



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



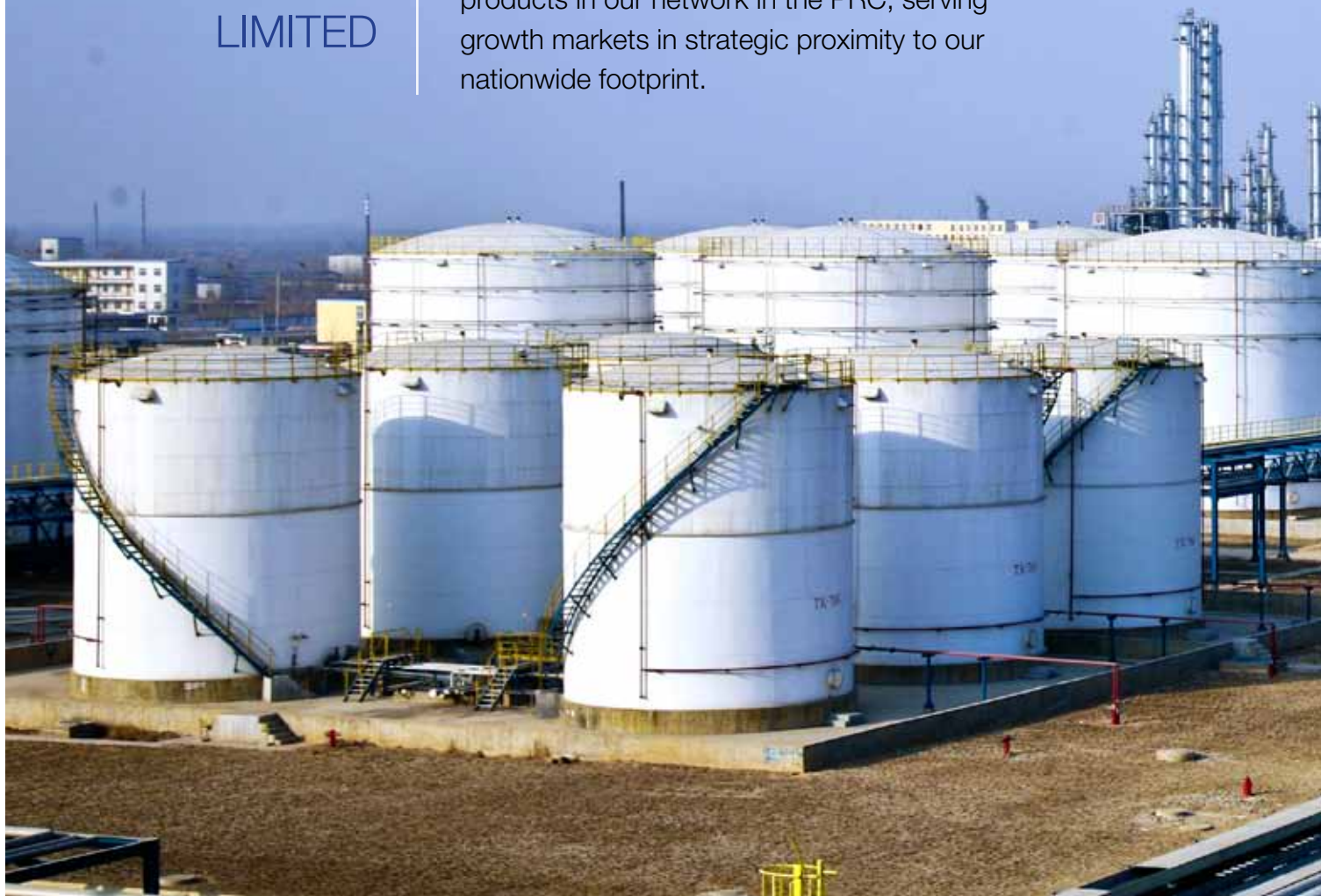
pushing

FRONTIERS



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 400km radius of our production facilities within the Dongming Petrochem Industrial Zone in Dongming County of Shandong Province, PRC. Situated within the Zhongyuan Oilfield - one of PRC's largest oilfields, rich in energy resources and linked by a comprehensive logistics network, our strategic location allows us to reach out to the nearby populous and industrialised provinces such as Shandong, Henan, Anhui, Jiangsu, Shaanxi, Hebei and Zhejiang

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.



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 tonne of gas-fractionation production plants in two locations.

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

Backed by a strong reputation and credible track record for our commitment towards providing quality products and services, our Hengchang brand of polypropylene was named “Shandong Province Famous Trade Mark” and “Shandong Top Brand” in China



our key

PRODUCTS



OUR KEY PRODUCTS



Engaged 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.

Our strategic affiliation with the Shandong Dongming Petrochem Holdings Group, one of the largest privately-owned crude oil refiners in the PRC, ensures a secure and steady supply of raw LPG creating a solid foundation for our Group to continue to build on our existing market leadership position. This affiliation also ensures that the raw LPG we supply is of a consistent quality.

We have annual capacity to process up to 550,000 tonnes of raw LPG and 50,000 tonnes of polymerisation of polypropylene.



LPG

A type of liquefied petroleum gas used as a source of fuel by households and industrial manufacturers. Mainly 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 various industrial applications (i.e. flexible packaging, rigid packaging, automotive and consumer products).





letters to

SHAREHOLDERS



CHAIRMAN'S MESSAGE



In order to achieve our turnaround, the Group focused our efforts on streamlining our business operations – a key move being the re-focus and greater emphasis on the petrochemical business.



Dear Shareholders,

In 2014, the global economy remained in a slump, recovery was slow-paced, and the market remained in a state of uncertainty. Despite this challenging global economic situation, the Group staged a remarkable turnaround – revenue increased from RMB 265 million to RMB 983 million, and we recovered from our losses of RMB 59.9 million in FY2013 to a positive net profit position of RMB 3.7 million for FY2014.

In order to achieve our turnaround, the Group focused our efforts on streamlining our business operations – a key move being the re-focus and greater emphasis on the petrochemical business. In addition, we also built up the capabilities of our other downstream products processing business, and divested our loss-making assets during the period.

As such, we have completed the following corporate transactions:

- (1) the acquisition from subsidiary Dongming Runchang Petrochemical Co., Ltd. the assets of gas fractionation processing installation; which comprise the gas fractionation processing installation and related assets, equipment, storage tanks and other chattels primarily used by Dongming Runchang in its downstream production and supply of petrochemical products, in particular, LPG and propylene; and,
- (2) the disposal of 51% of the equity interest and registered capital of subsidiary Dongming Runchang Petrochemical Co., Ltd.



Following the successful completion of the acquisition and the disposal, the Group is in a good position to now return our focus to the Petrochemical Business which has been our core business prior to venturing into the Other Oil Derivatives Business in 2011.

Our financial results speak for themselves – the streamlining of our assets and emphasis on our core Petrochemical Business have turned our business around in 2014 from a loss to a profitable position.

As such, the Directors firmly believe that our continued focus on the Petrochemical Business would further boost the Group's profitability and financial performance, and we believe this heralds the beginning of better times to come.

OUTLOOK

2015 has been a crucial year for comprehensive reforms in China, and these structural adjustments are expected to be critical to our ongoing steady growth. On 3 March 2015, at the opening ceremony of the 3rd meeting of the 12th National People's Congress, China's Premier Li Ke Qiang shared highlights from the latest "Government Work Report". The report outlines China's targets for economic and social development achievements in 2015, comprising domestic GDP growth of around 7%, an expected rise in consumer prices by about 3%, more than 10 million new urban jobs, maintaining the registered urban unemployment rate within 4.5%, import, export growth of around 6%, balanced international payments, as well as simultaneous income growth and economic development.

As such, China's economy will expect to see steady momentum in its development, and income levels will continue to rise along with consumption levels. Against the Chinese government and public's increasing concerns about the ecological environment, the need for liquefied petroleum gas and other clean energy consumption is forecast to rise substantially. As a result, we also expect consumer demand for our products to increase in tandem.

The Chinese government will continue to invest in and promote the development of the petrochemical industry. With its active review of crude oil import policies currently, we expect there will be more set standards in place to determine the new use of imported crude oil, and promote the oil refining industry. Through its policies refinement, the government will continue to drive greater structural adjustment and industrial upgrading within the country.

As such, we foresee that 2015 will be a year filled with opportunities, but also one where we will invariably face many challenges as well. During this period, we will continue to be vigilant and actively explore opportunities in our industries, and optimise our production processes where possible. We will also seek new ways to drive our revenue and remain vigilant for new profit growth points, so that we can unearth greater benefits for our shareholders. With a healthy cash-flow arising from the disposal of Dongming Runchang, the management will continue to explore expansion opportunities within the petrochemical industry including exploring other core-related businesses.



DIVIDEND

During the 3rd quarter of 2014, the Group completed the acquisition of 300,000 tons per year of gas fractionation and related assets, as well as the sale of a 51% stake in subsidiary Dongming Runchang Petrochemical Co., Ltd as part of our reorganisation plan. The Board therefore recommended and paid one-off interim tax exempted 1-tier dividend of SGD\$0.01 on 17 September 2014.

