 2 Temasek Boulevard Singapore 038982 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the Financial year ended 31 December 2015		
2	Declaration of Dividend		
3	Re-election of Mr Zhang Liu Cheng as a Director		
4	Re-election of Mr Wu Guo Zhi as a Director		
5	Approval of the payment of Directors' Fees of S\$344,000 for the financial year ending 31 December 2016		
6	Re-appointment of RT LLP as Auditors		
7	Authority to allot and issue shares in the capital of the Company – Share Issue Mandate		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting).

Dated this _____ day of _____ 2016

TOTAL NUMBER OF SHARES IN:	
(a) CDP Register	
(b) Register of Members	

Signature(s) of Shareholder(s) or
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.
3. A proxy need not be a member of the Company.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
5. This proxy form must be deposited at the Company's registered office at 80 Raffles Place, #32-01 UOB Plaza, Singapore 048624 not less than 48 hours before the time set for the Meeting.
6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.

General:

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



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