

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

UNAUDITED FINANCIAL STATEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

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

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

**Consolidated statement of comprehensive income for the
Second quarter for the period ended 30 June 2017**

	2nd Qtr 2017	2nd Qtr 2016	+/(-) %	1st Half 2017	1st Half 2016	+/(-) %
	<u>RMB'000</u>	<u>RMB'000</u>		<u>RMB'000</u>	<u>RMB'000</u>	
REVENUE	360,348	350,854	2.7	832,297	680,052	22.4
Cost of sales	(344,845)	(317,259)	8.7	(782,909)	(632,114)	23.8
Gross profit	15,503	33,595	(53.9)	49,388	47,938	3.0
Other income	4,245	1,423	198.3	7,330	2,996	144.6
Distribution costs	(262)	(921)	(71.5)	(401)	(1,982)	(79.8)
Administrative costs	(3,143)	(3,030)	3.7	((5,775)	(5,907)	(2.2)
Other operating expenses	(16)	(10)	61.1	(25)	(22)	135
Profit before taxation	16,327	31,057	(47.4)	50,517	43,023	17.4
Taxation	(4,577)	(29)	NM	(12,325)	(532)	NM
Total comprehensive income for the financial period	<u>11,750</u>	<u>31,028</u>	(62.1)	<u>38,192</u>	<u>42,491</u>	(10.1)

Notes to the Consolidated statement of comprehensive income

	2nd Quarter Ended		Change (+/-) %
	30/06/2017 RMB'000	30/06/2016 RMB'000	
Profit before tax is arrived at after (crediting)/charging:			
Other operating income;			
- Interest income	(2,410)	(1,423)	69.4
Depreciation of property, plant and equipment	7,753	5,947	30.4

NM – Not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	87,897	98,627	-	-
Goodwill	2,501	2,501	-	-
Subsidiary	-	-	250,041	250,041
	<u>90,398</u>	<u>101,128</u>	<u>250,041</u>	<u>250,041</u>
CURRENT ASSETS				
Inventories	43,668	34,272	-	-
Trade and other receivables	34,863	27,902	-	-
Amount owing by subsidiary	-	-	17,815	22,058
Amounts owing by affiliated companies	17,872	10,422	-	-
Cash and cash equivalents	520,928	494,570	1,005	274
	<u>617,331</u>	<u>567,166</u>	<u>18,820</u>	<u>22,332</u>
TOTAL ASSETS	<u>707,729</u>	<u>668,294</u>	<u>268,861</u>	<u>272,373</u>
EQUITY				
Share capital	316,125	316,125	316,125	316,125
Retained profits/(accumulated losses)	278,663	256,190	(47,772)	(45,091)
Reserves	43,857	43,857	-	-
TOTAL EQUITY	<u>638,645</u>	<u>616,172</u>	<u>268,353</u>	<u>271,034</u>
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	64,367	48,406	508	1,339
Amounts owing to affiliated companies	3,124	290	-	-
Current tax payable	1,593	3,426	-	-
	<u>69,084</u>	<u>52,122</u>	<u>508</u>	<u>1,339</u>
TOTAL EQUITY AND LIABILITIES	<u>707,729</u>	<u>668,294</u>	<u>268,861</u>	<u>272,373</u>

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

Amount repayable in one year or less, or on demand

<u>As at 30/06/2017</u>		<u>As at 31/12/2016</u>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Amount repayable after one year

<u>As at 30/06/2017</u>		<u>As at 31/12/2016</u>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Details of any collateral

NA.

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

**Consolidated statement of cash flows for the period
ended 30 June 2017**

	2 nd quarter ended	
	30/06/2017	30/06/2016
	<u>RMB'000</u>	<u>RMB'000</u>
Cash flows from operating activities		
Profit for the period	16,327	31,057
Adjustments for:-		
Depreciation of property, plant and equipment	7,753	5,947
Interest income	(2,410)	(1,423)
Operating profit before working capital changes	21,670	35,581
Changes in working capital:		
Increase in inventories	(12,447)	(8,915)
Increase in amount owing to affiliated companies	(4,535)	-
Decrease/(increase) in operating receivables	5,898	(15,596)
Decrease in operating payables	(1,393)	(5,483)
Cash generated from operations	9,868	16,553
Tax paid	(6,020)	(520)
Net cash generated from operating activities	3,848	16,033
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(2,959)	(2,079)
Interest received	2,410	328
Net cash used in investing activities	(549)	(1,751)
Cash flows from financing activity		
Dividends paid	(15,720)	(15,329)
Net cash used in financing activity	(15,720)	(15,329)
Net decrease in cash and bank balances	(12,421)	(1,047)
Cash and bank balances at beginning of period	533,349	476,066
Cash and bank balances at end of period	520,928	475,019

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

Cash-in-hand	104	151
Bank balance	160,824	114,868
Fixed deposit places with financial institution	360,000	360,000
	520,928	475,019

1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED STATEMENT OF CHANGES IN EQUITY - GROUP

