

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

UNAUDITED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014**

	Full year ended 31/12/2014 RMB'000	Full year ended (Re-presented) 31/12/2013 RMB'000	Change + / (-) %
Continuing operations			
Revenue	1,193,318	602,285	98.1%
Cost of sales	(1,159,879)	(601,460)	92.8%
Gross profit	33,439	825	
Other income	3,056	692	341.6%
Distribution costs	(4,666)	(3,935)	18.6%
Administrative costs	(9,679)	(9,032)	7.2%
Other operating expenses	(20)	(85)	(76.5%)
Profit/(loss) before taxation from continuing operation	22,130	(11,535)	
Taxation	-	-	
Profit/(loss) from continuing operations, net of tax	22,130	(11,535)	
Discontinued operation			
Loss from discontinued operation	(18,429)	(48,336)	
Profit/(loss) for the year	3,701	(59,871)	
Other comprehensive income:	-	-	
Total comprehensive income/(expense) for the year	3,701	(59,871)	
Equity holders			
Continuing	22,130	(11,535)	
Discontinued	(22,726)	(24,651)	
	(596)	(36,186)	
Non-controlling interests			
Continuing	-	-	
Discontinued	4,297	(23,685)	
	4,297	(23,685)	

Notes to the Consolidated statement of comprehensive income

	Full year ended	Full year ended	Change (+/-)
	31/12/2014	31/12/2013	
	RMB'000	RMB'000	%
Profit/(loss) before tax is arrived at after charging/(crediting):			
Interest income	(3,056)	(873)	(250.1)
Interest expense	-	6,104	NM
Amortisation of land use rights	4	8	(50.0)
Depreciation of property, plant and equipment	37,601	55,000	(31.6)
Disposal of property, plant and equipment	-	(64)	NM
Write down of inventories to net realisable value	2,299	-	NM

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	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	81,810	382,838	-	-
Land use rights	-	376	-	-
Subsidiaries	-	-	250,041	250,041
	81,810	383,214	250,041	250,041
CURRENT ASSETS				
Inventories	30,408	377,902	-	-
Trade and other receivables	9,075	169,724	24	-
Amount owing by a subsidiary	-	-	30,007	35,735
Amount owing by affiliated companies	59,224	5,065	-	-
Cash and cash equivalents	326,954	86,792	913	5,166
	425,661	639,483	30,944	40,901
TOTAL ASSETS	507,471	1,022,697	280,985	290,942
EQUITY				
Equity attributable to owners of the company				
Share capital	316,125	316,125	316,125	316,125
Retained earnings/(accumulated losses)	143,257	175,121	(35,640)	(29,540)
Reserves	41,606	41,606	-	-
	500,988	532,852	280,485	286,585
Non-controlling interest	-	101,595	-	-
TOTAL EQUITY	500,988	634,447	280,485	286,585
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	6,205	41,797	500	925
Bank borrowing	-	50,000	-	-
Amount owing to a subsidiary	-	-	-	3,432
Amount owing to affiliated companies	278	296,453	-	-
	6,483	388,250	500	4,357
TOTAL EQUITY AND LIABILITIES	507,471	1,022,697	280,985	290,942

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

Amount repayable in one year or less, or on demand

As at 31/12/2014		As at 31/12/2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	50,000

Amount repayable after one year

As at 31/12/2014		As at 31/12/2013	
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 2014

	31/12/2014 RMB'000	31/12/2013 RMB'000
Cash flows from operating activities		
Profit/(loss) before taxation	3,701	(59,871)
Adjustments for:-		
Amortisation of land use rights	4	8
Write down of inventories to net realisable value	2,299	-
Depreciation of property, plant and equipment	37,601	55,000
Interest expense	-	6,104
Interest income	(3,056)	(873)
Loss on disposal of a subsidiary (Note A)	40,887	-
Property, plant and equipment written off	-	64
Operating profit before working capital changes	81,436	432
Changes in working capital:		
Decrease/(increase) in inventories	149,553	(106,767)
(Increase)/decrease in operating receivables	(298,672)	380,302
Increase/(decrease) in operating payables	174,236	(205,269)
Cash generated from operations	106,553	68,698
Interest paid	-	(6,104)
Net cash generated from operating activities	106,553	62,594
Cash flows from investing activities		
Acquisition of property, plant and equipment	(173)	(13,491)
Disposal of a subsidiary, net of cash disposed of (Note A)	114,403	-
Proceed from disposal of property, plant and equipment	-	13
Interest received	647	873
Net cash generated from/(used in) investing activities	114,877	(12,605)
Cash flows from financing activities		
Repayment of bank borrowing	-	(50,000)
Proceed from additional bank borrowing	50,000	-
Dividends paid	(31,268)	-
Net cash generated from/(used in) financing activities	18,732	(50,000)
Net increase/(decrease) in cash and cash equivalents	240,162	(11)
Cash and cash equivalents at beginning of year	86,792	86,803
Cash and cash equivalents at end of year	326,954	86,792

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

Cash on hand	100	82
Bank balances	126,854	86,307
Fixed deposits placed with financial institutions	200,000	403
	326,954	86,792

Note A:

Further to the announcement dated 16 July 2014, the Group has completed the disposal of a subsidiary, Dongming Runchang Petrochemical Co.,Ltd. during the financial year:-

The carrying value of assets disposed of and liabilities discharged were as follows:

	RMB'000
Property, plant and equipment	263,600
Land use rights	372
Inventories	195,642
Trade and other receivables	124,664
Amount owing by affiliated parties	126,129
Amount owing by holding company	156,778
Cash and cash equivalents	1,664
Total assets	868,849
Trade and other payables	31,457
Bank borrowing	100,000
Amount owing to affiliated parties	474,546
Total liabilities	606,003
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)
	114,403

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>	Equity attributable to owners <u>RMB'000</u>	Non-controlling interest <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 2013 to 31 December 2013								
Balance as at 1 January 2013	316,125	201,639	39,227	797	40,024	557,788	136,530	694,318
Total comprehensive expense for the year	-	(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	316,125	163,871	40,809	797	41,606	521,602	112,845	634,447

	Share capital <u>RMB'000</u>	Retained earnings <u>RMB'000</u>	Other reserves		subtotal <u>RMB'000</u>	Equity attributable to owners <u>RMB'000</u>	Non-controlling interest <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 2014 to 31 December 2014								
Balance as at 1 January 2014	316,125	163,871	40,809	797	41,606	521,602	112,845	634,447
Total comprehensive income for the year	-	(596)	-	-	-	(596)	4,297	3,701
Dividends paid	-	(31,268)	-	-	-	(31,268)	-	(31,268)
On disposal of a subsidiary	-	-	-	-	-	-	(105,892)	(105,892)
Transfer to statutory common reserve	-	-	-	-	-	-	-	-
Balance as at 31 December 2014	316,125	132,007	40,809	797	41,606	489,738	11,250	500,988

UNAUDITED STATEMENT OF CHANGES IN EQUITY - COMPANY

1 January 2013 to 31 December 2013

	Share Capital <u>RMB'000</u>	Accumulated losses <u>RMB'000</u>	Total <u>RMB'000</u>
Balance as at 1 January 2013	316,125	(22,591)	293,534
Total comprehensive expense for the year	-	(6,949)	(6,949)
Balance as at 31 December 2013	316,125	(29,540)	286,585

1 January 2014 to 31 December 2014

	Share Capital <u>RMB'000</u>	Accumulated losses <u>RMB'000</u>	Total <u>RMB'000</u>
Balance as at 1 January 2014	316,125	(29,540)	286,585
Total comprehensive expense for the year	-	(6,100)	(6,100)
Balance as at 31 December 2014	316,125	(35,640)	280,485

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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 2014.

- 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	31/12/2014	31/12/2013
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 2013.

- 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 2013.

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 31/12/2014 RMB (cents)	Full year ended 31/12/2013 RMB (cents)
Profit/(loss) per share for the year based on net profit/(loss) attributable to owners of the parent		
(a) Based on basic number of ordinary shares on issue		
From continuing operations	3.46	(1.80)
From discontinued operations	(3.55)	(3.85)
No. of shares in issue (weighted average)	640,000,000	640,000,000
(b) On a fully diluted basis		
From continuing operations	3.46	(1.80)
From discontinued operations	(3.55)	(3.85)
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	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	0.78	0.83	0.44	0.45

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.

During the financial year 2014 the Group obtained shareholders approval and completed the following:-

- (1) Acquired from subsidiary Dongming Runchang Petrochemical Co., Ltd. the assets of gas fractionation processing installation (installation that on production of processed LPG and propylene); and
- (2) Disposed of 51% of the equity interest and registered capital of subsidiary Dongming Runchang Petrochemical Co., Ltd to an unrelated party, Heze Long Ding Investment Limited.

Revenue increased by RMB 591.0 million or 98% from RMB 602.3 million in FY2013 to RMB 1.19 billion in FY 2014. An analysis of revenue contributions from each product is set out as follows:-

Analysis of Sales by product (RMB'000)	4th Qtr		4th Qtr		Full year		Full year	
	2014	%	2013	%	2014	%	2013	%
Processed LPG	262,392	65%	58,924	34%	705,958	59%	218,801	36%
Propylene	45,367	11%	6,802	4%	107,671	3%	24,073	4%
Polypropylene	98,809	24%	105,717	62%	379,689	32%	359,411	60%
Total	406,568		171,443		1,193,318		602,285	

(i) **Processed LPG**

Revenue from sale of processed LPG increase significantly by 222.6% from RMB 218.8 million in FY 2013 to RMB 705.9 million in FY 2014. The increase is mainly attributable to increase in output contribute from the gas fractionation installation plant acquired. Total volume produced and sold increased by 252.9% as compared to FY 2013.

(ii) **Propylene**

Revenue from propylene increases by 347.2% from RMB 24.0 million in FY 2013 to RMB 107.6 million in FY 2014. Total volume produced and sold increased by 320.1% as compared to FY 2013. Price variance between the average selling price over average cost of sale also contributing to the overall increases.

(iii) **Polypropylene**

Revenue for sale of polypropylene increases by 5.6% from RMB 359.4 million in FY 2013 to RMB 379.7 million in FY 2014. Increase is mainly due to volume produced and sold which increase by 7.7% as compared to FY 2013..

Gross profit

As a result of abovementioned, the gross profit increases from RMB 0.8 million in FY 2013 to RMB 33.4 million in FY 2014.

Other income and expenses

(a) **Other income**

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

(b) **Distribution cost**

Increase was mainly due to RMB 450K transportation incurred from the sale delivery to a new major customer.

(c) **Administration expenses**

Increase was mainly to the professional cost incurred from the disposal of Dongming Runchang.

(d) Other operating expenses

There is a cessation cost of RMB 5.7 million reclass to cost of sale in the FY 2013 comparatives. ;

(e) Taxation

The Group has unabsorbed tax losses amounting to RMB 104.1 million which arises from the disposal of subsidiary Dongming Runchang which are subject to agreement with the relevant tax authorities.

(f) Loss from discontinued operations

This derived from the disposal of Dongming Runchang Petrochemical Co., Ltd and the representation of prior year comparatives in accordance with Financial Reporting Standard 105, Non-current Assets Held for Sale and Discontinued Operation

As a result of the above, the Group made a profit of RMB 3.7 million in FY2014 as compare to net loss of RMB 59.9 million in FY2013..

Balance Sheet

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

Decrease in assets and liabilities such as property, plant and equipment, land use rights, inventories, trade and other receivables, trade and other payables, bank borrowing, non-controlling interest and amount owing to related parties (trade) were due to the disposal of Dongming Runchang (details on the carrying value of assets disposed of and liabilities discharged were disclosed in above page 6).

Amount owing by affiliated companies

Mainly due to:-

- (i) amount of RMB 28.1 million from Shandong Dongming Petrochem Group Hengji Chemical Co., Ltd. (山东东明恒基化工有限公司) ;
- (ii) amount of RMB 5.3 million from Shandong Dongming Lishu Petrochem Co., Ltd (山东东明梨树化学有限公司); and
- (iii) an advance payment of RMB 25.8 million to Dongming Zhongyou Fuel and Petrochemical Co., Ltd. (东明中油燃料石化有限公司) for purchase of raw materials.

Amounts owing have been either collected or offset with raw materials purchase in the subsequent months.

Cash flow

The Group's generated net cash inflow of RMB 106.6 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 mainly from the net proceed of RMB 114.4 million from the disposal of Dongming Runchang.

Net cash generated from financing activities mainly due to the discharge of a bank borrowing and offset by the payment of interim dividend by the group during FY 2013.

As a result, the Group's free cash flow increases from RMB 86.8 million in FY 2013 to RMB 326.9 million in FY 2014.

Update of IPO proceeds

Balance as of 31 December 2014 is as follows:-

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

- 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.**

Although the group has disposed its loss-making entity to focus back on LPG related business, the petrochemical industry is expects to face challenge due to the uncertainties in the global economy that continually affect the business environment in the PRC for FY 2015.

However, with a healthy cash-flow arising from the disposal of Dongming Runchang, The management will continue to explore and seek expansion opportunities within the petrochemical industry including exploring other core related businesses.

- 11 Dividend**

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

Yes

Name of Dividend	Interim (Paid)
Dividend Type	Cash
Dividend Amount per Share (in cents)	1 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?

None.

(c) Date payable

Interim Dividend paid on 17 September 2014

(d) Books closure date

Not applicable.

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

Not applicable.

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

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
For periods from October to December 2014:- Dongming Zhongyou Fuel and Petrochemical Company Limited (东明中油燃料石化有限公司) <ul style="list-style-type: none">- Purchase of raw LPG;- Prepayment for raw materials Shandong Dongming Petrochem Group Co., Ltd. (山东东明石化集团有限公司) <ul style="list-style-type: none">- Payment of utilities supplied Shandong Dongming Petrochem Group Hengji Chemical Company Limited (山东东明恒基化工有限公司) <ul style="list-style-type: none">- Sales of LPG Dongming Runchang Petrochemical Co., Ltd. (东明润昌化工有限公司)		RMB 366,653,038 RMB 365,000,000 RMB 3,383,571 RMB 24,901,774

<ul style="list-style-type: none"> - Purchase of LPG; - payment of utilities supplied 		NIL
Shandong Dongming Lishu Petroluem Co., Ltd (山东明梨树 化学有限公司)		RMB 3,466,145
<ul style="list-style-type: none"> - Sales of LPG 		RMB 59,063,398

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.

	31.12.2014	31.12.2013	Change+ /(-)
Revenue	RMB'000	RMB'000	%
-first half	320,123	242,434	32
-second half	873,195	359,851	143
Profit/(loss) after tax			
-first half	(8,113)	(12,306)	(34)
-second half	30,243	771	38

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 (RMB'000)	Previous Full Year (RMB'000)
Interim dividend	31,268	Nil

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 -				

BY ORDER OF THE BOARD

ZHANG LIUCHENG
EXECUTIVE DIRECTOR