

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

UNAUDITED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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
Year ended 31 December 2016**

	Full year ended 31/12/2016 <u>RMB'000</u>	Full year ended 31/12/2015 <u>RMB'000</u>	Change + / (-) %
Revenue	1,559,881	1,446,110	7.9%
Cost of sales	(1,442,913)	(1,397,144)	3.3%
Gross profit	116,968	48,966	138.9%
Other income	10,780	9,551	12.9%
Distribution costs	(4,422)	(5,284)	(16.3%)
Administrative costs	(19,014)	(11,891)	59.9%
Other operating expenses	(104)	(19)	NM
Profit before taxation from operating operations	104,208	41,323	152.2%
Taxation	(14,405)	(588)	NM
Profit, representing total comprehensive income for the financial year, attributable to equity holders of the Company	89,803	40,735	

Notes to the Consolidated statement of comprehensive income

	Full year ended	Full year ended	Change (+/-)
	31/12/2016	31/12/2015	
	RMB'000	RMB'000	%
Profit before tax is arrived at after charging/(crediting):			
Interest income	(9,357)	(9,551)	(2.0%)
Depreciation of property, plant and equipment	26,361	15,157	73.9%

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	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	98,627	88,394	-	8
Goodwill	2,501	2,501	-	-
Subsidiaries	-	-	250,041	250,041
	<u>101,128</u>	<u>90,895</u>	<u>250,041</u>	<u>250,049</u>
CURRENT ASSETS				
Inventories	34,272	19,336	-	-
Trade and other receivables	27,902	60,980	-	-
Amount owing by a subsidiary	-	-	22,058	25,836
Amount owing by affiliated companies	10,422	22,171	-	-
Cash and cash equivalents	494,570	461,559	274	43
	<u>567,166</u>	<u>564,047</u>	<u>22,332</u>	<u>25,879</u>
TOTAL ASSETS	<u>668,294</u>	<u>654,941</u>	<u>272,373</u>	<u>275,928</u>
EQUITY				
Equity attributable to owners of the company				
Share capital	316,125	316,125	316,125	316,125
Retained earnings/(accumulated losses)	256,190	182,335	(45,091)	(41,062)
Other reserves	43,857	43,263	-	-
TOTAL EQUITY	<u>616,172</u>	<u>541,723</u>	<u>271,034</u>	<u>275,063</u>
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	51,422	55,453	1,339	865
Amount owing to affiliated companies	290	56,654	-	-
Current tax payable	410	1,111	-	-
	<u>52,122</u>	<u>113,218</u>	<u>1,339</u>	<u>865</u>
TOTAL EQUITY AND LIABILITIES	<u>668,294</u>	<u>654,941</u>	<u>272,373</u>	<u>275,928</u>

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

Amount repayable in one year or less, or on demand

As at 31/12/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Amount repayable after one year

As at 31/12/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Details of any collateral

NIL.

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 year ended 31 December 2016

	31/12/2016 RMB'000	31/12/2015 RMB'000
Cash flows from operating activities		
Profit before taxation	104,208	41,323
Adjustments for: -		
Depreciation of property, plant & equipment	26,361	12,544
Interest income	(9,357)	(9,551)
Loss on disposal of property, plant and equipment	-	155
Operating profit before working capital changes	121,212	44,471
Changes in working capital:		
(Increase)/decrease in inventories	(14,936)	11,109
Decrease/(increase) in operating receivables	33,078	(26,076)
(Decrease)/increase in operating payables	(4,031)	19,207
Cash generated from operations	135,323	48,711
Tax (paid)/refunded	(15,107)	523
Net cash generated from operating activities	120,216	49,234
Cash flows from investing activities		
Acquisition of property, plant and equipment	(36,592)	(28,540)
Proceeds from disposal of property, plant and equipment	-	38
Acquisition of subsidiaries (see Note below)	-	16,170
Decrease in amounts owing by affiliated companies	11,749	40,358
Interest received	9,356	9,551
Net cash (used in)/generated from investing activities	(15,487)	37,577
Cash flows from financing activities		
(Decrease)/increase in amount owing to affiliated companies	(56,364)	47,794
Dividends paid	(15,354)	-
Net cash (used in)/ generated from financing activities	(71,718)	47,794
Net increase in cash and cash equivalents	33,011	134,605
Cash and cash equivalents at beginning of year	461,559	326,954
Cash and cash equivalents at end of year	494,570	461,559

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

Cash on hand	60	52
Bank balances	134,510	201,507
Fixed deposits placed with financial institutions	360,000	260,000
	494,570	461,559

Note:

Identifiable assets acquired of and liabilities assumed during the FY 2015 were as follows:

	RMB'000
Property, plant and equipment	7,115
Inventories	37
Trade and other receivables	9,495
Amount owing by affiliated parties	3,305
Cash and cash equivalents	25,894
Total assets	45,846
Trade and other payables	30,041
Amount owing to affiliated parties	8,582
Total liabilities	38,623
Total identifiable net assets	7,223
Add: Goodwill on consolidation	2,501
Purchase consideration	9,724
Less: Cash and cash equivalents in subsidiary acquired of	(25,894)
Net cash inflow on acquisition	(16,170)

- 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 <u>RMB'000</u>	Retained earnings <u>RMB'000</u>	Other reserves		subtotal <u>RMB'000</u>	Total equity <u>RMB'000</u>
			Statutory common reserve <u>RMB'000</u>	Voluntary common welfare fund <u>RMB'000</u>		
1 January 2015 to 31 December 2015						
Balance as at 1 January 2015	316,125	143,257	40,809	797	41,606	500,988
Total comprehensive expense for the year	-	40,735	-	-	-	40,735
Transfer to statutory common reserve		(1,657)	1,657	-	-	-
Balance as at 31 December 2015	316,125	182,335	42,466	797	43,263	541,723

	Share capital <u>RMB'000</u>	Retained earnings <u>RMB'000</u>	Other reserves		subtotal <u>RMB'000</u>	Total <u>RMB'000</u>
			Statutory common reserve <u>RMB'000</u>	Voluntary common welfare fund <u>RMB'000</u>		
1 January 2016 to 31 December 2016						
Balance as at 1 January 2016	316,125	182,335	42,466	797	43,263	541,723
Total comprehensive income for the year	-	89,803	-	-	-	89,803
Dividend paid		(15,354)			-	(15,354)
Transfer to statutory common reserve	-	(594)	594	-	-	-
Balance as at 31 December 2016	316,125	256,190	43,060	797	43,857	616,172

UNAUDITED STATEMENT OF CHANGES IN EQUITY - COMPANY

1 January 2015 to 31 December 2015	Share Capital <u>RMB'000</u>	Accumulated losses <u>RMB'000</u>	Total <u>RMB'000</u>
Balance as at 1 January 2015	316,125	(35,640)	280,485
Total comprehensive expense for the year	-	(5,422)	(5,422)
Balance as at 31 December 2015	316,125	(41,062)	275,063

1 January 2016 to 31 December 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 expense for the year	-	(4,029)	(4,029)
Balance as at 31 December 2016	316,125	(45,091)	271,034

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

There were no changes in the Company's share capital during the current financial year reported on. There were no outstanding convertibles issued or treasury shares held by the Company as at 31 December 2016.

- 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.**

Company	31/12/2016	31/12/2015
Total number of issued shares (excluding treasury shares)	640,000,000	640,000,000

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

Not applicable.

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

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

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

Not applicable.

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

The Group had applied the same accounting policies and methods of computation in the financial statements for the current financial period as those adopted in the audited financial statement for the financial year ended 31 December 2015.

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

There is no change in accounting policies and methods of computation since 31 December 2015.

- 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.**

	Full year ended 31/12/2016 RMB (cents)	Full year ended 31/12/2015 RMB (cents)
Profit per share for the year based on net profit attributable to owners of the parent		
(a) Based on basic number of ordinary shares on issue	14.0	6.36
No. of shares in issue (weighted average)	640,000,000	640,000,000
(b) On a fully diluted basis	14.0	6.36
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	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	0.96	0.85	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.**

The Group made a total of RMB 1.5 billion turnover for FY 2016 with a Net profit of RMB 89.9 million attributed to equity holders.

An analysis of revenue contributions from each product/business are set out as follows; -

Analysis of sales by product/business (RMB'000)	4th Qtr		4th Qtr		Full year		Full year	
	2016	%	2015	%	2016	%	2015	%
Processed LPG	300,265	57%	246,593	60%	843,860	54%	886,766	61%
Propylene	78,116	15%	61,729	15%	264,725	17%	240,675	17%
Polypropylene	84,245	16%	60,813	15%	264,399	17%	251,570	17%
Logistics & transport related services	62,771	12%	43,635	11%	186,897	12%	67,099	5%
Total	525,397		412,770		1,559,881		1,446,110	

(a) Processed LPG

Revenue generated from the sale of processed LPG decrease by 4.8% from RMB 886.7 million in FY2015 to RMB 843.8 million in FY2016. Despite total output produced and sold increase by 11.3% for FY2016 as compare to FY2015, the average selling price ("ASP") and average cost of sales ("ACOS") decrease by 14.5% and 13.8% respectively.

(b) Propylene

Sale of propylene increase by 10.0% from RMB 240.6 million in FY 201 to RMB 264.7 million in FY 2016. Despite there a plant maintenance carryout in the month of November 2016, total volume produced and sold increase by 13.4% as compared to FY 2015. However, the ASP and ACOS for propylene faces decrease of 3.0% and 17.7% respectively.

(c) Polypropylene

Revenue of polypropylene increase by 5.1% from RMB 251.5 million in FY2015 to RMB 264.4 million in FY 2016. Increase is mainly attribute to higher volume produced and sold at 13.2% increase as compared to FY 2015, despite both ASP and ACOS decrease by 7.2% and 18.2% respectively.

(d) Logistics & transport related service

Revenue from this business increases from RMB 67.1 million in FY 2015 to RMB 186.8 million in FY 2016. FY 2015 comparative consists only the revenue generated from the period from the acquisition completed in August 2016 onwards.

Gross profit

As a results of the abovementioned, the gross profit increases by 138.9% from RMB 48.9 million in FY 2015 to RMB 116.9 million in FY 2016.

Other income and expenses

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

(a) Other income

Increase of fixed amount placed with the financial institutions resulted in higher interest earned for the period;

(b) Administration expenses

Increase was due mainly to a full year consolidation of the expenses incurred by Dongming Changshun and its branch Dongming Ganyu as compared to five-month of consolidation in FY 2015. There are professional fees incurred in listing entity on handling of circular matter.

(c) Taxation

Provision on tax for the profit generated by Dongming Hengchang & Dongming Changshun at RMB 12.3 million and RMB 2.1 million respectively.

As a result, the Group made a profit of RMB 89.8 million in FY 2016 as compared to RMB 40.7 million in FY2015.

Balance Sheet

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

- (a) Inventories comprises of RMB 4.2 million of raw materials and RMB 28.1 million of finished goods for petrochemical products;
- (b) Current tax payable accrued by Dongming Hengchang and Dongming Changshun.

Cash flow

The Group generated net cash inflow of RMB 120.2 million from operating activities compared to RMB 49.2 million in FY2015, which was mainly due to the decrease in both operating receivables and payables, offset by increases in inventories and tax paid.

Net cash used in investing activities mainly due to additional transport vehicles acquired for subsidiary company, Dongming ChangShun.

Net cash used in financing activities mainly due to the payment paid for the dividend declared for FY2015.

As a result, the Group's free cash flow increased to RMB 494.6 million in FY 2016 as compared to RMB 461.5 million in FY 2015, mainly due to cash generated from operating and investing activities.

- 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 board is on the view that the overall operating environment remain volatile and challenging in FY2017 and will implement more stringent on cost control management. Undeterred by the competitive and challenging environment, the Group will continue to focus on it long term strategy for sustainable progress, potential acquisition or merger and to keep expanding the business of logistics and transport related business.

Amidst the challenging market condition, we believed with our experienced management team, skilled work force as well as healthy balance sheet, the Group is confident and well positioned to take advantage when the economy is fully recovering.

- 11 Dividend**

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend Amount per Share (in cents)	0.5 cent per ordinary share
Tax Rate	Tax exempt (1-tier)

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Yes

(c) Date payable

To be advised.

(d) Books closure date

To be advised.

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

Not applicable.

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

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 between October 2016 to December 2016:-</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 RMB 412,624,513 - Purchase of utilities RMB 1,216,791 - Logistics & transport related services provided to RMB 586,512 <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 RMB 4,803,544 - Sale of processed LPG RMB 21,696,349 - Purchase of packaging materials & component parts RMB 716,530 - Logistics & transport related services provided to RMB 113,784 <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 RMB 2,852,606 - Purchase of packaging materials & component parts RMB 3,621,856 		

Dongming Crude Oil Distribution Co., Ltd (东明石油经销有限公司) - Logistics & transport related services provided to	RMB 13,395,209	
Shandong Dongming Lishu Petroluem Co., Ltd (山东东明梨树化学有限公司) - Sales of processed LPG	RMB 113,527,119	
Dongming RunMing Oil Products Distribution Co., Ltd (东明润明油品销售有限公司) - Sale of transportation services	RMB 3,955	

The Company had in its extraordinary general meeting (“EGM”) held on 16 July 2014 obtained shareholders’ approval for the adoption of a general interested party transaction (“IPT”) mandate (“**2014 IPT Mandate**”) to enter into certain recurrent transactions with Shandong Dongming Petrochem Group Co., Ltd and certain categories of its companies, corporations and entities (collectively, “**Dongming Petrochem Group**”). Details of the 2014 IPT Mandate and Dongming Petrochem Group are set out in the Company’s circular to its shareholders dated 1 July 2014. It has come to the attention of the Company that it had inadvertently omitted to seek its shareholders’ approval for the renewal of the 2014 IPT Mandate at its annual general meeting held on 27 April 2015, and accordingly, the 2014 IPT Mandate has lapsed. The past IPTs with Dongming Petrochem Group, which have occurred after the 2014 IPT Mandate has lapsed, were carried out without any shareholders’ mandate. The Company will be convening an EGM to seek a specific approval from its shareholders to approve and ratify these past IPTs with Dongming Petrochem Group. A circular to the shareholders, containing, *inter alia*, details of such past IPTs with Dongming Petrochem Group will be dispatched by the Company to the shareholders in due course

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.**

No reporting by geographical location and business segments are presented as the Group operates solely in the PRC and within the 400km radius of our production facilities.

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.

	31.12.2016	31.12.2015	Change+/(-)
Revenue	RMB'000	RMB'000	%
-first half	680,052	665,838	2.1
-second half	879,829	780,272	12.7
Profit/(loss) after tax			
-first half	43,023	21,240	102.5
-second half	46,779	19,495	139.9

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

Total Annual Dividend

	Latest Full Year (SGD'000)	Previous Full Year (SGD'000)
Final dividend	NIL	15,354

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
- NIL -				

20 Confirmation that the issuer has procured undertakings from all its directors and executive officers

The Company confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual of Singapore Exchange Securities Trading Limited.

BY ORDER OF THE BOARD

ZHANG LIUCHENG
EXECUTIVE DIRECTOR