	Share capital RMB'000	Retained profits RMB'000	Other reserves		Subtotal RMB'000	Total RMB'000
			Statutory common reserve RMB'000	Voluntary common welfare fund RMB'000		
1 January 2017 to 30 June 2017						
Balance as at 1 January 2017	316,125	256,191	43,060	797	43,857	616,173
Transfer to statutory common reserves	-	-	-	-	-	-
Total comprehensive income for the period	-	38,192	-	-	-	38,192
Dividends paid	-	(15,720)	-	-	-	(15,720)
Balance as at 30 June 2017	316,125	278,663	43,060	797	43,857	638,645

	Share capital RMB'000	Retained profits RMB'000	Other reserves		Subtotal RMB'000	Total RMB'000
			Statutory common reserve RMB'000	Voluntary common welfare fund RMB'000		
1 January 2016 to 30 June 2016						
Balance as at 1 January 2016	316,125	182,335	42,466	797	43,263	541,723
Transfer to statutory common reserves	-	-	-	-	-	-
Total comprehensive income for the period	-	42,491	-	-	-	42,491
Dividends paid	-	(15,329)	-	-	-	(15,329)
Balance as at 30 June 2016	316,125	209,497	42,466	797	43,263	568,885

UNAUDITED STATEMENT OF CHANGES IN EQUITY - COMPANY

1 January 2017 to 30 June 2017

	Share Capital <u>RMB'000</u>	Accumulated losses <u>RMB'000</u>	Total <u>RMB'000</u>
Balance as at 1 January 2017	316,125	(45,091)	271,034
Total comprehensive income for the period	-	13,039	13,039
Dividend paid	-	(15,720)	(15,720)
Balance as at 30 June 2017	316,125	(47,772)	268,353

1 January 2016 to 30 June 2016

	Share Capital <u>RMB'000</u>	Accumulated losses <u>RMB'000</u>	Total <u>RMB'000</u>
Balance as at 1 January 2016	316,125	(41,062)	275,063
Total comprehensive income for the period	-	14,194	14,194
Dividend paid	-	(15,329)	(15,329)
Balance as at 30 June 2016	316,125	(42,197)	273,928

- 1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the Company's share capital since the end of the previous period reported on. There were no outstanding convertibles issued or treasury shares held by the Company as at 30 June 2017.

- 1(d) (iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	30/06/2017	31/12/2016
Number of issued shares (excluding treasury shares)	640,000,000	640,000,000
Number of treasury shares held	NIL	NIL

- 1(d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditors.

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

Not applicable.

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

The Group had applied the same accounting policies and methods of computation in the financial statements for the current financial period as those adopted in the audited financial statements for the financial year ended 31 December 2016.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

There are no changes in accounting policies and methods of computation since 31 December 2016.

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

	2nd Quarter Ended	
	30/06/2017	30/06/2016
	<u>RMB (cents)</u>	<u>RMB (cents)</u>
Profit per share for the period based on net profit attributable to owners of the parent company		
(a) Based on basic number of ordinary shares on issue	1.84	4.85
No. of shares in issue (weighted average)	640,000,000	640,000,000
(b) On a fully diluted basis	1.84	4.85
No. of shares in issue (weighted average)	640,000,000	640,000,000

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

	Group		Company	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	0.99	0.89	0.42	0.43

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Breakdown of Revenue (in RMB'000)	2nd Qtr		2nd Qtr	
	2017		2016	
Processed LPG	193,203	53.6%	180,178	51.4%
Propylene	46,041	12.8%	67,678	19.3%
Polypropylene	73,115	20.3%	56,983	16.2%
Logistics & transport related services	47,989	13.3%	46,015	13.1%
TOTAL	360,348	100.0%	350,854	100.0%

(a) Processed LPG

Revenue generated from the sale of processed LPG increase marginally by 7.2% from RMB 180.2 million in 2Q16 to RMB 193.2 million in 2Q17. However, production installation were down for periodical overhaul from 10 April to 13 May caused a 12.5% decrease in volume output produced and sold as compare to 2Q16.

(b) Propylene

Sale of propylene decreased by 32.0% from RMB 67.7 million in 2Q16 to RMB 46.0 million in 2Q17. Decrease mainly due to periodical plant overhaul that cause the total volume produced and sold to decrease by approximately 40.6% as compared to 2Q16, couple with the average selling price ("ASP") for propylene sales increase at 14.4% compare to average cost of sale ("ACOS") increase higher at 28.1%.

(c) Polypropylene

Revenue of polypropylene increased by 28.3% from RMB 56.9 million in 2Q16 to RMB 73.1 million in 2Q17. Increase is mainly attribute to inventory bought forward from pervious reporting period and sold in 2Q17. Both ASP and ACOS increase by 12.1% and 33.3% respectively.

(d) Logistics & transport related service

Revenue from this business increase marginally by 4.3% from RMB 46.0 million in 2Q16 to RMB 47.9 million in 2Q17. Transport income also affected by the periodical plant overhaul that resulted lower delivery to customers.

Gross profit

The Group made a lower gross profit of RMB 15.5 million in 2Q17 as compare to RMB 33.6 million in 2Q16, however, 1H17 increase to RMB 49.4 million from RMB 47.9 million in 1H16.