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 ahead.

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. As well, the board has re-designated Mr. Wu Guo Zhi as a non-executive director of the Company. He remains as a member of the Nominating Committee, Audit Committee and Remuneration Committee.

APPRECIATION

Undoubtedly, we face many more challenges ahead, but we remain cautiously optimistic that both opportunities and challenges will co-exist. We will remain focused on good management of our daily businesses and operations. With a healthy cash-flow, the management will keep a vigilant lookout for opportunities in order to unlock even more value for our shareholders through potential expansion in the petrochemical industry.

We would like to extend our deepest thankfulness to all our shareholders for their confidence, constant encouragement and support. We draw our source of strength and motivation from your support, trust and encouragement. In 2015 and beyond, we give all our shareholders the assurance that we will not rest on our laurels – instead, we will continue to work diligently and deliver more value to everyone.

Last but not least, we also wish to express our utmost gratitude to all our staff. Our achievements would not have been possible without your tireless efforts, your loyalty, dedication and solid teamwork so that we could brave and overcome our challenges together. Thank you to each and every one of you.

May we also take this opportunity to wish one and all a healthy and prosperous 2015.

Li Xiang Ping
Non-Executive Chairman



致股东们的一封信

尊敬的各位股东：

2014年全球经济依旧低迷、复苏缓慢，市场仍然不明朗。在此严峻的经济状态挑战下，集团全年销售收入激增从2.6亿元人民币至9.8亿元人民币，取得了扭亏为盈的业绩；除了弥补往年5980万元的亏损外，还实现了370万元人民币的盈利。

为扭亏为盈和多方探讨，集团董事局进行了一系列的业务运作，把主要精力重新放到石油液化气等下游产品加工业务，着力打造化工产业，把造成集团亏损的原油炼制业务从集团公司剥离出来。为此，我们完成了以下重组工作：

- 1、收购旗下子公司东明润昌化工有限公司液化石油气及丙烯业务，包括气体分馏装置、储运罐区及其他相关设备。
- 2、把恒昌公司持有润昌公司51%的股权转让，将原油炼制业务剥离，实现业务回归。

这两项重组业务完成后，集团的业务回归到我们的核心产业——原料液化气加工及其下游产品生产业务，气体加工业务一直是集团的核心产业。由于中国国内加工的原油主要依赖进口，原油价格受国际原油市场价格波动影响较大，且受政府管控，利润微薄；而原料液化气及其下游产品主要在当地生产和销售，大部分产品都在当地及周边消费，价格波动很小，有较大的利润空间。

大家也都看到了，事实就摆在眼前，原油炼制业务从集团剥离后，在2014年度我们不但实现了扭亏为盈，而且更是实现了370万元的盈利。因此董事局坚信，只要我们抓住了我们的核心业务——原料液化气加工及其下游产品生产业务，集团的盈利能力将会继续提升，集团大发展的序幕才正式拉开。



前景

2015年是全面深化改革的关键之年，是稳增长调结构的紧要之年。3月5日，第十二届全国人民代表大会第三次会议在人民大会堂举行开幕会，国务院总理李克强作《政府工作报告》，报告指出，2015年经济社会发展的主要预期目标是：国内生产总值增长7%左右，居民消费价格涨幅3%左右，城镇新增就业1000万人以上，城镇登记失业率4.5%以内，进出口增长6%左右，国际收支基本平衡，居民收入增长与经济发展同步。

中国经济将保持平稳态势发展，居民收入将不断增加，消费水平不断提升，随着中国政府和人民对生态环境的关注，对液化石油气等清洁能源的消费量预测会大幅增加，消费者对我们产品的需求也会增加。

中国政府将继续推进石化行业发展，正在积极研究原油进口政策，规范有序确定新增进口原油使用企业及用油数量，促进炼油行业淘汰落后、结构调整及产业升级。

2015年充满了机遇，同时也面临诸多挑战，我们将继续保持警惕，在气体化工领域积极探索，继续优化生产工艺流程，节能减排，增收节支，寻求更加合理的加工生产方案；另外，我们也积极通过资本运营等方式，在化工有关领域寻求新的业务增长模式和新的利润增长点，亦能为企业、为股东谋求更大利益。

股息

公司于2014年第三季度完成了30万吨/年气体分馏及相关资产的收购，完成了51%股权的出售等重组计划，集团董事局实施了一次性中期股息派发方案，派发中期股息0.01新加坡元每股。

董事局动向

由于个人原因，樊登朝先生已于2015年1月26日辞去了集团执行总裁职务，董事局在此感谢樊登朝先生在任期间对集团及股东做出的贡献。

董事会已选举并任命张留成先生为集团新执行总裁、和继续担任执行董事。

董事会决议任命赵金庆先生为集团新进独立董事。

董事会决议任命吴国志先生为集团非执行董事，并继续担任提名委员会、审计委员会、薪酬委员会成员。

由衷感谢

尽管未来仍面临诸多挑战，我们坚信机遇与挑战共存，我们仍将保持审慎乐观的态度，一如既往的做好做大集团核心业务，做好集团的日常运营管理。

在此，我们衷心感谢所有股东对我们的信任、鼓励及支持，你们的信任、鼓励及支持是我们前进的动力。在面临机遇和挑战的2015年，我们向诸位股东保证，管理层将继续用心努力工作，把我们的工作做好，业务做强做大，在未来年度里为股东们创造更大的价值。

最后，我们还希望表达我们对员工的谢意，是你们不懈的努力、付出，是你们忠诚的奉献，使我们得以克服挑战，征服困难。借此机会衷心祝愿大家有个回报丰厚而健康的2015年。

李湘平

董事局主席





operations

REVIEW

OPERATIONS REVIEW



We have an annual capacity to process a total of 550,000 tonnes of raw LPG and 50,000 tonnes of polymerisation of polypropylene

FINANCIAL PERFORMANCE

The Group pulled in a set of positive results for the year ended 31 December 2014, its revenue a 271.2% increase from RMB 264.8 million in FY2013 to RMB 982.9 million in FY2014.

PERFORMANCE BY BUSINESS SEGMENTS

Processed LPG

Our sales of processed LPG increased significantly by 262.8% from RMB 181.5 million (re-presented) in FY2013 to RMB 658.5 million in FY2014. The increase is mainly attributable to increase in output contributed from the gas fractionation installation plant acquired.

The total volume produced and sold for the year also soared as a result of the completion of its gas fractionation installation in Q3 2014 and therefore production capacity is able to run at optimal level, and a spillover effect from Q2 where the Group's strategic supplier, Dongming Zhongyou Fuel and Petrochemical Company Limited ("Dongming Zhongyou") activated its production and therefore there is sufficient volume to be produced simultaneously in both installation plants.

Propylene

Revenue from our propylene business increased by 347.2% from RMB 24.0 million in FY2013 to RMB 107.6 million in FY2014, and the total volume of propylene produced and sold increased by 320.1% from FY2013. This year, price variances between the average selling prices over average cost of sale were contributing factors to the overall increase.

As propylene is usually used for further processing into polypropylene, only excess volume will be sold to markets, which typically results in a minority percentage of contribution to overall revenue.

Polypropylene

Revenue for sales of polypropylene grew 266.1% to RMB 216.8 million in FY2014, up from RMB 59.2 million (re-presented) a year ago. The increase is mainly due to volume produced and sold which increased by 7.7% as compared to FY2013.

PROFITABILITY

With the improved performances of both our LPG and propylene business segments as a result of our consolidation strategy executed over the past year especially disposed the lost-making oil derivative business, we were able to successfully steer the Group to a positive net profit position of RMB 3.7 million for the year, as compared to a net loss of RMB 59.9 million in FY2013.

With the completion of the gas fractionation installation at Dongming Runchang in Q3 2014, we are able to continue to secure the raw materials supplies for our gas fractionation installation plants located at two different sites.

Correspondingly, as a result of the improved sales performance this year, the Group's gross profit also jumped from RMB 0.8 million in FY2013 to RMB 33.4 million in FY2014.

During the year in review, the Group placed the cash from the sale proceed

from the disposal of Dongming Runchang and returned of entrusted loan as fixed deposits with financial institutions and as such, the interest earned stood at RMB 3.1 million. Distribution costs increased by 18.6% from RMB 3.9 million in FY2013 to RMB 9.8 million. Administrative expenses also increased marginally by 7.2% to RMB 9.7 million due mainly to the professional costs incurred from the disposal of Dongming Runchang, at approximately RMB 900,000 in total.

BALANCE SHEET

For the full year ended 31 December 2014, the Group pared down its inventories to RMB 30.4 million following the completion of the disposal of subsidiary, Dongming Runchang Petrochemical Co., Ltd. during the financial year. In the past, inventories comprise largely gasoline and diesel products that stocked by Dongming Runchang.

Trade and other receivables also declined from RMB 169.7 million to RMB 9.1 million during the year.

The total amount owed by related parties in FY2014 amounted to RMB 59.2 million, comprising RMB 28.1 million from Shandong Dongming Petrochem Group Hengji Chemical Co., Ltd., RMB 5.3 million from Shandong Dongming Lishu Petrochem Co., Ltd., as well as an advance payment of RMB 25.8 million to Dongming Zhongyou Fuel and Petrochemical Co., Ltd. for purchase of raw materials. Amounts owing have been either collected or offset with raw materials purchase in the subsequent months. The Group's reserves remained at RMB 41.6 million in FY2014 for the provision of statutory reserves in Dongming Hengchang.

Bank borrowings which incurred by Dongming Runchang, was being transferred to the acquirer as part of the equity sale and purchase agreement.

CASH FLOW

As at 31 December 2014, the Group generated net cash inflow of RMB 181.4 million from operating activities compared to RMB 62.6 million in FY2013, which was

mainly due to the decrease in inventories and offset by both the increases in operating receivables and payables.

Net cash generated from investing activities were mainly due to the net proceeds of RMB 114.4 million from the disposal of Dongming Runchang offset by acquisition of plant and equipments amounted to RMB 75.0 million.

Net cash generated from financing activities were mainly due to the discharge of a bank borrowing and offset by the payment of interim dividend by the group during FY2013.

As a result, the Group's free cash flow increased from RMB 86.8 million in FY2013 to approximately RMB 327.0 million, comprising mainly RMB 126.9 million in bank balances, and RMB 200 million in fixed deposits.

OUTLOOKS

The ongoing global environment is volatile due to uncertainty in many aspects, and may inadvertently impact the business environment in PRC at the same time. The management is of the view that the operating environment is likely to remain erratic in FY2015, but our streamlined business model will allow us to remain nimble and easily responsive to changes where they are required.

There are indications that the outlook for the petrochemical industry in the PRC appears to be on an uptrend with an eminent recovery in sight. Nevertheless the Group will keep a tight watch on its cost control measures and look out for complementary expansion opportunities within the petrochemicals sector and also in the core related businesses. The Group will also continue to work closely with all its strategic and business partners.

Zhang Liu Cheng
CEO and Executive Director

BOARD OF DIRECTORS



LI XIANG PING
Non-Executive Chairman

Mr Li Xiang Ping started his career as an accountant in 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 incharge 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 annually 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 accountant 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.



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 in 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 hold directorship in Vive Capital Pte. Ltd and is involved in 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 in 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 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 vicepresident 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 started his career in 1970 in the Lanzhou Military Region. In 1986, he went on to join International Trade Administrative Bureau of the State Economic and Trade Commission. Between 1993 and 2014, Mr Zhao took on various positions within 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 in 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 Economic Profession Accreditation Committee in October 2002.

TAN YEW CHEE WILLIAM

Chief Financial Officer

Mr William Tan is responsible for the 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

	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
REVENUE & PROFITABILITY					
Sales	984,110	4,342,155*	5,480,531*	6,286,351*	982,972
Gross Profit / (Loss)	78,641	24,486	(132,874)	(20,461)	33,439
Net Profit / (Loss)	53,797	(12,018)	(156,273)	(59,871)	3,701
FINANCIAL STRENGTH					
Cash & cash equivalents	405,888	376,728	86,803	86,792	326,954
Short-term Debt & borrowings	-	-	100,000	50,000	-
Net current assets	377,399	367,617	261,155	241,233	419,178
Shareholders' equity	642,492	632,875	557,788	532,852	500,988
CASH FLOW					
Operating cash flow	23,438	40,092	(340,398)	62,594	181,391
Investing cash flow	(352,068)	195,624	(47,972)	(12,605)	40,039
Financing cash flow	97,917	(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)	9.09	1.01	(11.73)	(3.89)	NM
Net asset value per share (RMB cents)	100.39	98.89	87.15	83.25	78.28
Net cash value per share (RMB cents)	63.42	58.86	13.56	13.56	51.09
Divident yield	2.5%	na	na	na	13.22%
Total Market Capitalisation	\$128,000	\$128,000	\$70,400	\$48,640	\$48,384
MARKET PRICE					
High	\$0.275	\$0.270	\$0.220	\$0.136	\$0.095
Low	\$0.160	\$0.170	\$0.108	\$0.012	\$0.050
Closing	\$0.200	\$0.200	\$0.110	\$0.076	\$0.076

* Including the results of Dongming Runchang Petrochemical Co. Ltd.

NM - Not meaningful

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

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 in Financial Year 2014)

LEGAL ADVISERS TO THE COMPANY ON PRC LAW

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

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 FY2014 in keeping pace with the evolving corporate governance practices and complying with the 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 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 2014, 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 three committees namely, the Audit Committee (“AC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”) 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	
Name of Directors	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	3	4	3	1	-	1	-
Fan Dengchao ¹	4	4	4	-	1	-	1	-
Zhang Liu Cheng ²	4	4	4	-	1	-	1	-
Teo Moh Gin	4	4	4	4	1	1	1	1
Wu Guozhi	4	3	4	4	1	1	1	1
Zhao Jinqing ³	4	-	4	-	1	-	1	-

Note:

- (1) Mr Fan Dengchao resigned as Chief Executive Officer and Executive Director of the Company on 26 January 2015.
- (2) Mr Zhang Liu Cheng appointed as Chief Executive Officer with effects from 7 March 2015 and continues as Executive Director of the Company.
- (3) Mr Zhao Jinqing 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

There was no new director appointed in FY2014. 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.

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.

CORPORATE GOVERNANCE REPORT (Cont'd)

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.

Principle 2: BOARD COMPOSITION AND GUIDANCE

Currently, the Board comprises one Executive Directors, one Non-Executive Director, two Independent Non-Executive Directors and one 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
Li Xiang Ping	Non-Executive (Chairman)	Member	Member	Member
Zhang Liu Cheng	Executive (CEO)	-	-	-
Teoh Moh Gin	Independent Non-Executive	Chairman	-	Chairman
Wu Guo Zhi	Non-Executive	-	Member	-
Zhao Jinjing	Independent Non-Executive	Member	Chairman	Member

Board Independence

The criterion of independence is based on the guidelines provided in the 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. The independence of each Independent Non-Executive Director will be reviewed annually by the NC. For FY 2014, 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.

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.

CORPORATE GOVERNANCE REPORT (Cont'd)

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 Non- Executive Chairman.

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.

CORPORATE GOVERNANCE REPORT (Cont'd)

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: 52	Non-Executive Chairman	6 July 2006	26 April 2012	None	None
Zhang Liu Cheng Age: 43	Chief Executive Officer and Executive Director	6 July 2006	26 April 2013	None	None
Wu Guozhi Age: 64	Non - Executive Director	27 April 2011	28 April 2014	None	None
Teo Moh Gin Age: 56	Independent Non-Executive Director	29 June 2007	26 April 2013	Changjiang Fertilizers Holdings Limited Cedar Strategic Holdings Ltd	YangZhiJiang Shipbuilding Holdings Ltd Asia Fashion Holdings Ltd Chinasun Biochemical Holding Ltd
Zhao Jinqing Age: 57	Independent Non-Executive Director	7 March 2015	Nil	None	None

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 9 years period. 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.

CORPORATE GOVERNANCE REPORT (Cont'd)

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 Teo Moh Gin and Mr Li Xiang Ping 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. In addition, Mr Zhao Jinqing who is appointed as Independent Non-Executive Director on 7 March 2015, will be retiring and eligible for re-election pursuant to the Article 114 of the Articles of Association. The key information on Mr Teo Moh Gin, Mr Li Xiang Ping and Mr Zhao Jinqing 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 20 and 21 of the Annual Report.

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 2014, individual assessment of directors had been conducted at the NC meeting held on 27 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 the 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 Jinqing
Li Xiang Ping

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

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.

CORPORATE GOVERNANCE REPORT (Cont'd)

The Executive Directors do not receive Directors' fees. The remuneration packages of the Executive Directors include a basic salary.

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.

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 2015, 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 2015.

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 2014 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
Fan Deng Chao ⁽³⁾	85.7	14.3	-	100
Zhang Liu Cheng	84.7	15.3	-	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 William	75	25	-	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.
- (3) Mr Fan Deng Chao resigned as Chief Executive Officer and Executive Director of the Company on 26 January 2015. His remuneration is calculated up to 31 January 2015.

The Company has not disclosed exact details of the remuneration of its directors and executive officers as it is not in the best interests of the Company and the employees to disclose such details due to the sensitive nature of such information.

In aggregate, the total remuneration paid to the top five key management personnel in financial year ended 2014 is approximately S\$236,000.

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 2014.

The Company has not implemented any employee share scheme during the financial year ended 31 December 2014.

CORPORATE GOVERNANCE REPORT (Cont'd)

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.

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.

A summary of the interested person transactions for FY2014 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)
Dongming Zhongyou Fuel and Petrochemical Company Limited (东明中油燃料石化有限公司)		
— Purchase of raw LPG;	RMB293,213,296	RMB 692,010,313
— Prepayment for raw materials	RMB 39,000,000	RMB 465,000,000
— Contract processing fee	RMB 85,287,848	-
— Payment made for the purchase of heavy oil	RMB2,692,584,155	-
— Sale of steam gas	RMB1,269,230	-
Shandong Dongming Petrochem Group Co., Ltd. (山东东明石化集团有限公司)		
— Payment of utilities supplied	RMB7,406,085	RMB11,212,802

CORPORATE GOVERNANCE REPORT (Cont'd)

Shandong Dongming Petrochem Group Hengji Chemical Company Limited (山东东明恒基化工有限公司)		
— Sales of LPG	RMB50,727,242	
— Sales of steam gas	RMB 5,363,714	RMB 58,654,869
Dongming Runbang Petrochemical Co., Ltd. (山东东明润邦化工有限公司)		
— payment of utilities supplied	RMB25,904,078	-
— Contract processing	RMB65,469,311	-
— Sale of steam gas	RMB10,095,055	-
Dongming Runchang Petrochemical Co., Ltd. (东明润昌化工有限公司)		
— Purchase of LPG;	-	RMB 122,122,080
— payment of utilities supplied	-	RMB 5,827,604
Shandong Dongming Lishu Petroleum Co., Ltd (山东东明梨树化学有限公司)		
— Sales of LPG	RMB 203,235,820	RMB146,409,921
Dongming Petroleum Distribution Co., Ltd. (东明石化经销有限公司)		
— Consignment fee	RMB 4,022,251	-

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 2014, 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 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.

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.

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.

CORPORATE GOVERNANCE REPORT (Cont'd)

For the year ended 31 December 2014, the amount of audit fees paid or payable to external auditors of the Group amounted to S\$100,000. 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.

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 2014 is as follows:

	RMB (million)
Net IPO proceeds	278.5
Equity contribution in subsidiary company	(255.0)
Balance cash and equivalent at bank	23.5

On 2 September 2014, the Company declared the distribution of one-off interim dividend of SGD0.01 per ordinary share. The dividend payment was made on 17 September 2014.

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.

CORPORATE GOVERNANCE REPORT (Cont'd)

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.

(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

CORPORATE GOVERNANCE REPORT (Cont'd)

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.

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 and RC 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' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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 2014 and the statement of financial position of the Company as at 31 December 2014.

Names of directors

The directors of the Company in office at the date of this report 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) (Appointed on 7 March 2015)

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:

	Holdings registered in the name of director or nominee		Holdings in which director is deemed to have an interest	
	As at 1 January 2014	As at 31 December 2014 and 21 January 2015	As at 1 January 2014	As at 31 December 2014 and 21 January 2015
The Company - <u>Sinostar PEC Holdings Limited</u> (Ordinary shares with no par value)				
Li Xiang Ping	-	-	329,996,000	329,996,000
Zhang Liu Cheng	200,000	200,000	-	-
Teo Moh Gin	100,000	100,000	-	-
Holding company - <u>Intelligent People Holdings Limited</u> (Ordinary shares of US\$1 each)				
Li Xiang Ping	7,195	7,195	-	-
Fan Deng Chao (Resigned on 23 January 2015)	1,297	-	-	-

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.

There are no changes to the above shareholdings as at 21 January 2015.

DIRECTORS' REPORT (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Directors' benefits

Since the end of the previous financial year, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed under Section 201(8) of the Singapore Companies Act, Chapter 50, except for salaries, bonuses and fees and those benefits that are disclosed in Note 18(c) and Note 18(e) to the financial statements.

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 (Appointed on 7 March 2015)
Li Xiang Ping

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 2014 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.

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.



DIRECTORS' REPORT (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Independent Auditor

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

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.

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

On behalf of the Directors

LI XIANG PING
DIRECTOR

ZHANG LIU CHENG
DIRECTOR

Dated: 6 April 2015

STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

In the opinion of the directors, the accompanying 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 state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date, and 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.

On behalf of the Directors

LI XIANG PING
DIRECTOR

ZHANG LIU CHENG
DIRECTOR

Dated: 6 April 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINOSTAR PEC HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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 2014, 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, Chapter 50 (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 profit and loss accounts and balance sheets 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 state of affairs of the Group and of the Company as at 31 December 2014, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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, 6 April 2015

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

		The Group			The Company	
	Note	2014 RMB'000	2013 RMB'000 (Re-presented) (Note 32)	2012 ⁽¹⁾ RMB'000 (Re-presented) (Note 32)	2014 RMB'000	2013 RMB'000
ASSETS						
Non-current						
Property, plant and equipment	5	81,810	382,838	432,779	-	-
Land use rights	6	-	376	384	-	-
Subsidiaries	7	-	-	-	250,041	250,041
		81,810	383,214	433,163	250,041	250,041
Current						
Inventories	8	30,408	377,902	271,135	-	-
Trade and other receivables	9	9,075	169,724	539,598	24	-
Amount owing by a subsidiary	7	-	-	-	30,007	35,735
Amounts owing by affiliated companies	10	59,224	5,065	11,834	-	-
Cash and bank balances	11	326,954	86,792	86,803	913	5,166
		425,661	639,483	909,370	30,944	40,901
Total assets		507,471	1,022,697	1,342,533	280,985	290,942
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	12	316,125	316,125	316,125	316,125	316,125
Retained earnings/(Accumulated losses)	13	143,257	181,829	219,597	(35,640)	(29,540)
Other reserves	14	41,606	41,606	40,024	-	-
		500,988	539,560	575,746	280,485	286,585
Non-controlling interests		-	94,887	118,572	-	-
Total equity		500,988	634,447	694,318	280,485	286,585
Liabilities						
Current						
Trade and other payables	15	6,205	41,797	42,923	500	925
Bank borrowings	16	-	50,000	100,000	-	-
Amount owing to a subsidiary	7	-	-	-	-	3,432
Amounts owing to affiliated companies	17	278	296,453	505,292	-	-
		6,483	388,250	648,215	500	4,357
Total equity and liabilities		507,471	1,022,697	1,342,533	280,985	290,942

⁽¹⁾ As at 31 December 2012 and 1 January 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RMB'000	2013 RMB'000 (Re-presented) (Note 32)
Continuing operations			
Revenue	4	982,972	264,804
Cost of sales		(949,533)	(258,259)
Gross profit		33,439	6,545
Other income	18(a)	3,056	692
Distribution costs	18(b)	(4,666)	(3,935)
Administrative expenses	18(c)	(9,679)	(9,032)
Other operating expenses	18(d)	(20)	(5,805)
Profit/(Loss) before taxation from continuing operations	19	22,130	(11,535)
Taxation	20	-	-
Profit/(Loss) from continuing operations, net of tax		22,130	(11,535)
Discontinued operation			
Loss from discontinued operation	21	(18,429)	(48,336)
Profit/(Loss) representing total comprehensive income for the financial year		3,701	(59,871)
Attributable to :			
Equity holders of the Company		(7,304)	(36,186)
Non-controlling interests		11,005	(23,685)
Net profit/(loss), representing total comprehensive income for the financial year		3,701	(59,871)
Equity holders of the Company:			
Continuing operations		22,130	(11,535)
Discontinued operation		(29,434)	(24,651)
Net loss, representing total comprehensive income for the financial year attributable to equity holders of the Company		(7,304)	(36,186)
Non-controlling interests:			
Continuing operations		-	-
Discontinued operation		11,005	(23,685)
		11,005	(23,685)
		RMB cents	RMB cents
Earnings/(loss) per share	22		
Continuing operations			
- Basic		3.46	(1.80)
- Diluted		3.46	(1.80)
Discontinued operation			
- Basic		(4.60)	(3.85)
- Diluted		(4.60)	(3.85)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Share capital	Retained earnings	Other reserves			Attributable to equity holders of the Company	Non- controlling interests	Total
			Statutory common reserve	Voluntary common reserve	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2013 (Note 32)	316,125	219,597	39,227	797	40,024	575,746	118,572	694,318
Net loss, representing total comprehensive income for the year (Note 32)	-	(36,186)	-	-	-	(36,186)	(23,685)	(59,871)
Transfer to statutory common reserve	-	(1,582)	1,582	-	1,582	-	-	-
Balance as at 31 December 2013 (Note 32)	316,125	181,829	40,809	797	41,606	539,560	94,887	634,447
Net profit, representing total comprehensive income for the year	-	(7,304)	-	-	-	(7,304)	11,005	3,701
Dividends paid (Note 24)	-	(31,268)	-	-	-	(31,268)	-	(31,268)
On disposal of a subsidiary	-	-	-	-	-	-	(105,892)	(105,892)
Balance as at 31 December 2014	316,125	143,257	40,809	797	41,606	500,988	-	500,988

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 RMB'000	2013 RMB'000 (Re-presented)
Cash Flows from Operating Activities		
Profit/(Loss) from continuing operations, net of tax	22,130	(11,535)
Loss from discontinued operations, net of tax (Note 21)	(18,429)	(48,336)
Profit/(Loss) for the year	3,701	(59,871)
Adjustments for:		
Depreciation of property, plant and equipment	38,826	55,000
Amortisation of land use rights	4	8
Property, plant and equipment written off	73,978	64
Write down of inventories to net realisable value	2,299	-
Interest expense	-	6,104
Interest income	(3,056)	(873)
Loss on disposal of a subsidiary (Note B)	40,887	-
Operating profit before working capital changes	156,639	432
Decrease/(Increase) in inventories	149,553	(106,767)
(Increase)/Decrease in operating receivables	(298,672)	380,302
Increase/(Decrease) in operating payables	173,871	(205,269)
Cash generated from operations	181,391	68,698
Interest paid	-	(6,104)
Net cash generated from operating activities	181,391	62,594
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment (Note A)	(75,011)	(13,491)
Proceed from disposal of property, plant and equipment	-	13
Disposal of a subsidiary, net of cash disposed of (Note B)	114,403	-
Interest received	647	873
Net cash generated from/(used in) investing activities	40,039	(12,605)
Cash Flows from Financing Activities		
Repayment of bank borrowings	-	(50,000)
Proceed from additional bank borrowings	50,000	-
Dividends paid	(31,268)	-
Net cash generated from/(used in) financing activities	18,732	(50,000)
Net Increase/ (Decrease) in cash and bank balances	240,162	(11)
Cash and bank balances at beginning of financial year	86,792	86,803
Cash and bank balances at end of financial year (Note 11)	326,954	86,792

Note A:

Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RMB75,011,000 (2013: RMB5,136,000). Cash payments of RMB75,011,000 (2013: RMB13,491,000) were paid to suppliers for purchase of property, plant and equipment. In 2013, of these cash payment, RMB3,659,000 were advances paid to supplies (Note 9) [2013: RMB4,371,000; 2012: RMB712,000] whilst another cash payment of RMB4,696,000 was paid for amount owing to supplies of property, plant and equipment (Note 15), [2013: nil; 2012: RMB4,696,000].

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

Note B:

During the financial year, the Group disposed of its 51% owned subsidiary, Dongming Runchang Petrochemical Co., Ltd. ("Dongming Runchang") for a cash consideration of RMB 116,067,000. 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 off	262,846
Non-controlling interest	(105,892)
Loss on disposal	(40,887)
Sales proceeds from disposal	116,067
Less: Cash and cash equivalents in subsidiary disposed of	(1,664)
Net cash inflow on disposal	114,403

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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 2014 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations to FRS ("INT FRS") promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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 the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements 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 critical accounting estimates and assumptions used and areas involving a higher degree of judgement are described below:

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 2014 is RMB 81,810,000. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

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

Critical judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, which are described in Note 3 to the financial statements, management had made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

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.

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.

2(b) Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Company and the Group adopted the new or amended FRS and INT FRS that are mandatory for application from that date. Changes to the Company's and 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 Company's and the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

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 2015 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 2015

- Amendments to FRS 19: Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014)
- Various improvements to FRSs (January 2014)
 - Amendment to FRS 103 Business Combinations
 - Amendments to FRS 108 Operating Segments
 - Amendment to FRS 16 Property, Plant and Equipment
 - Amendment to FRS 24 Related Party Disclosures

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

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

- Various improvements to FRSs (February 2014)
 - Amendment to FRS 103 Business Combinations
 - Amendments to FRS 113 Fair Value Measurement

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

- Amendments to FRS 1: Disclosure Initiative
- Amendments to FRS 27: Equity Method in Separate Financial Statements
- Various improvements to FRSs (November 2014)
 - Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations
 - Amendments to FRS 107 Financial Instruments: Disclosures
 - Amendments to FRS 19 Employee Benefits
 - Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

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

- FRS 115 Revenue from Contracts with Customers

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

- 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.

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, 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 noncontrolling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

3 Summary of significant accounting policies (cont'd)

Group accounting (cont'd)

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 in a separate reserve within equity attributable to the equity holders of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

3 Summary of significant accounting policies (cont'd)

Property, plant and equipment and depreciation (cont'd)

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 books of accounts 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.

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.

Where a production process result in more than one product being produced simultaneously, such when there is a main product and a by-product, and when the costs of conversion of each product are not separately identifiable, they are allocated between the products using their relative sales value or net realisable value, where applicable.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

3 Summary of significant accounting policies (cont'd)

Financial assets (cont'd)

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 statement 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.

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. These are classified as non-current assets.

Loans and receivables include trade and other receivables, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

3 Summary of significant accounting policies (cont'd)

Related parties (cont'd)

- b) An entity is related to the Group and the Company if any of the following conditions applies: (cont'd)
- (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).

Cash and bank balances

Cash and bank balances include cash on hand and 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 profit, 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.

Financial liabilities

The Group's financial liabilities include trade payables and other payables, amount owing to a subsidiary, amounts owing to affiliated companies and bank borrowings.

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.

Borrowings were recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings were subsequently stated at amortised cost which was the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value was taken to profit or loss over the period of the borrowings using the effective interest method. The interest expense was chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

3 Summary of significant accounting policies (cont'd)

Financial liabilities (cont'd)

Borrowings which were due to be settled within twelve months after the end of reporting period were included in current borrowings in the consolidated statement of financial position even though the original terms were for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis was completed after the end of the reporting period. Borrowings to be settled within the Group's normal operating cycle were classified as current. Other borrowings due to be settled more than twelve months after the end of the reporting period were included in non-current borrowings in the consolidated statement of financial position.

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.

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 or 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

3 Summary of significant accounting policies (cont'd)

Income taxes (cont'd)

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.

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. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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 consolidated statement 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

3 Summary of significant accounting policies (cont'd)

Impairment of non-financial assets (cont'd)

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

3 Summary of significant accounting policies (cont'd)

Employee benefits (cont'd)

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 and certain general managers are considered key management personnel.

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.

Financial instruments

Financial instruments carried on the statements of financial position include cash and bank balances, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

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 board committee whose members are responsible for allocating resources and assessing performance of the operating segments.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

4 Revenue

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

	2014 RMB'000	2013 RMB'000 (re-presented)
The Group		
Liquefied petroleum gas	658,521	181,524
Propylene	107,671	24,073
Polypropylene	216,734	59,207
Others	46	-
	982,972	264,804

5 Property, plant and equipment

	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
The Group						
Cost						
Balance as at 1 January 2013	30,379	487,408	10,183	329	45,090	573,389
Additions	1,250	3,618	196	-	72	5,136
Disposals	-	(21)	-	-	-	(21)
Written off	-	-	(633)	-	(3)	(636)
Balance as at 31 December 2013	31,629	491,005	9,746	329	45,159	577,868
Additions	3,729	61,335	9,788	87	72	75,011
Written off	-	(105,117)	(93)	(121)	(2,666)	(107,997)
On disposal of a subsidiary	(25,268)	(325,656)	-	(146)	(42,413)	(393,483)
Balance as at 31 December 2014	10,090	121,567	19,441	149	152	151,399
Accumulated depreciation						
Balance as at 1 January 2013	7,210	109,571	8,736	262	14,831	140,610
Depreciation for the year						
- continuing operations (Note 19)	446	3,621	483	12	-	4,562
- discontinued operations	1,154	40,367	257	-	8,660	50,438
	1,600	43,988	740	12	8,660	55,000
Disposal	-	(8)	-	-	-	(8)
Written off	-	-	(569)	-	(3)	(572)
Balance as at 31 December 2013	8,810	153,551	8,907	274	23,488	195,030
Depreciation for the year						
- continuing operations (Note 19)	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

5 Property, plant and equipment (cont'd)

	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
The Group						
Written off	-	(32,037)	(53)	(111)	(1,818)	(34,019)
On disposal of a subsidiary	(3,942)	(99,579)	-	(141)	(26,586)	(130,248)
Balance as at 31 December 2014	5,968	52,847	10,586	44	144	69,589
Carrying amount						
Balance as at 31 December 2014	4,123	68,719	8,855	105	8	81,810
Balance as at 31 December 2013	22,819	337,454	839	55	21,671	382,838
					Electronic system and equipment RMB'000	
The Company						
Cost						
Balance as at 31 December 2013 and 31 December 2014						19
Accumulated depreciation						
Balance as at 31 December 2013 and 31 December 2014						19
Carrying amount						
Balance as at 31 December 2014						-
Balance as at 31 December 2013						-

	The Group		The Company	
	2014 Continuing operations RMB'000	2013 Discontinued operation RMB'000	2014 Continuing operations RMB'000 (Re-presented)	2013 Discontinued operation RMB'000 (Re-presented)
Depreciation expense charged to:				
Cost of sales	9,098	29,636	2,582	50,258
Administrative expenses [Note 18(c)]	9	83	11	180
Other operating expenses [Note 18(d)]	-	-	1,969	-
	9,107	29,719	4,562	50,438

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

6 Land use rights

	2014 RMB'000	2013 RMB'000
The Group		
Cost		
Balance at beginning of the year	395	395
On disposal of a subsidiary	(395)	-
Balance at end of the year	-	395
Accumulated amortisation		
Balance at beginning of the year	19	11
Additions (Note 19)	4	8
On disposal of a subsidiary	(23)	-
Balance at end of the year	-	19
Carrying amount		
At end of the year	-	376

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

7 Subsidiaries

	2014 RMB'000	2013 RMB'000
The Company		
Investment in subsidiaries	250,041	250,041
Amount owing by a subsidiary	30,007	35,735
Amount owing to a subsidiary	-	(3,432)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

7 Subsidiaries (cont'd)

The Group has the following investment in subsidiaries:

Name activities	Country of incorporation/ principal place of business	Cost of investment		Effective percentage of equity held		Principal
		2014	2013	2014	2013	
		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 Runchang Petrochemical Co., Ltd. ⁽¹⁾⁽²⁾ (东明润昌化工有限公司) ("Dongming Runchang")	The People's Republic of China	-	-	-	51%	Manufacture and sale of LPG and diesel, gasoline, propylene and other oil derivatives
		250,041	250,041			

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

⁽²⁾ Disposed of on 26 August 2014

The amount owing by a subsidiary relates to unsecured advances and accrued interest on the advances, both of which are repayable by 28 November 2015 (2013 : 28 November 2014). Interest is charged at 3% (2013 : 3%) per annum. The carrying value approximates the fair value of the advances.

The amount owing to a subsidiary related to unsecured advances for costs incurred on Initial Public Offering. The amount was interest-free and was fully repaid during the financial year. The carrying value approximated the fair value of the advances.

The amount owing by a subsidiary is denominated in Chinese RMB.

The amount owing to a subsidiary was denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

7 Subsidiaries (cont'd)

Interest in subsidiaries with material non-controlling interest (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held controlling interest	Profit /(Loss) allocated to NCI during the reporting period RMB'000	Accumulated NCI at the end of reporting period RMB'000	Dividends paid to NCI RMB'000
31 December 2014: Dongming Runchang Petrochemical Co., Ltd. ⁽¹⁾⁽²⁾ (东明润昌化工有限公司) ("Dongming Runchang")	The People's Republic of China	-	11,005	-	-
31 December 2013: Dongming Runchang Petrochemical Co., Ltd. ⁽¹⁾⁽²⁾ (东明润昌化工有限公司) ("Dongming Runchang")	The People's Republic of China	49%	(23,685)	114,922	-

Summarised financial information about subsidiaries with material NCI

Summarised financial information including consolidation adjustment but before intercompany eliminations of subsidiaries with material non-controlling interest are as follows:-

Summarised balance sheets

	Dongming Runchang Petrochemical Co Ltd	
	2014	2013
	RM'000	RM'000
Current		
Asset	-	540,832
Liabilities	-	(626,463)
Net current liabilities	-	(85,631)
Non-current		
Assets	-	363,779
Liabilities	-	(50,000)
Net non-current assets	-	313,779
Net assets	-	228,148

Summarised statement of comprehensive income

	Dongming Runchang Petrochemical Co Ltd	
	2014	2013
	RM'000	RM'000
Revenue	3,658,543	6,108,455
Profit/(loss) before tax	34,699	(59,816)
Taxation	-	-
Total comprehensive income	34,699	(59,816)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

8 Inventories

	2014 RMB'000	2013 RMB'000
The Group		
Raw materials	8,771	15,283
Work-in-progress	-	801
Finished goods	23,936	361,818
	32,707	377,902
Less:		
Allowance for inventories		
Balance at beginning of the year	-	(1,900)
Write down of inventories to net realisable value (Note 19)	(2,299)	-
Reversal of write-down of inventories (Note 19)	-	1,900
Balance at end of the year	(2,299)	-
Inventories at net realisable value	30,408	377,902
Inventories charged to cost of sales	949,533	258,259

During the financial year, the cost of inventories recognised as an expense includes RMB2,299,000 in respect of write-downs of inventories to net realisable value.

During the previous financial year, the reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts.

9 Trade and other receivables

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade receivables	5,329	21,621	-	-
VAT receivable	726	120,997	-	-
Advances made to suppliers of raw materials	587	21,769	-	-
Advances made to suppliers of property, plant and equipment	-	4,371	-	-
Advances made to staff	-	5	-	-
Prepayments	24	-	24	-
Interest receivables	2,409	-	-	-
Other taxes receivables	-	961	-	-
	9,075	169,724	24	-

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

	2014 RMB'000	2013 RMB'000
The Group		
Current (within 30 days)	5,329	21,621

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

9 Trade and other receivables (cont'd)

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

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 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	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollar	24	-	24	-
Renminbi	9,051	169,724	-	-
	9,075	169,724	24	-

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.

The amounts owing by affiliated companies which are denominated in RMB have been fully settled via cash settlement in January 2015.

11 Cash and bank balances

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	100	82	91	43
Bank balances	126,854	86,307	822	4,720
Fixed deposit	200,000	403	-	403
	326,954	86,792	913	5,166

The fixed deposit earned interest at 3.08%-3.30% (2013 : 0.19%) per annum have maturity of 6 months to 1 year (2013 : 1 year).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

11 Cash and bank balances (cont'd)

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollar	913	5,154	913	5,154
United States dollar	-	12	-	12
Renminbi	326,041	81,626	-	-
	326,954	86,792	913	5,166

12 Share capital

	No. of shares		Amount	
	2014	2013	2014	2013
			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.

13 Retained earnings / (Accumulated losses)

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
		(Re-presented)		
Retained earnings/(Accumulated losses)				
- Balance at beginning of the year	181,829	219,597	(29,540)	(6,949)
- Total comprehensive income for the financial year	(7,304)	(36,186)	25,168	(22,591)
Dividends paid	(31,268)	-	(31,268)	-
Transfer from statutory common reserve	-	(1,582)	-	-
Balance at end of the year	143,257	181,829	(35,640)	(29,540)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

14 Reserves

	2014 RMB'000	2013 RMB'000
The Group		
Reserves comprised the following:		
Statutory common reserve		
- Balance at beginning of financial year	40,809	39,227
- Transfer from retained earnings	-	1,582
- Balance at end of the year	40,809	40,809
Voluntary common reserve		
- Balance as at beginning and end of the year	797	797
Total reserves	41,606	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.

In the current financial year, there are no transfer from retained earnings to reserve as the subsidiary, Dongming Hengchang had incurred loss during the financial year.

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 2014 (CONT'D)

15 Trade and other payables

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade payables	-	32,767	-	-
Accrual for salaries and related costs	2,906	3,840	-	-
Professional fee payables	302	717	302	717
Provision for directors' fees	198	203	198	203
Other governmental taxes payable	605	767	-	-
Advances received from customers	1,575	882	-	-
Amount owing to directors	140	140	-	-
Amount owing to staff	50	50	-	-
Amount owing to sundry creditors	429	2,431	-	5
	6,205	41,797	500	925

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.

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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Singapore dollar	500	925	500	925
Renminbi	5,705	40,872	-	-
	6,205	41,797	500	925

16 Bank borrowings

	2014 RMB'000	2013 RMB'000
The Group		
Bank borrowings - current	-	50,000

The effective interest rate was Nil (2013 - 6%) per annum. The bank borrowings was made by Dongming Runchang which was disposed of during the financial year.

The bank borrowings which were denominated in RMB, was guaranteed by Dongming Hengchang Petrochemical Co., Ltd..

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

16 Bank borrowings (cont'd)

Carrying amounts and fair values

The table below analyses the maturity profile of the Group's borrowings based on contractual undiscounted cash flows:

	2014		2013	
	Carrying amounts	Contractual undiscounted cash flows	Carrying amounts	Contractual undiscounted cash flows
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
<u>Fixed interest rate loans</u>				
Current	-	-	50,000	50,500

17 Amounts owing to affiliated companies

	2014	2013
	RMB'000	RMB'000
The Group		
Trade		
- 东明中油燃料石化有限公司	-	291,765
Non-trade		
- 山东东明石化集团鲁班建筑有限公司	-	4,544
- 东明县昌顺运输有限公司	278	144
	278	296,453

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.

18(a) Other income

	2014	2013
	RMB'000	RMB'000 (Re-presented)
The Group		
Interest income - bank (Note 19)	3,056	692

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

18(b) Distribution costs

	2014 RMB'000	2013 RMB'000 (Re-presented)
The Group		
Employee benefit costs [Note 18(e)]	3,015	2,600
Travelling expenses	6	4
Entertainment expenses	15	33
Freight charges	1,437	1,105
Operating lease rentals - equipments	103	189
Others	90	4
	4,666	3,935

18(c) Administrative expenses

	2014 RMB'000	2013 RMB'000 (Re-presented)
The Group		
Depreciation of property, plant and equipment (Note 5)	9	11
Directors' fees (Note 19)	824	833
Employee benefit costs [Note 18(e)]	2,682	2,518
Exchange loss (Note 19)	1,419	116
Operating lease rentals	264	213
Entertainment expenses	271	314
Travelling and accommodation	602	507
Stamp duty & property tax	398	154
Repair and maintenance	1	11
Environment fee	132	132
Professional fee	1,075	486
Audit fee paid to the auditor of the Company (Note 19)	480	735
Audit fee paid to the ex-auditor (Note 19)	-	219
Cleaning expense	216	216
Compensation to injured workers	-	1,628
Others	1,306	939
	9,679	9,032

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

18(d) Other operating expenses

	2014 RMB'000	2013 RMB'000 (Re-presented)
The Group		
Costs from temporary cessation of production	-	5,720
Others	20	85
	20	5,805

Costs from temporary cessation of production in relation to temporary closure of production plants represented overheads costs such as depreciation, salaries of workers, repair and maintenance and utility etc that were reclassified from cost of sales. Included in these costs were depreciation and employee benefit costs amounting to RMB Nil (2013 : RMB 1,969,000) [Note 5] and RMB Nil (2013 : RMB 929,000) [Note 18 (e)] respectively.

18(e) Employee benefit costs

	2014 RMB'000	2013 RMB'000 (Re-presented)
The Group		
Directors' remuneration		
- salaries and related costs	1,586	1,605
- defined contributions	23	22
Key management personnel (other than directors)		
- salaries and related costs	993	925
- defined contributions	76	92
Other than directors and key management personnel		
- salaries and related costs	8,874	8,117
- defined contributions	1,590	408
	13,142	11,169
As disclosed in:		
Cost of sales	7,445	5,122
Distribution costs [Note 18(b)]	3,015	2,600
Administrative expenses [Note 18(c)]	2,682	2,518
Other operating expenses [Note 18(d)]	-	929
	13,142	11,169

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

19 Profit/(loss) before taxation from continuing operations

The Group	Note	2014 RMB'000	2013 RMB'000 (Re-presented)
Profit/(Loss) before taxation has been arrived at after charging and (crediting):			
Depreciation of property, plant and equipment	5	9,107	4,562
Amortisation of land use rights	6	4	8
Property, plant and equipment written off		-	64
Operating lease rentals		367	402
Directors' fees	18(c)	824	833
Exchange loss	18(c)	1,419	116
Audit fee paid to the auditor of the Company	18(c)	480	735
Audit fee paid to the ex-auditor	18(c)	-	219
Write down of inventories to net realisable value	8	2,299	-
Reversal of value-down of inventories	8	-	(1,900)
Interest income	18(a)	(3,056)	(692)

20 Taxation

The Group	2014 RMB'000	2013 RMB'000
Current taxation	-	-

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/(loss) as a result of the following:

The Group	2014 RMB'000	2013 RMB'000 (Re-presented)
Profit/(Loss) before taxation from:		
- continuing operations	22,130	(11,535)
- discontinued operations (Note 21)	(18,429)	(48,336)
Total profit/(loss) before taxation	3,701	(59,871)
Tax at statutory rate of 25% (2013 : 25%)	(5,495)	(13,873)
Tax at statutory rate of 17% (2013 : 17%)	4,366	(744)
Tax effect on non-taxable income	(5,432)	(190)
Tax effect on non-deductible expenses	1,066	934
Deferred tax assets on temporary differences not recognised in current years	11,110	1,789
Others ⁽¹⁾	(5,615)	12,084
	-	-

⁽¹⁾ In 2014, others amounting to RMB5,615,000 related to utilization of previously unrecognised tax losses of disposed subsidiary. In 2013, others amounting to RMB12,084,000 related to deferred tax asset not recognised of disposed subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

20 Taxation (cont'd)

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 and Dongming Runchang for the financial year ended 31 December 2014 are 25% (2013 : 25%) and 25% (2013 : 25%) 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 established 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 RMB 114,633,000 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 2014, the aggregate amount of temporary differences relating to undistributed profits of a subsidiary for which deferred tax liabilities have not been recognised is RMB81,233,000 (2013: RMB147,284,000). 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.

Tax losses

The Group has unabsorbed tax losses amounting to approximately RMB54,690,000 (2013 : RMB 10,251,000), 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.

21 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 RMB 89,581,000, 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 RMB 280,000,000; 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 RMB 116,068,860 (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 2014 (CONT'D)

21 Loss from discontinued operation (cont'd)

The results of the discontinued operation are as follows:

	2014 RMB'000	2013 RMB'000
The Group		
Revenue	3,658,543	6,021,547
Expenses	(3,676,972)	(6,069,883)
Loss before taxation from discontinued operations (note 20)	(18,429)	(48,336)
Taxation	-	-
Loss after taxation from discontinued operations	(18,429)	(48,336)

Profit/(Loss) attributable to equity holders of the Company relates to:

Profit/(Loss) from continuing operations	22,130	(11,535)
Loss from discontinued operations	(29,434)	(24,651)
Total	(7,304)	(36,186)

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

	2014 RMB'000	2013 RMB'000
The Group		
Operating activities	(142,405)	334,197
Investing activities	89,197	(4,986)
Financing activities	(50,000)	(330,000)
Net cash outflows	3,208	(789)

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

	2014 RMB'000	2013 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 2014 (CONT'D)

22 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 RMB22,130,000 [2013 : (RMB11,535,000)] based on the weighted average number of ordinary shares in issue of 640,000,000 (2013 : 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 RMB22,130,000 [2013 : (RMB11,535,000)] based on the weighted average number of ordinary shares in issue of 640,000,000 (2013 : 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.

23 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:

	2014 RMB'000	2013 RMB'000 (Re-presented)
The Group		
Defined contribution national pension plan	1,295	882

24 Dividends

	2014 RMB'000	2013 RMB'000
The Group and The Company		
Ordinary dividends paid		
— one-off interim tax-exempt (one-tier) dividend paid in respect of the current financial year of S\$0.01 (2013 : S\$NIL) per share	31,268	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

25 Commitments

25.1 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:

	2014 RMB'000	2013 RMB'000
The Group		
Not later than one year	555	585
Later than one year and not later than five years	2,773	2,338
Later than five years	18,833	10,896

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 RMB 371,000 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 RMB 1,800 and RMB 12,000 per annum.

25.2 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
- 东明润昌化工有限公司	26 July 2014 to 25 July 2018

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

26 Related Party transactions

Entrusted loan transaction

In the previous financial year, 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 2014 (CONT'D)

26 Significant affiliated companies transactions (cont'd)

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:

	2014 RMB'000	2013 RMB'000
The Group		
Sales to affiliated companies		
- 东明中油燃料石化有限公司	41	62,368
- 山东东明石化集团恒基化工有限公司	78,872	101,386
- 山东东明梨树化学有限公司	205,798	-
- 山东县昌顺运输有限公司	4,163	-
	<u>288,874</u>	<u>163,754</u>
Purchases from affiliated companies		
- 东明中油燃料石化有限公司	939,974	5,947,157
- 山东东明石化集团汇泽有限公司	-	302
- 东明县石油经销公司	-	543
	<u>939,974</u>	<u>5,948,002</u>
Rental fee charged by affiliated companies		
- 山东东明石化集团有限公司	209	209
- 东明润邦化工有限公司	51	371
- 东明中油燃料石化有限公司	5	5
- 东明石油经销有限公司	220	-
	<u>485</u>	<u>585</u>
Utility charged by affiliated companies		
- 东明润邦化工有限公司	2,439	59,081
- 东明中油燃料石化有限公司	-	3,884
- 山东东明石化集团有限公司	16,209	-
	<u>18,648</u>	<u>62,965</u>
Other expense charged by affiliated companies		
- 东明中油燃料石化有限公司	421	541
- 东明县昌顺运输有限公司	1,040	6,196
	<u>1,461</u>	<u>6,737</u>
Processing fee charged by affiliated companies		
- 东明中油燃料石化有限公司	-	153,056
- 东明润邦化工有限公司	-	85,952
- 山东东明石化集团汇泽有限公司	-	2,075
	<u>-</u>	<u>241,083</u>
Consignment fee paid to affiliated company		
- 东明县石油经销公司	4,320	7,225

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

27 Disclosure of directors' remuneration

	2014	2013
Number of directors		
RMB750,000 to RMB1,000,000	1	1
RMB500,000 to RMB749,999	1	1
RMB250,000 to RMB499,999	2	-
Below RMB250,000	1	3

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 entities. The exposure is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

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 and bank borrowings as shown in Note 11 and 16 to the financial statements respectively.

Sensitivity analysis for interest rate risk

For the variable rate financial liabilities owing for bank borrowings, a change of 50 basis points ("bp") in interest rate at the reporting date would increase/(decrease) profit or loss by RMBNil (2013 : RMB250,000). This analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

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

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.

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, 15, 16 and 17).

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. The Company and the Group does not hedge against this risk.

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 2014 (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	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables				
Cash and bank balances	326,954	86,792	913	5,166
Trade and other receivables	7,738	21,621	-	-
Amounts owing by affiliated companies	59,224	5,065	-	-
Financial liabilities				
Amortised cost				
Trade and other payables	6,025	41,797	500	925
Bank borrowings	-	50,000	-	-
Amount owing to affiliated companies	278	296,453	-	-

28.7 Commodity price risk

In particular, the sales and purchase of gasoline and diesel in the PRC is 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 two reportable operating segments as follows:

1. The gas separation segment is the manufacturing and sales of LPG, propylene and polypropylene.
2. The other segment is the sales of steam to affiliated companies..

In the prior year, the Group carried out manufacturing and sales of oil derivative operations. However, this was discontinued during the financial year (see Note 21).

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

29 Segment information (cont'd)

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 and Dongming Runchang, 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		Others		Total for Continuing operations	
	2014	2013	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Re-presented)		(Re-presented)		(Re-presented)
REVENUE:						
External customers	982,926	264,804	46	-	982,972	264,804
Inter-segment sales	-	-	-	-	-	-
Total revenue	982,926	264,804	46	-	982,972	264,804
Results						
Segment results	33,439	6,545	-	-	33,439	6,545
Depreciation					(9,107)	(4,562)
Write down of inventories to net realisable value					(2,299)	-
Unallocated expenses					(2,959)	(14,210)
Profit/(loss) from operations					19,074	(12,227)
Interest income					3,056	692
Profit/(loss) before taxation					22,130	(11,535)
Taxation					-	-
Profit/(loss) after taxation					22,130	(11,535)

In the current financial year, revenue of RMB 205,789 (2013: RMB 163,754) attributable from sales of raw LPG are derived from one (2013: two) major customers.

(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 entirely in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

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 manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or achieve a prudent and efficient capital structure, the Group may adjust the amount of dividend payment, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

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 2014 and 2013.

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 2014 and 31 December 2013.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

32 Comparative figures

Due to discontinued operations as disclosed in Note 10, certain re-presentation have been made to the to the 31 December 2013 consolidated statement of profit or loss and other comprehensive income to enhance comparability with the current year's presentation. The items that were re-presented are as follows:

		The Group 2013	
	After re-presentation RMB'000	Before re-presentation RMB'000	Difference RMB'000
Revenue	264,804	6,286,351	(6,021,547)
Cost of sales	(258,259)	(6,306,812)	6,048,553
Other income	692	873	(181)
Distribution costs	(3,935)	(3,935)	-
Administrative expenses	(9,032)	(24,418)	15,386
Other operating expenses	(5,805)	(5,826)	21
Finance costs	-	(6,104)	6,104
Loss from discontinued operation	(48,336)	-	(48,336)
	<u>(59,871)</u>	<u>(59,871)</u>	<u>-</u>

In 2013, the Group modified the classification of retained earnings attributable to equity holders of the Company and non-controlling interests. Comparative amounts in the statements of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity were restated for consistency. This reclassification did not have any effect on the Group's profit or loss and total comprehensive income for the financial year and cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

32 Comparative figures (cont'd)

The effects of the reclassifications are summarised as follows:

	The Group 2013		
	After reclassification RMB'000	Before reclassification RMB'000	Difference RMB'000
<u>Statements of financial position</u>			
<u>Equity:</u>			
-Retained earnings	181,829	175,121	6,708
-Non-controlling interests	94,887	101,595	(6,708)
Consolidated statements of profit or loss and other comprehensive income			
Attributable holders of the Company:			
-Equity holders of the Company	(36,186)	(24,936)	(11,250)
-Non-controlling interests	(23,685)	(34,935)	11,250
<u>Consolidated statement of changes in equity</u>			
Balance as at 1 January 2013:			
-Retained earnings	219,597	201,639	17,958
-Non-controlling interests	118,572	136,530	(17,958)
Total comprehensive income for the financial year ended 31 December 2013:			
-Retained earnings	(36,186)	(24,936)	(11,250)
-Non-controlling interests	(23,685)	(34,935)	11,250
Balance as at 31 December 2013			
-Retained earnings	181,829	175,121	6,708
-Non-controlling interests	94,887	101,595	(6,708)

The reclassification of the comparative figures was required to conform with the current year presentation.

STATISTICS OF SHAREHOLDINGS

SINOSTAR PEC HOLDINGS LIMITED

Shareholdings Statistics as at 25 March 2015

Number of shares : 640,000,000
 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	107	3.53	106,300	0.02
1,001 - 10,000	1,388	45.76	9,889,800	1.54
10,001 - 1,000,000	1,523	50.21	81,987,900	12.81
1,000,001 and above	15	0.50	548,016,000	85.63
	3,033	100.00	640,000,000	100.00

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 25 March 2015, approximately 42.90% 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.

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	68,555,000	10.71
3	UOB Kay Hian Pte Ltd	58,778,000	9.18
4	Raffles Nominees (Pte) Ltd	54,611,100	8.53
5	DBS Vickers Securities (S) Pte Ltd	8,468,800	1.32
6	Citibank Nominees Singapore Pte Ltd	7,497,000	1.17
7	DBS Nominees Pte Ltd	4,701,000	0.73
8	See Gim Tee or Sei Kim Hoe	4,046,000	0.63
9	United Overseas Bank Nominees Pte Ltd	2,244,000	0.35
10	Heng Kheng Long or Cynthia Poa Kheng Bee	2,095,000	0.33
11	Mok Tian Soon	2,001,100	0.31
12	Chia Soon Loi	1,650,000	0.26
13	Chuah Poh Tin	1,200,000	0.19
14	OCBC Nominees Singapore Pte Ltd	1,162,000	0.18
15	See Gim Tee	1,011,000	0.16
16	Aw Yong Sai Chin	1,000,000	0.16
17	Yang Chun	1,000,000	0.16
18	CIMB Securities (S) Pte Ltd	999,000	0.16
19	Maybank Kim Eng Securities Pte Ltd	989,000	0.15
20	Weng Tuck Wah	750,000	0.12
		552,754,000	86.36

SUBSTANTIAL SHAREHOLDERS

	Direct Interests	No. of Shares Deemed Interests	%
Intelligent People Holdings Limited ⁽¹⁾	329,996,000	–	51.56
Yoof Investments Limited	35,030,000	–	5.47
Li Xiang Ping ⁽¹⁾	–	329,996,000	51.56

Note:

- (1) Li Xiang Ping is deemed to be interested in 329,996,000 shares held by Intelligent People Holdings Limited 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 Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594, Vanda 5, Level 6 on Monday, 27 April 2015 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 2014 and the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to the Company’s Articles of Association:

Mr Teo Moh Gin	(Article 104) (See Explanatory Note 1)	(Resolution 2)
Mr Li Xiangping	(Article 104) (See Explanatory Note 2)	(Resolution 3)
Mr Zhao Jinqing	(Article 114) (See Explanatory Note 3)	(Resolution 4)
3. To approve the payment of Directors’ Fees of S\$344,000 (2014 S\$170,000) for the financial year ending 31 December 2015, to be paid quarterly in arrears. **(Resolution 5)**
4. To re-appoint RT LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**
5. 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:

6. **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,

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 4)

(Resolution 7)

By Order Of The Board

Tan Chee How
Company Secretary

Singapore, 10 April 2015

Explanatory Notes:

1. Mr Teo Moh Gin is an Independent Non-Executive Director of the Company. He also serves as Chairman of the Audit Committee and Remuneration Committee. Upon his re-election, Mr Teo will continue to serve as the Chairman of the Audit Committee and Remuneration Committee. Save as disclosed herein, Mr Teo 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 Teo Moh Gin can be found under the section entitled 'Board of Directors' in the Annual Report.
2. Mr Li Xiangping, if re-elected, will remain as Non Executive Chairman of the Company. He also serves as a member of the Audit Committee, Remuneration Committee and Nominating Committee. Upon his re-election, Mr Li will continue to serve as a member of the Audit Committee, Remuneration Committee and Nominating Committee. Save as disclosed herein, Mr Li, is the shareholder with 100% interest in Intelligent People Holdings Limited, which is the Company's 51.56% substantial shareholder. The detailed information of Mr Li Xiangping can be found under the section entitled 'Board of Directors' in the Annual Report.
3. Mr Zhao Jinqing is an Independent Non-Executive Director of the Company. He also serves as Chairman of the Nominating Committee and as a member of Remuneration Committee and Audit Committee. Upon his re-election, Mr Zhao will continue to serve as the Chairman of the Nominating Committee and as a member of Remuneration Committee and Audit Committee. Save as disclosed herein, Mr Zhao 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 Zhao Jinqing can be found under the section entitled 'Board of Directors' in the Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

4. The Ordinary Resolution 6 proposed in item 6 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.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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 Monday, 27 April 2015, at 9.30 a.m. at Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594, Vanda 5, Level 6 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 2014		
2.	Re-election of Mr Teo Moh Gin as a Director		
3.	Re-election of Mr Li Xiangping as a Director		
4.	Re-election of Mr Zhao Jinqing as a Director		
5.	Approval of the payment of Directors' Fees of S\$344,000 for the financial year ending 31 December 2015, to be paid quarterly in arrears		
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 _____ 2015

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

TOTAL NUMBER OF SHARES IN:

(a) CDP Register

(b) Register of Members



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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