Other income and expenses

(a) Other income

Increase of fixed amount placed with the financial institutions resulted in higher interest accrued for the periods in 2Q17;

(b) Distribution cost

Decrease were due to reclassification of approximately RMB 0.7 million of labour salaries and wage related contribution from overheads to cost of sales, the same as disclosed in 1Q17 reporting;

(c) Taxation

Dongming hengchang has utilised all the brought forward losses offset in last financial year-end, the provision of tax is at normal rate at 25%.

As a result, the Group made a profit of RMB 11.7 million in 2Q17 as compared to RMB 31.0 million in 2Q16. Total accumulated profit in half-yearly at RMB 38.2million in 1H17 down from RMB 42.5 million in 1H17.

Balance Sheet

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

(a) **Inventories**

Inventories comprises of both the raw materials and finished goods, amounted to RMB 1.1 million and RMB 42.5 million respectively;

(b) **Trade and other receivables**

Increases in trade and other receivables mainly due to slow transport fee collection from two major customers located in Jiangsu and Henan areas, total amounting to RMB 19.8 million;

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

Amount owing by affiliated companies consist mainly the outstanding amount of RMB 13.0 million sales to Shandong Dongming Lishu Petroleum Co Limited (山东东明梨树化工有限公司). This amount settled in full in the subsequent month of July 2017;

(d) **Trade and other payables**

Trade and other payables consist an amount of RMB 38.6 million of advances from customers.

Cash flow

The Group generated a net cash of RMB 3.8 million from operating activities in 2Q17 compared to RMB 16.0 million in 2Q16, mainly due to increase in inventories and amount owing to affiliated companies, offsetting decrease in operating receivables and payables.

Cash financing activities mainly the payment of RMB 15.7 million on FY2016 dividend payout.

As at 30 June 2017, the Group's free cash flow increased to RMB 520.9 million from RMB 475.0 million of comparative periods 2Q16.

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

None.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group recently announced the plan to acquire the 70% controlling stake of Dongming Qianhai Petrochemical Co., Ltd from its long-term strategic partner, Dongming Zhongyou Fuel and Petrochemical Company Limited, such acquisition is believe to enable the group to expand the current product lines and especially increase the capacity in the production of propylene. As of date, the group has completed the necessary preliminary works and submitted the proposed shareholders' circular to the SGX for review.

On the operation side, the management expects the oil and petrochemical industry to remain soft and challenging in the next half year of 2017 in view of the volatility of oil price that may affects the products gross margins. The Group will therefore continue to focus on cost control measures as well as to have more regular reviewing of cost budgets. Nevertheless, the Group remains cautiously optimistic of its abilities to continue to deliver profitability in 2017.

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared/recommended for the half-year ended 30 June 2017.

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

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

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)
<p>For periods from April 2017 to June 2017:-</p> <p>Dongming Zhongyou Fuel and Petrochemical Company Limited (东明中油燃料石化有限公司)</p> <ul style="list-style-type: none"> - Purchase of raw LPG - Purchase of utilities - Logistics & transport related services provided to <p>Shandong Dongming Petrochem Group Co., Ltd. (山东东明石化集团有限公司)</p> <ul style="list-style-type: none"> - Purchase of utilities, part & components - Sale of processed LPG - Logistics & transport related services provided to <p>Dongming Runze Petrochemical Co., Ltd (东明润泽化工有限公司)</p> <ul style="list-style-type: none"> - Purchase of utilities, part & components <p>Dongming Crude Oil Distribution Co., Ltd (东明石油经销有限公司)</p> <ul style="list-style-type: none"> - Logistics & transport related services provided to <p>Shandong Dongming Lishu Petroluem Co., Ltd (山东东明梨树化学有限公司)</p> <ul style="list-style-type: none"> - Sales of processed LPG 		<p>RMB 292,482,935</p> <p>RMB 1,112,805</p> <p>RMB 595,412</p> <p>RMB 4,621,618</p> <p>RMB 17,420,668</p> <p>RMB 46,559</p> <p>RMB 4,653,051</p> <p>RMB 7,311,958</p> <p>RMB 43,994,262</p>

Dongming Qianhai Petrochemical Co., Limited (东明前海化工有限公司) - Sales of processed LPG		RMB 20,353,725
Dongming Runming Oil Products Distribution Co., Limited (东明润明油品销售有限公司) - Logistics & transport related services provide to		RMB 328,108

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

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

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

Not applicable.

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

Not applicable.

- 17 A breakdown of sales.**

Not applicable.

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

Not applicable.

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

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

BY ORDER OF THE BOARD

ZHANG LIU CHENG
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

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

We, Zhang Liucheng and Li Xiang Ping, being Directors of the Company, do hereby confirm for and on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the second quarter ended 30 June 2017 to be false or misleading in any material aspect.

On behalf of the Board of Directors
Sinostar PEC Holdings Limited

Zhang Liucheng
Executive Director and
Chief Executive Officer

Li Xiang Ping
Non-executive Chairman

BY ORDER OF THE BOARD

ZHANG LIU CHENG
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER