中星石化
SINOSTAR

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

MOULDING A SUSTAINABLE FUTURE

SINOSTAR PEC HOLDINGS LIMITED
ANNUAL REPORT 2016

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

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.

ABOUT SINOSTAR PEC HOLDINGS LIMITED

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

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

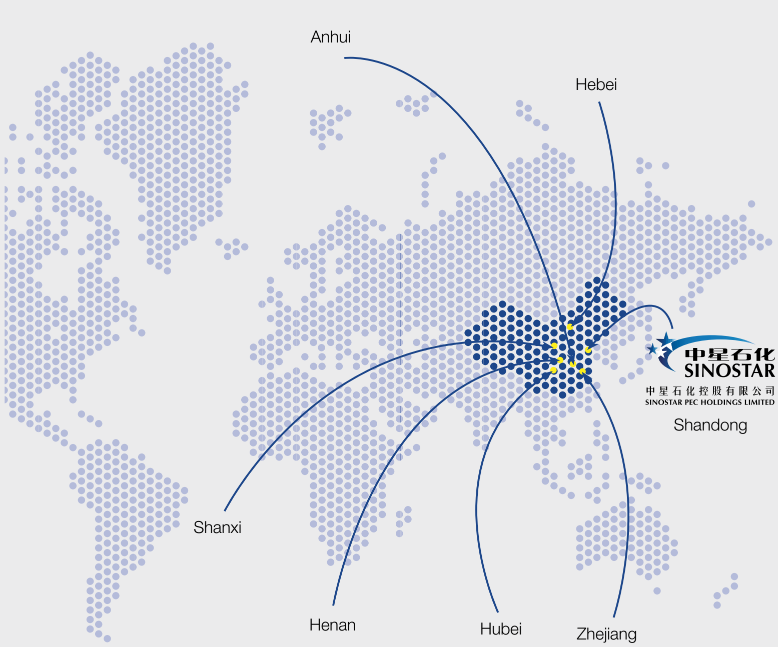
OUR CORPORATE STRUCTURE

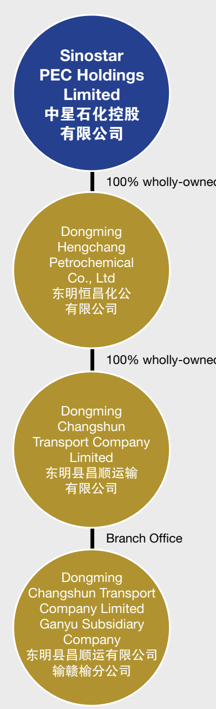
Our Group comprises Sinostar PEC Holdings Limited and our PRC 100% controlled subsidiary, Dongming Hengchang Petrochemical Co., Ltd. who run a total of 550,000 tonnes of gas-fractionation production plants in two locations.

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

In order to minimise duplicate costs and improve operational efficiency, Dongming Changshun Transport Company Ltd and Dongming Changshun Transport Co. Limited Ganyu Subsidiary Company has merged into one with effect from 24 January 2017. Following the completion of the merger, Dongming Changshun Transport Company Limited will be surviving entity.

PEOPLE'S REPUBLIC OF CHINA





PRIORITISING QUALITY

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

HENGCHANG: OUR FLAGSHIP BRAND

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

STRATEGIC AFFILIATION WITH DONGMING PETROCHEM

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

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

Since incorporation, Dongming Hengchang was able to introduce into an exclusive agreement with Dongming Petrochem and one of its associated societies to be supplied of all their raw LPG to Dongming Hengchang exclusively for a period of 20 years from 2006. This ensures consistent supply of raw LPG from various channels for Dongming Hengchang. On 31 May 2016, Dongming Hengchang entered into the 2016 Exclusive Supply Agreement with Dongming Zhongyou Fuel and Petrochemical Company Limited (a full subsidiary of Dongming Petrochem), for a term of 20 years from 2016. The 2016 Exclusive Supply Agreement supersedes the 2006 Exclusive Supply Agreement entered on 26 April 2006.

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

RESILIENCE

OUR BUSINESSES AND KEY PRODUCTS

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

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

We have 110 vehicles in our fleet of scaling up the acquired transportation business.

LPG

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

PROPYLENE

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

POLYPROPYLENE

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

TRANSPORTATION AND LOGISTICS

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

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

EXCELLENCE

CHAIRMAN'S MESSAGE

Dear Shareholders,

I am pleased to report that the Group has performed well under the volatile macroeconomic conditions in FY2016. Despite this, the Group recorded a healthy 152.2% increase in net profit to RMB 89.8 million in FY2016 compared to RMB 40.7 million in FY2015. This was achieved on the back of making incremental improvements in its business and developing a sustainable sales strategy, which led to a stable 7.9% rise in revenue to RMB 1,559.9 million in FY2016 from RMB 1,446.1 million in FY2015.

During the year, we continued to focus on our core strength in the petrochemical business to ramp up sales, resulting in an improved output and sales volume in all three of our key petrochemical product categories – adding up to an 11.3%, 13.4% and 13.2% increase in sales volume of our Processed LPG, Propylene and Polypropylene products respectively.

We also streamlined the Group's subsidiaries in our Logistics and Transport-related business into a single entity, Dongming Changshun Transport Company Limited ("Dongming Chanshun"), to improve operational efficiencies and minimise costs.

Our expansion into downstream services in FY2015, via our Dongming Changshun acquisition, also entrenched our market leadership position in the region by widening our delivery network, shortening our turnaround time and improving our delivery reliability. Further, by leasing out part of our fleet, we have been able to grow our top- and bottom-line with stable and recurring income.

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

With 110 vehicles in our fleet currently, we are confident of scaling up this business in the region. To this end, we have plans in the pipeline to implement a comprehensive logistics and transportation service system that will continue to boost our presence and reliability in the region and beyond, as well as extend this business to handle broader customer segments outside the Group's core oil & gas and petrochemicals business.

We are also heartened that our hard work to improve the operations and profitability of the Group has been recognised by the investment community and the Singapore Exchange as we were removed from the MTP Watch-List on 4 December 2016. This will serve as encouragement to strive for better achievements ahead.

OUTLOOK

The steady growth level and rise in urban population, coupled with the government's promise to tackle environmental issues through the implementation of sustainable policies to curb industrial pollution and improve efficiency, will positively impact demand for the Group's key petrochemical products. Adding to this, there also remains other uncertainty over policy changes in the industry in China which may bring have an impact on our operations.

However, every cloud has a silver lining. China has put forward an annual masterplan focused on stability at the National People's Congress on 5 March 2017. During the session, the China Premier highlighted China continued growth trajectory of a healthy 6.5%, providing us a stable economic environment to build our business. Further, our strategic partner, ShanDong Dongming Petrochemical Group, continues to ramp up its direct import of crude oil, such also allowing it to produce and to supply the Group with more raw material, i.e.,raw LPG. This has benefitted our group by increasing our total output and sales volume in all our petrochemical products, enabling us to reach out to more customers.

We are encouraged by the sustained demand for our products in the market and will be placing greater emphasis on our petrochemical business in the coming months. To enable us to better serve our market, we will be looking at growing the Group's production capacities for Propylene as well as to enlarge our propylene-base product lines. To achieve this, we are evaluating organically expanding our production plant or constructing a new facility, as well as exploring opportunities for mergers and acquisitions.

Our acquisition of subsidiary, Dongming Changshun, has proven to be an astute one. With the current 110 vehicles, we are able to extend our presence further downstream into crude oil, petrol stations and asphalt products. By progressively implementing a wider breadth of service, strengthening our monitoring system, optimising our logistics programme, increasing our overall efficiency and limiting costs, we will be able to increase the competitive edge of Dongming Changshun. What this means is that we will stand in better stead against our competitors by being able to deliver our products on-time, ensure better service reliability and enhance our customers' confidence in the Group.

In addition, we also hope to expand into new channels in logistics and provide a broader scope of service in natural gas and other chemical products.

In the mid-term, we have earmarked it for expansion by committing to an investment of RMB 20 million to acquire 50 new vehicles in 1Q2016. We will monitor the expansion and continue to increase investments, grow our fleet of vehicles and expand the scale of our transportation vehicles. We believe that by implementing a comprehensive logistics and transport service system in-house, we will be able to market our key petrochemical products to new clients as well as secure contracts from external parties to grow our business in the region.

Overall, we still of the view that FY2017 is going to be a challenging year for the Group. While we maintain a healthy balance sheet with cash and cash equivalents of RMB 500 million to tide us through, we will also remain prudent in managing our business costs and overheads as well as monitoring the competition.

DIVIDEND

The Board has recommended a final dividend tax exempted 1-tier dividend of 0.5 Singapore cents per ordinary share for the financial year. This translates into a dividend yield of approximately 3.3%.

APPRECIATION

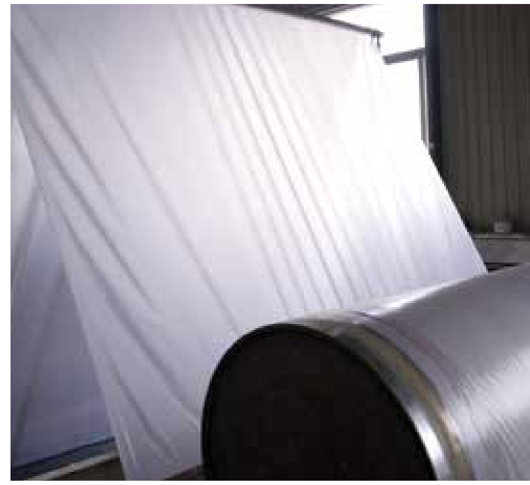
We are fortunate to operate in a strategic location that allows us to reach out to highly populated and industrialised zones nearby. While this will bolster any potential slowdown in demand for our products, our Group's management and staff has shown their nimbleness and ability to react quickly to opportunities and risks to ensure the Group remains in the pink of health.

FY2017 is shaping up to be another intensely competitive and challenging year. However, we are confident that along with the road bumps we are sure to encounter ahead, there will be areas of unique opportunities as well. Rest assured we will seek balance as we manoeuvre the Group into a stronger position.

On behalf of the Board of Directors and management team, I would like to take this opportunity to thank our shareholders for your support and believe in our Group. It gives us immense encouragement as we look to the new year ahead. No doubt it will serve as a catalyst for us to work harder to continue unlocking more value for you.

Li Xiang Ping
Non-Executive Chairman

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



致股东们的一封信

尊敬的各位股东：

我很高兴向大家做公司年度工作汇报。2016年，集团公司通过采取稳健经营的工作思路，将保持持续发展和业绩持续提升作为年度工作重点。过去的一年全球宏观经济环境依旧欠佳，但集团公司取得了良好的工作业绩。现将一年来的工作汇报如下：

一 2016年取得的工作成绩

2016年，实现销售收入15.599亿元人民币，较2015年提升了7.9%；实现净利润8980万元人民币，较2015年增长了152.2%。

二 2016年采取的重要工作举措

1 继续提升化工产品的产销量，提高销售收入。通过努力，2016年，公司的成品液化气、丙烯及聚丙烯产品的产销量均有较大提升，三个产品的销售额同比分别增长11.3%、13.4%和13.2%。

2 进一步整合物流运输业务，提高运营效率，降低成本。在2015年成功收购东明昌顺运输有限公司（简称“东明昌顺”）后，我们重点加强公司物流运输及配送的整体运营功能，通过扩展运送物流网络、缩短车辆周转时间及提升交货可靠性等策略，提升了公司的整体服务能力，逐步巩固并拓展了物流运输及配送的市场业务。同时，通过对外租赁部分车辆，为公司取得稳定的销售收入。

3 2016年，通过采取整合资源、优化流程和创新管理等工作措施，集团公司的运营能力不断提升，盈利水平连续两年保持增长。新交所于2016年12月4日将集团公司从最低交易价观察名单中移除，充分证明了近两年公司的运营模式富有成效，使公司的整体运营和盈利水平获得业界的认可。

三 2017年的工作思路

1 2017年集团公司所面临的机遇和挑战。
机遇与挑战并存。2017年3月5日，中国政府在全国人民代表大会提出了以稳健发展为主的年度总体规划，中国总理强调了中国将继续保持6.5%左右的经济增长水平，这为公司在新年度的运营提供了稳定的外部经济环境。

此外，我们一路来的战略合作伙伴山东东明石化集团在顺利获得原油使用权和进口权的相关配额，会继续加大原油的进口力度，这将会为我们公司在2017年增加液化气原料供应和成品油等销量。

2 2017年的工作措施

1 提升丙烯产量及拓展丙烯产品线。
市场对我们产品的持续需求促使我们加重对石化业务的重视。接下来，为了能够更好地服务于市场需求，我们将增加集团的丙烯生产能力，以及拓展丙烯产品线。要做到这一点，我们正在评估有机地扩大我们的生产厂或建设一个新的设施，以及探索收购的机会。

2 拓展昌顺物流公司业务，提升市场竞争力。
依托现有的110辆自物流车辆的整体运力，拓展下游的原油短倒、终端加油站成品油、沥青产品配送等服务业务。

逐步实施全方位的物流和运输服务系统，强化物流运输的过程监管，优化物流程序，提升物流效率，降低物流成本，继续提高昌顺物流公司的整体市场竞争力，获得更多的客户认可，提升物流业务量和公司知名度。

拓展物流行业新渠道，逐步将物流运输配送业务延伸至天然气和化工产品，获取更广泛的物流业务。

3 在中期发展上，继续拓展昌顺公司的车辆规模。2016年，我们已投资人民币2000万元购买进50辆车。在后续的发展中，集团会结合公司新业务的拓展情况，继续加大投资，增加运输车辆配置，不断扩大运营车辆规模。

4 总体而言，我们仍然认为2017财政年依旧是充满挑战的一年。我们资产处于良好的状态，现金流有近人民币5亿元，我们还是会谨慎管理我们的营运成本以及密切地跟进行业的发展状态 。

四、股息

董事会建议派发末期股息免税每普通股新元0.5分的股息，相等于约3.3%股息收益率。

五、致谢

当前集团公司灵活的运营模式增强了公司应对风险和把握时机的能力，确保了集团良好业绩的取得和健康发展。成绩的取得和公司的发展与股东们支持和信任密不可分，借此机会，我谨代表董事会和公司管理团队，对股东们的支持和信任表示由衷的感谢。

2017年，又一个充满竞争和挑战的一年。董事会与公司管理层有信心、有能力把新一年的经营思路贯彻好，把公司的发展战略规划好，不辜负股东们的重托和期望，公司全体员工会为股东取得更多的收益而不懈努力。

李湘平
董事局主席

OPERATIONS REVIEW

FINANCIAL PERFORMANCE

FY2016 was a robust year for the Group as it achieved healthy improvements in its top- and bottom-line figures. This comes despite operating against the backdrop of slowing growth rates and weak market demand in China.

During the year, the Group managed to increase the total output and sales volume for all three of its petrochemical products as well as higher revenue from its Logistics and Transport-related business. Despite enduring a decrease in average selling prices for its petrochemical products, the Group recorded a 7.9% increase in revenue to RMB 1,559.9 million in FY2016 compared to RMB 1,446.1 million in FY2015.

Consequently, its net profit attributable to equity holders rose to RMB 89.8 million in FY2016 from RMB 40.7 million in the preceding year.

PERFORMANCE BY BUSINESS SEGMENTS

Processed LPG

Processed LPG continued to be the Group's biggest revenue generator contributing 54% of revenue in FY2016. This was slightly below its contribution level of 61% in FY2015.

Despite increasing total output and sales volume by 11.3% in FY2016, revenue from our Processed LPG segment fell 4.8% to RMB 843.9 million in FY2016 from RMB 886.8 million in FY2015. This was mainly due to a 14.5% fall in its average selling price ("ASP"), which was offset by a 13.8% decrease in the average cost of sales ("ACOS").

Propylene

Largely unchanged from the previous year, Propylene contributed 17% of the Group's revenue in FY2016.

Even after accounting for a plant maintenance limiting its production in November 2016, the Group increased total output and sales volume of our Propylene product segment by 13.4%. This translated to a 10.0% increase in revenue to RMB 264.7 million in FY2016 from RMB 240.6 million in FY2015. During the year, margin pressures also depressed the ASP for Propylene, offset by a 17.7% decrease in its ACOS.

Polypropylene

Similarly, our Polypropylene product segment remained a steady contributor of 17% of the Group's revenue in both FY2016 and FY2015.

Output and sales volume of Polypropylene increased by a robust 13.2%, improving revenue to RMB 264.4 million in FY2016, a 5.1% increase from RMB 251.6 million in FY2015. This comes on the back of a similarly depressed ASP of 7.2%, offset by a decrease in ACOS by 18.1%.

Logistics and Transport

In FY2016, the Group generated a revenue of RMB 186.9 million compared to RMB 67.1 million the year before. While FY2016's revenue was for the whole financial year, in FY2015, it was only from August 2015 onwards. Comparatively, the Group's 4Q2016 revenue was close to 43.9% higher than its 4Q2015 revenue.

PROFITABILITY

Fuelled by our acquisition of our Logistics and Transport related-services as well as lower ACOS for our key petrochemical products, the Group's gross profit soared 138.9% to RMB 117.0 million in FY2016 from RMB 53.6 million in FY2015.

The Group's other income was derived from higher interest earned from its fixed deposits. In FY2016, we also reported consolidated figures for the Group's Logistics and Transport business, which increased administrative and distribution costs. Distribution costs, however, was reduced mainly due to the lower ACOS for our key petrochemical products.

As a result, the Group reported a net profit attributable to equity of RMB 89.8 million in FY2016 compared to RMB 40.7 million in FY2015.

Similarly, our Polypropylene product segment remained a steady contributor of 17% of the Group's revenue in both FY2016 and FY2015.

BALANCE SHEET

As at 31 December 2016, the Group posted an increase in inventories on hand to RMB 34.3 million in FY2016. This mainly comprised RMB 6.7 million of raw materials and RMB 27.5 million of our completed key petrochemical products.

The Group reported a decrease in trade and other receivables to RMB 27.9 million from RMB 61.0 million during the year. This was mainly due to a reduction in operating receivables.

As at 31 December 2016, the Group also maintained a healthy balance of cash and cash equivalents of RMB 494.6 million, a 7.2% increase from the year before.

In FY2016, the Group also pared down its operating payables, reported a decrease in trade and other payables to RMB 51.4 million compared to RMB 55.5 million in FY2015. The Group also pare down on its raw materials procured from Dongming Zhongyou Fuel and Petrochemical Company Limited during the year. As at 31 December 2016, the amount it owed to affiliated companies stood at RMB 0.3 million, down from RMB 56.7 million in FY2015.

At the end of 2016, the Group also had a current tax payable of RMB 0.4 million. This was mainly accrued by Dongming Hengchang and Dongming Changshun.

CASHFLOW

As at 31 December 2016, the Group generated net cash inflow of RMB 72.1 million from operating activities compared to RMB 97 million in FY2015, which was primarily due to a increase in amount owing by affiliated company and inventories and a decrease in payables, offset by an decrease in operating receivables and tax paid.

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

Net cash used in financing activities was mainly due to FS2015 dividend paid in FY2016.

As a result, the Group's free cash flow rose to RMB 494.6 million in FY2016 compared to RMB 461.6 million in FY2015. This was mainly due to cash generated from the Group's operating activities which offset the cash used in investing activities and financial activities. The Group rounded out FY2016 in a healthy financial position with RMB 134.5 million and RMB 360 million in bank balances and fixed deposits respectively.

OUTLOOK

Weighed down by the decelerating growth and market demand in China, we expect FY2017 to be another challenging and competitive year for the Group. Thus, we will strive to ensure prudent cost control and balance sheet management.

There remain bright spots for the Group however. In our key petrochemical products segment, the uptrend in oil prices into 2017 signals a possible bottoming out of prices and recovery in the longer term. China has also mandated a shift to deploy environmentally sustainable policies in a bid to lower pollution and improve efficiency which will provide a boost to our key petrochemical products.

More imminently for us, our Logistics and Transport related business, Dongming Changshun, offers an exciting prospect for the Group to build on. We expect to continue expanding this business segment by onboarding more vehicles to our fleet as well as implementing a comprehensive logistics and transport service system in-house to grow our network, shorten our turnaround time, and improving service reliability. We will also be able to enjoy recurring income by leasing out part of our fleet to customers in the oil & gas and petrochemicals industries as well as expanding and offering our reliable service to other customer types. Lifted by our successful acquisition of our Logistics and Transport related business, we will actively prospect for new attractive acquisitions and mergers to fuel further growth for the Group.

Zhang Liu Cheng
CEO and Executive Director

MOMENTUM

BOARD OF DIRECTORS

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

LI XIANG PING
Non-Executive Chairman

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

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

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

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

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

WU GUO ZHI
Non-Executive Director

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

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

ZHANG LIU CHENG
Chief Executive Officer and Executive Director

Mr Zhang Liu Cheng is also Deputy General Manager (Finance and Administration) of our subsidiary, Dongming Hengchang. Mr Zhang worked in the Dongming County Finance Department as an accountant between 1996 and 2001 where he was responsible for the accounting functions of the department. In June 2004, Mr Zhang joined Dongming Hengchang as its financial controller overseeing the daily operations of the financial management and the overall financial management of Dongming Hengchang.

Currently, he serves as the deputy chairman of the corporate branch of the Revolutionary Committee of the Chinese Kuomintang (Xicheng district) (中国国民党革命委员会会西城区企业支部副主委) and a member of the Economic Committee (西城区经济委员会委员). He is also the deputy chairman of the Dongming County Association of Industry and Commerce (东明县工商联副主席) and a member of the standing committee of the Chinese People's Political Consultative Conference (东明县政协常委) in Dongming county. He is also a member of the Joint experts Committee in the China Petrochemical and Gasoline Association (中国石化联合会油气专家委员会).

Mr Zhang obtained a Bachelor's degree in 1996 from Shandong University in Accounting. From 2001 to 2004,

Mr Zhang studied at the China Agricultural University and attained a Masters in Agricultural Economy Management. He is a Certified Accountant (Higher level) in China since 2014 and a Certified Public Valuer qualification from the Ministry of Finance of the PRC.

TEO MOH GIN
Independent Non-Executive Director

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

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

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

MR ZHAO JINQING
Independent Non-Executive Director

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

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

KEY MANAGEMENT

LIU ZHONG HUA
Deputy General Manager (Sales and Procurement)

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

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

TAN YEW CHEE WILLIAM
Chief Financial Officer

Mr William Tan joined the Group on 2 May 2008 and he is responsible for the overall financial and accounting functions of our Group. He is also the acting financial controller of subsidiary Dongming Hengchang Petrochemical Co.,Ltd.

Mr Tan started his career as an audit assistant at a local audit firm in 1990. From 1992 to 2001, he was Managing Director for a local small and medium enterprise before joining Nixvue Systems Pte Ltd as Financial Controller from 2002 to 2005. From 2005 to 2007, William Tan was the Group Financial Controller of Unidux Electronics Ltd where he was responsible for the overall finance & accounting, human resource, business development & planning functions of the group. In July 2007, he joined SNF Corporation Ltd as Group Chief Financial Officer. In 2008, William Tan was engaged as a financial consultant by Sinocome Solar Group, a solar energy solutions provider in Beijing. From 2012 to 2015, William Tan was a non-executive independent director of China Sky Chemical Fibre Co. Ltd, a company listed on the Mainboard of the SGX-ST. He is a non-executive independent director of Unusual Limited since 7 March 2017.

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

WANG ZHI JIANG
General Manager (Dongming Changshun)

Mr Wang Zhi Jiang was appointed to oversee the Group's Logistics and Transport-related business, Dongming Changshun, in October 2016.

Starting his career as a customs officer at the Shandong Homey International Business Department in 2004, Mr Wang went on to be a field operator for gas separators and catalytic units at the Dongming County Petroleum Refining Factory in 2005. Between 2005 to 2016, he took on various positions in Shandong Dongming Petroleum Chemical Group, working as a coordinator, technician and accountant in its sales department for two years, before being appointed a deputy director at its Dongming Shipping Company.

Mr Wang has a bachelor degree in International Economics and Trade from Shandong University.

FINANCIAL HIGHLIGHTS

	2012 RMB'000	2013# RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000
REVENUE & PROFITABILITY					
Sales	5,480,531 *	6,286,351 *	982,972	1,446,110	1,559,881
Gross Profit / (Loss)	(132,874)	(20,461)	33,439	48,966	116,968
Net Profit / (Loss)	(156,273)	(59,871)	3,701	40,735	89,803
FINANCIAL STRENGTH					
Cash & cash equivalents	86,803	86,792	326,954	461,559	494,570
Short-term Debt & borrowings	100,000	50,000	-	-	-
Net current assets	261,155	241,233	419,178	450,828	515,044
Shareholders' equity	557,788	532,852	500,988	541,723	616,172
CASH FLOW					
Operating cash flow	(340,398)	62,594	181,391	97,028	71,078
Investing cash flow	(47,972)	(12,605)	40,039	37,577	(22,713)
Financing cash flow	98,446	(50,000)	18,732	-	(15,354)
SHAREHOLDERS' WEALTH					
Number of shares on issue	640,000	640,000	640,000	640,000	640,000
Basic earnings per share (RMB cents)	(11.73)	(3.89)	3.46	6.36	14.03
Net asset value per share (RMB cents)	87.15	83.25	78.28	84.64	96.28
Net cash value per share (RMB cents)	13.56	13.56	51.09	72.12	77.27
Dividend yield	na	na	13.2%	4.5%	3.3%
TOTAL MARKET CAPITALISATION	**$70,400**	**$48,640**	**$48,640**	**$70,400**	**$96,000**
MARKET PRICE					
High	$0.220	$0.136	$0.095	$0.150	$0.160
Low	$0.108	$0.012	$0.050	$0.060	$0.060
Closing	$0.110	$0.076	$0.076	$0.110	$0.150

** Include the results of disposed subsidiary Dongming Runchang Pterochemical Co., Ltd.*
 # Figures are computed based on numbers that are not re-presented due to discontinued operation.

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

RISK AND INVESTMENT COMMITTEE

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

SECRETARY

Tan Chee How, ACIS

COMPANY REGISTRATION NUMBER

200609833N

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRAR

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

AUDITOR

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

LEGAL ADVISERS TO THE COMPANY ON PRC LAW

Zhong Lun Law Firm
36-37/F SK Tower
6A, 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

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 FY2016 in keeping pace with the evolving corporate governance practices and complying with the revised Code of Corporate Governance 2012 (the "Code") issued on 2 May 2012. Outlined below are the policies, processes and practices adopted by the Group in compliance with the principles and spirit of the 2012 Code.

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

STATEMENT OF COMPLIANCE

The Board confirms that for the financial year ended 31 December 2016, the Company has generally adhered to the principles and guidelines as set out in the Code save as otherwise explained below.

BOARD MATTERS

Principle 1: THE BOARD'S CONDUCT OF AFFAIRS

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

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

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

Delegation of the Board

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

Attendance at Board and Board Committee Meetings

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

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	1	1
Zhang Liu Cheng	4	4	–	–	–	–	–	–
Teo Moh Gin	4	4	4	4	–	–	1	1
Wu Guozhi	4	4	–	–	1	1	–	–
Zhao Jinqing	4	4	4	4	1	1	–	–

Directors	Risk and Investment Committee	
Name of Directors	**Number of Meetings Held**	**Number of Meetings Held Attended**
Li Xiang Ping	–	–
Zhang Liu Cheng	1	1
Teo Moh Gin	1	1
Wu Guozhi	1	1
Zhao Jinqing	–	–

Matters Requiring Board Approval

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

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

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

Board Orientation and Training

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

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

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

Principle 2: BOARD COMPOSITION AND GUIDANCE

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

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

Board Independence

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

Each Independent Non-Executive Director is required to complete a Director's Independence Checklist annually to confirm his independence based on the guidelines as set out in the Code. The Directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code. For FY 2016 the NC is of the view that all its Independent Non-Executive Directors have satisfied such criteria of independence as a result of its review. The independence of each Independent Non-Executive Director will be reviewed annually by the NC.

Board Composition and Size

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

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

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

Principle 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

Principle 4: BOARD MEMBERSHIP

The NC comprises the following members:

Zhao Jinqing (Chairman)
Li Xiang Ping
Wu Guozhi

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

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

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

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

Name of director	Appointment	Date of initial appointment	Date of last re-election	Current Directorships in listed companies	Past Directorships in listed companies
Li Xiang Ping Age: 56	Non-Executive Chairman	6 July 2006	27 April 2015	None	None
Zhang Liu Cheng Age: 45	Chief Executive Officer and Executive Director	6 July 2006	26 April 2016	None	None
Wu Guozhi Age: 66	Non-Executive Director	27 April 2011	28 April 2016	None	None
Teo Moh Gin Age: 58	Independent Non-Executive Director	29 June 2007	27 April 2015	Changjiang Fertilizers Holdings Limited	YangZhiJiang Shipbuilding Holdings Ltd Asia Fashion Holdings Ltd Chinasun Biochemical Holding Ltd Cedar Strategic Holdings Ltd
Zhao Jinqing Age: 59	Independent Non-Executive Director	7 March 2015	27 April 2015	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 more than 9 years consecutively. Having considered his in-depth knowledge of the Group's business operations, past and continuous contributions at Board level in terms of impartial and constructive advice, the Board is of the view that there is no material conflict between his tenure and his ability to discharge his role as Independent Non-Executive Director.

Directors' Time Commitment

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

Selection Criteria and Nomination Process for New Directors

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

Rotation and Re-election of Directors

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

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

At the forthcoming AGM, Mr Zhao Jinqing and Mr Teo Moh Gin will be retiring by rotation pursuant to the Article 104 of the Articles and Association. Both of them, being eligible for re-election have offered themselves for re-election. The key information on Mr Zhao Jinqing and Mr Teo Moh Gin 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 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 2016, individual assessment of directors had been conducted at the NC meeting held on 28 February 2017. The criteria for assessment include performance of principal functions and fiduciary duties, level of participation at meetings and individual attendance record.

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

Principle 6: ACCESS TO INFORMATION

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

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

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

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 a Non-Executive Chairman.

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

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

Procedure for setting Remuneration

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

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

Principle 8: LEVEL AND MIX OF REMUNERATION

Remuneration of Executive Directors and Key Management Personnel

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

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

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

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

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

Remuneration of Non-Executive Directors

The Independent Non-Executive Directors receive directors' fees, in accordance with their contributions, taking into account factors such as responsibilities, effort and time spent for serving the Board and Board Committees. For the financial year ending 31 December 2017, 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 2017.

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 2016 are set out below:

Remuneration bands	Salary [1] %	Variable or performance related income/ bonuses %	Directors' fees [2] %	Total %
Directors				
Below S$250,000				
Li Xiang Ping	–	–	100	100
Zhang Liu Cheng	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	80	20	–	100
Wang Zhi Jiang	100	–	–	100

Notes:

(1) *Salary is inclusive of salary, allowances, Central Provident Fund contributions and pension funds.*

(2) *Directors' fees are subject to approval of the shareholders at the forthcoming AGM.*

In aggregate, the total remuneration paid to the top five key management personnel in financial year ended 2016 is S$279,000.

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

The Company has not implemented any employee share scheme during the financial year ended 31 December 2016.

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 2016. 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.

Whistle-blowing Policy

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

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

Interested Person Transactions

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

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

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

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

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

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

The Company is proposing to convene an EGM to seek shareholders' ratification, confirmation and approval of the Past Recurrent IPTs which occurred after the expiration of the 2014 IPT General Mandate (the "Proposed Ratification of Past Recurrent IPTs").Notwithstanding the foregoing inadvertent lapses, the Company had constantly disclosed the interest person transactions in quarterly result announcements in FY2015 and FY2016.

At the date of this Report, the SGX-ST has given the Company the approval to issue a Circular to the Company's shareholders and at the request of the Company, has also given the Company the approval to hold its upcoming EGM for the said Circular immediately after the AGM for the financial year ended 31 December 2016.

Notwithstanding the inadvertent lapses, the Company had constantly disclosed the interest person transactions in quarterly result announcements in FY2016. A summary of the interested person transactions for FY2016 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) *(pending for shareholders' ratification confirmation and approval in coming EGM)*	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;	RMB 1,195,132,499	NIL
- Purchase of utilities	RMB 4,852,338	NIL
- Provision of logistics and transport related services and/or products	RMB 2,224,253	NIL
Shandong Dongming Petrochem Group Co., Ltd. (山东东明石化集团有限公司)		
- Provision of logistics and transport related services and/or products	RMB 379,761	NIL
- Purchase of utilities, parts and components (including packaging materials)	RMB 19,426,496	NIL
- Sale of processed LPG for the extraction of isobutene	RMB 72,956,102	NIL
Shandong Dongming Petrochem Group Hengji Chemical Company Limited (山东东明恒基化工有限公司)		
- Sale of processed LPG for the extraction of isobutene	RMB 5,298,560	NIL
Dongming Runze Petrochemical Co., Ltd (东明润泽化工有限公司)		
- Purchase of utilities, parts and components	RMB 19,613,472	NIL
Shandong Dongming Lishu Petroluem Co., Ltd (山东东明梨树化学有限公司)		
- Sale of processed LPG	RMB 286,787,822	NIL
Dongming RunMing Oil Products Distribution Co., Ltd (东明润明油品销售有限公司)		
- Provision of logistics and transport related services and/or products	RMB 34,624	NIL
Dongming Crude Oil Distribution Co., Ltd (东明石油经销有限公司)		
- Provision of logistics and transport related services and/or products	RMB 17,973,107	NIL

Internal Code on Dealings in Securities

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

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

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

The Board confirms that for the financial year ended 31 December 2016, the Company has complied with Listing Rule 1207(19).

Principle 12: AUDIT COMMITTEE

The AC comprises the following members:

Teo Moh Gin (Chairman)
Zhao Jinqing
Li Xiang Ping

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

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

- reviewing with the external auditors their audit plan, their evaluation of the system of internal accounting controls, their audit report, their management letter and the Management's response;
- reviewing the internal control and procedures and ensuring co-ordination between the external auditors and the Management, reviewing the co-operation and assistance given by the Management to the external auditors, and discussing problems and concerns, if any, arising from the interim and final audits and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);
- ensuring that a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually by the external auditors;
- reviewing and ensuring the integrity of the financial statements of the Group before submission to the Board focusing in particular, on significant financial reporting issues, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/ regulatory requirements;
- commissioning, reviewing and discussing with the external auditors, if necessary, any suspected fraud or irregularity, or suspected failure of internal controls, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results and/or financial position, and the Management's response;
- reviewing the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors, and where the external auditors also supply a substantial volume of non-audit services to the Company, keeping the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- reviewing the independence of the external auditors annually, and recommending to the Board the appointment, re-appointment or removal of the external auditors and approving the remuneration and terms of engagement of the external auditors;
- approving internal control procedures and arrangements for all interested person transactions;

- ensuring that arrangements are in place for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence and that there is independent investigation of such matters and for appropriate follow up action;
- reviewing transactions falling within the scope of the SGX-ST Listing Manual, in particular, matters pertaining to Interested Person Transactions and Acquisitions and Realisations as laid down in Chapters 9 and 10 respectively;
- reviewing any potential conflicts of interests;
- undertaking such other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- generally undertaking such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

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

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

The IC comprising the following members:

Zhang Liucheng (Chairman)
Teo Moh Gin
Wu Guozhi

Mr Teo Moh Gin and Mr Zhao Jinqing are Independent Non-Executive Directors, whilst Mr Li Xiang Ping is the Non-Executive Chairman. The terms of reference of the IC, which have been approved and adopted, are as follows:–

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

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

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

For the year ended 31 December 2016, the amount of professional fees payable to external auditors of the Group amounted to S$152,000 including audit fee of S$150,000 and non audit services fee of S$2,000. The AC reviewed all non-audit services provided by external auditor and satisfied that these non-audit services would not affect the judgement and objectivity of the external auditor.

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 internals 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

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

(a) Pursuant to the Articles

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

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

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

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

(b) Pursuant to the Act

(i) Convening of an extraordinary general meeting on requisition

(a) the Directors of the Company, notwithstanding anything in its Articles, shall, on the requisition of members holding at the date of the deposit of the requisition not less than 10% of such of the paid-up capital as at the date of the deposit carries the right of voting at general meetings immediately proceed duly to convene an extraordinary general meeting of the company to be held as soon as practicable but in any case not later than 2 months after the receipt by the Company of the requisition.
(b) The requisition shall state the objects of the meeting and shall be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.
(c) If the Directors do not within 21 days after the date of the deposit of the requisition proceed to convene a meeting the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may themselves, in the same manner as nearly as possible as that in which meetings are to be convened by Directors convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from that date.

(d) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors to convene a meeting shall be paid to the requisitionists by the Company, and any sum so paid shall be retained by the company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.
(e) A meeting at which a special resolution is to be proposed shall be deemed not to be duly convened by the Directors if they do not give such notice thereof as is required by the Act in the case of special resolutions.

(ii) Calling of meetings

(a) Two or more members holding not less than 10% of the total number of issued shares of the Company (excluding treasury shares) may call a meeting of the Company.
(b) A meeting of a Company or of a class of members, other than a meeting for the passing of a special resolution, shall be called by notice in writing of not less than 14 days or such longer period.
(c) A meeting shall, notwithstanding that it is called by notice shorter than is required by paragraph (ii)(b), be deemed to be duly called if it is so agreed:

(1) In the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; or
(2) In the case of any other meeting, by a majority in number of the members having a right to attend and vote thereat, being a majority which together holds not less than 95% of the total voting rights of all the members having a right to vote at that meeting.

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 72 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.

CONTENTS

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

The directors present their statement to the members together with the audited consolidated financial statements of Sinostar PEC Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

Opinion of the directors

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended, and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

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

Arrangements to enable directors to acquire shares or debentures

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

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 2016	**As at 31 December 2016 and 21 January 2017**	As at 1 January 2016	**As at 31 December 2016 and 21 January 2017**
The Company – <u>Sinostar PEC Holdings Limited</u> (Ordinary shares with no par value)				
Li Xiang Ping	–	**–**	330,780,200	**334,056,600**
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	10,000	**10,000**	–	**–**

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

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 2017.

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 comprises the following members:

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

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

The Audit Committee performs the functions set out in 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 2016 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.

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

DIRECTORS' STATEMENT
For the financial year ended 31 December 2016 (cont'd)

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 23 to the financial statements.

On behalf of the Directors

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LI XIANG PING
DIRECTOR

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ZHANG LIU CHENG
DIRECTOR

5 April 2017

INDEPENDENT AUDITOR'S REPORT

to the Members of Sinostar PEC Holdings Limited
For the financial year ended 31 December 2016

Report on the Audit of the Financial Statements

Opinion

We have audited the 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 2016, and 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>Our audit performed and responses thereon</th></tr>
<tr><td>
Non-compliance with SGX Listing Rules in relation to Interested Party Transaction

<u>Mandate for Interested Party Transactions ("IPT")</u>

The Group had not obtained the mandate for IPT in accordance with Section 920, Chapter 9 of the SGX Listing Manual since 2014.

The board of directors is of the view that the Group would be able to ratify the past transactions from 2014 to 2016 through an extraordinary general meeting ("EGM") to be convened.

At the date of this Report, the Listing Compliance of Singapore Exchange Limited ("SGX-ST") has given the Company the approval to issue a Circular to the Company's shareholders in relation to the following:

- Proposed ratification of past recurrent IPTs;
- Proposed adoption of the new IPT General Mandate; and
- Proposed adoption of share buy-back mandate

The Listing Compliance of SGX-ST, at the request of the Company, has also given the Company the approval to hold its upcoming EGM for the abovementioned Circular immediately after the AGM for financial year ended 31 December 2016.

Accordingly, no adjustments would be required of the Group's financial statements in respect of those IPTs. In arriving at this view, the board of directors had made significant judgments about its chances of success in the EGM taking into account its past success in obtaining such mandates, identity of the interested party and the positive margin and volume of those IPTs. Evaluating the board of directors' position requires significant judgment given the complexity involved.

The Group had made disclosures on the above matter in Notes 2(a) and 23 to the financial statements.
</td><td>
Our audit procedures focused on evaluating and challenging the key assumptions used by the board of directors in coming to their assessment.

These procedures included:

• Corroboration of past success in IPT mandate to the announcements;

• Evaluating the background of the interested party; and

• Review of the volume and margin on those IPTs.
</td></tr>
</table>

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information listed below that are included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

(a) Sinostar PEC at a Glance;
(b) Our Businesses and Key Products;
(c) Chairman's Message;
(d) Operation's Review;
(e) Board of Directors;
(f) Key Management;
(g) Financial Highlights;
(h) Corporate Information;
(i) Corporate Governance;
(j) Directors' Statement
(k) Statistics of Shareholdings;
(l) Notice of Annual General Meeting; and
(m) Proxy Form

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

to the Members of Sinostar PEC Holdings Limited
For the financial year ended 31 December 2016 (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

(b) Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditor's report is Mr Ong Kian Meng.

RT LLP
Public Accountants and
Chartered Accountants
Singapore

Singapore, 5 April 2017

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	The Group 2016 RMB'000	The Group 2015 RMB'000	The Company 2016 RMB'000	The Company 2015 RMB'000
ASSETS					
Non-current					
Property, plant and equipment	5	98,627	88,394	–	8
Goodwill on consolidation	29(f)	2,501	2,501	–	–
Subsidiaries	6	–	–	250,041	250,041
		101,128	90,895	250,041	250,049
Current					
Inventories	7	34,272	19,336	–	–
Trade and other receivables	8	27,902	60,980	–	–
Amount owing by a subsidiary	6	–	–	22,058	25,836
Amounts owing by affiliated companies	9	10,422	22,171	–	–
Cash and bank balances	10	494,570	461,559	274	43
		567,166	564,046	22,332	25,879
Total assets		668,294	654,941	272,373	275,928
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	11	316,125	316,125	316,125	316,125
Retained earnings/(accumulated losses)	12	256,190	182,335	(45,091)	(41,062)
Other reserves	13	43,857	43,263	–	–
Total equity		616,172	541,723	271,034	275,063
Liabilities					
Current					
Trade and other payables	14	48,406	55,453	1,339	865
Amounts owing to affiliated companies	15	290	56,654	–	–
Current tax payable		3,426	1,111	–	–
		52,122	113,218	1,339	865
Total equity and liabilities		668,294	654,941	272,373	275,928

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000 (Restated) (Note 30)
Revenue	4	1,559,881	1,446,110
Cost of sales		(1,442,913)	(1,392,515)
Gross profit		116,968	53,595
Other income	16(a)	10,780	9,551
Distribution costs	16(b)	(4,422)	(5,284)
Administrative expenses	16(c)	(19,014)	(16,520)
Other operating expenses	16(d)	(104)	(19)
Profit before taxation	17	104,208	41,323
Taxation	18	(14,405)	(588)
Profit, representing total comprehensive income for the financial year		89,803	40,735

		RMB cents	RMB cents
Earnings per share	19		
– Basic		14.03	6.36
– Diluted		14.03	6.36

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Share capital RMB'000	Retained earnings RMB'000	Other reserves			Total RMB'000
			Statutory common reserve RMB'000	Voluntary common reserve RMB'000	Sub-total RMB'000	
Balance as at 1 January 2015	316,125	143,257	40,809	797	41,606	500,988
Net profit, representing total comprehensive income for the year	–	40,735	–	–	–	40,735
Transactions with owners in their capacity as owners						
Transfer to statutory common reserve	–	(1,657)	1,657	–	1,657	–
Balance as at 31 December 2015	316,125	182,335	42,466	797	43,263	541,723
Net profit, representing total comprehensive income for the year	–	89,803	–	–	–	89,803
Transactions with owners in their capacity as owners						
Dividends paid (Note 21)	–	(15,354)	–	–	–	(15,354)
Transfer to statutory common reserve	–	(594)	594	–	594	–
Balance as at 31 December 2016	316,125	256,190	43,060	797	43,857	616,172

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Operating Activities		
Profit before taxation	104,208	41,323
Adjustments for:		
Depreciation of property, plant and equipment	22,515	12,544
Loss on disposal of property, plant and equipment	61	155
Interest income	(10,410)	(9,551)
Operating profit before working capital changes	116,374	44,471
(Increase)/decrease in inventories	(14,936)	11,109
Increase in amount owing by/(to) affiliated company	(44,615)	47,794
Decrease/(increase) in operating receivables	33,392	(26,076)
(Decrease)/increase in operating payables	(4,031)	19,207
Cash generated from operations	86,184	96,505
Tax (paid)/refunded	(15,106)	523
Net cash generated from operating activities	71,078	97,028
Investing Activities		
Acquisition of property, plant and equipment (Note A)	(32,809)	(28,540)
Proceed from disposal of property, plant and equipment	–	38
Acquisition of a subsidiary, net of cash acquired (Note B)	–	16,170
Decrease in amounts owing by affiliated companies	–	40,358
Interest received	10,096	9,551
Net cash (used in)/generated from investing activities	(22,713)	37,577
Financing Activities		
Dividends paid	(15,354)	–
Net cash used in financing activities	(15,354)	–
Net increase in cash and bank balances	33,011	134,605
Cash and cash equivalents at beginning of financial year	461,559	326,954
Cash and cash equivalents at end of financial year (Note 10)	494,570	461,559

Note A:

Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RMB 32,809,000 (2015 : RMB 12,206,000). Cash payments of RMB 32,809,000 (2015 : RMB 28,540,000) were made. Of these cash payment made, RMB Nil (2015 : RMB 16,334,000) were advances paid to suppliers (Note 8).

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2016 (cont'd)

Note B:
In 2015, the Group acquired a wholly-owned subsidiary, Dongming Changshun Transport Company Limited ("Changshun Transport") for a cash consideration of RMB 9,724,000. The effect of the acquisition on the cash flows of the Group is as follows;–

Identifiable assets acquired of and liabilities assumed:

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

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

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 6 to the financial statements.

The financial statements of the Company and of the Group for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

2(a) Basis of preparation

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

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

Significant accounting estimates and judgements

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

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

Critical judgements made in applying accounting policies

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

<u>Interested party transactions (IPTs)</u>
The Group had not obtained shareholders' mandate for certain interested party transactions since 2014 in accordance with Chapter 920 of the SGX Listing Manual. The board of directors had made a critical judgment that no adjustments would be required for the Group's financial statements in respect of those IPTs as the Company will be holding an upcoming EGM to seek shareholders' approval to ractify these past interested party transactions. The critical judgment was based on the past success in obtaining such mandates, the identity of the interested party and the positive margin and volume of those transactions. The Group's disclosure of IPT transactions is disclosed in Note 23 to the financial statements.

<u>Allowance for impairment of trade receivables</u>
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 the 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 8.

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

Environmental remediation

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

Key sources of estimation uncertainty

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

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis after deducting the residual value over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 3 to 20 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2016 is RMB 98,627,000 (2015 : 88,394,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore future depreciation charges could be revised.

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 18.

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 7.

2(b) Interpretations and amendments to published standards effective in 2016

On 1 January 2016, 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 standards, amendments and interpretations that are relevant to the Group that have been issued but only effective in future period at the date of the financial statements:

- FRS 109 *Financial Instruments*
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)*
- FRS 116 *Leases*
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*
- Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

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 109 and FRS 115.

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 Financial Instruments: Recognition and Measurement and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management is currently evaluating the potential impact of the application of FRS 109 on the financial statements of the Group and of the Company in the period of their initial application.

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

FRS 115 *Revenue from Contracts with Customers*
In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and the related Interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Management is currently evaluating the potential impact of the application of FRS 115 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 6 to the financial statements.

Subsidiaries are entities (including structure entity) which the Group has control. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns

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 non-controlling interests having a deficit balance.

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

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.

3 Summary of significant accounting policies (cont'd)

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

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

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

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

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

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.

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.

3 Summary of significant accounting policies (cont'd)

Financial assets (cont'd)

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 liabilitiy simultenously.

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

Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash at bank and 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 earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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

Financial liabilities

The Group's financial liabilities include trade payables and other payables, and amounts owing to affliated companies.

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

3 Summary of significant accounting policies (cont'd)

Financial liabilities (cont'd)

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

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.

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.

3 Summary of significant accounting policies (cont'd)

Income taxes (cont'd)

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 statements of financial position.

Value-added tax

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

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

(i) where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables that are stated with the amount of VAT included.

Impairment of non-financial assets

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

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

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

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

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

3 Summary of significant accounting policies (cont'd)

Impairment of non-financial assets (cont'd)

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

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

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

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

Revenue recognition

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

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

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

Interest income is recognised using the effective interest method.

Employee benefits

Pension obligations

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

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

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

Employee leave entitlements

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

Key management personnel

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

3 Summary of significant accounting policies (cont'd)

Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

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 25.

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.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:
- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

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

4 Revenue

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

The Group	2016 RMB'000	2015 RMB'000
Liquefied petroleum gas	843,860	886,766
Propylene	264,725	240,675
Polypropylene	264,399	251,570
Transport and logistic services	186,897	67,099
	1,559,881	1,446,110

5 Property, plant and equipment

The Group	Buildings on leasehold land RMB'000	Plant and machinery RMB'000	Electronic system and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost						
Balance as at 1 January 2015	10,090	121,567	19,441	149	152	151,399
Additions	–	1,300	–	10,898	8	12,206
Disposals	–	(1,919)	–	–	–	(1,919)
On acquisition of a subsidiary	–	28	–	10,767	130	10,925
Balance as at 31 December 2015	10,090	120,976	19,441	21,814	290	172,611
Additions	363	162	271	32,013	–	32,809
Disposals	–	(405)	(146)	–	–	(551)
Balance as at 31 December 2016	10,453	120,733	19,566	53,827	290	204,869
Accumulated depreciation						
Balance as at 1 January 2015	5,968	52,847	10,586	44	144	69,589
Depreciation for the year	416	9,369	1,691	986	82	12,544
Disposals	–	(1,726)	–	–	–	(1,726)
On acquisition of a subsidiary	–	26	–	3,720	64	3,810
Balance as at 31 December 2015	6,384	60,516	12,277	4,750	290	84,217
Depreciation for the year	970	14,243	288	7,014	–	22,515
Disposals	–	(358)	(132)	–	–	(490)
Balance as at 31 December 2016	7,354	74,401	12,433	11,764	290	106,242
Carrying amount						
Balance as at 31 December 2016	3,099	46,332	7,133	42,063	–	98,627
Balance as at 31 December 2015	3,706	60,460	7,164	17,064	–	88,394

5 Property, plant and equipment (cont'd)

The Company	Electronic system and equipment RMB'000
Cost	
Balance as at 31 December 2015 and 2016	27
Accumulated depreciation	
Balance as at 1 January 2015	11
Depreciation	8
Balance as at 31 December 2015	19
Depreciation	8
Balance as at 31 December 2016	27
Carrying amount	
Balance as at 31 December 2016	–
Balance as at 31 December 2015	8

The Group	Note	2016 RMB'000	2015 RMB'000
Depreciation expense charged to:			
Cost of sales		22,450	12,537
Distribution costs	16(b)	29	–
Administrative expenses	16(c)	36	7
		22,515	12,544

6 Subsidiaries

The Company	2016 RMB'000	2015 RMB'000
Investment in subsidiaries	250,041	250,041
Amount owing by a subsidiary	22,058	25,836

6 Subsidiaries (cont'd)

The Group has the following investment in subsidiaries:

Name	Country of incorporation /principal of business	Cost of investment 2016 RMB'000	Cost of investment 2015 RMB'000	Effective percentage of equity held 2016	Effective percentage of equity held 2015	Principal activities
Subsidiary held by the Company						
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
Subsidiary held by Dongming Hengchang						
Dongming Changshun Transport Company Limited [1] [2] (东明县昌顺运输有限公司) ("Changshun Transport")	The People's Republic of China	–	–	100%	100%	Provide logistics and transportation for petroleum products
		250,041	250,041			

(1) Audited by RT LLP, Singapore for consolidation purposes
(2) Acquired on 12 August 2015

The amount owing by a subsidiary relates to unsecured advances and accrued interest on the advances, both of which are repayable by 28 November 2017 (2015 : 28 November 2016). Interest is charged at 3% (2015 : 3%) per annum. The carrying value approximates the fair value of the advances.

The amount owing by a subsidiary is denominated in RMB.

7 Inventories

The Group	2016 RMB'000	2015 RMB'000
Raw materials	6,739	3,965
Finished goods	27,453	17,540
Consumables	80	130
	34,272	21,635
Less:		
Allowance for inventories		
Balance at beginning of the year	(2,299)	(2,299)
Credit to profit or loss	2,299	–
Balance at end of the year	–	(2,299)
Totals	34,272	19,336
Inventories charged to cost of sales	1,442,913	1,392,515

7 Inventories (cont'd)

In 2016, the cost of inventories recognised as an expense includes RMB 2,299,000 (2015 : RMB Nil) in respect of reversal of allowances for inventories. Previous write-downs have been reversed as a result of increased sales price in certain markets.

8 Trade and other receivables

	The Group		The Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Trade receivables	16,930	29,370	–	–
Value Added Tax receivable	818	1,246	–	–
Advance payments	70	–	–	–
Advances made to suppliers of raw materials	50	53	–	–
Advances made to suppliers of property, plant and equipment	–	16,334	–	–
Advances made to staff	774	2,046	–	–
Prepayments	3,080	–	–	–
Interest receivables	5,715	5,401	–	–
Other receivables	465	6,530	–	–
	27,902	60,980	–	–

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

The Group	2016 RMB'000	2015 RMB'000
Current (within 30 days)	16,930	29,370

The trade receivables that are neither past due nor impaired belong to customers who have made payments regularly and the Group did not foresee any credit issues with these customers. The carrying values of these trade receivables approximate the fair values.

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

The advances made to suppliers of raw materials are unsecured, interest-free and represent down-payment for the supply of raw materials.

The advances made to suppliers of property, plant and equipment are unsecured, interest-free and represent down-payment for the purchase of property, plant and equipment.

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

Prepayments relates to prepaid expenses for toll card, petrol card and insurance expenses for trucks.

Trade and other receivables are denominated in RMB.

9 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.

10 Cash and bank balances

	The Group		The Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Cash on hand	60	52	16	18
Bank balances	134,510	201,507	258	25
Fixed deposit	360,000	260,000	–	–
	494,570	461,559	274	43

The fixed deposit earned interest at 1.62%-3.5% (2015 : 3.00%-3.30%) per annum have maturity of 1 year (2015 : 1 year).

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

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Singapore dollar	261	31	261	31
United States dollar	13	12	13	12
Renminbi	494,296	461,516	–	–
	494,570	461,559	274	43

Cash and cash equivalents of RMB 494,570,000 (2015 : 461,559,000) held in the PRC are subject to local exchange control regulations. These regulations place restriction on the amount of currency being exported other than through dividends.

11 Share capital

	No. of shares		Amount	
The Group and The Company	2016	2015	2016 RMB'000	2015 RMB'000
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.

12 Retained earnings/(accumulated losses)

	The Group		The Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Retained earnings/(Accumulated losses)				
– Balance at beginning of the year	182,335	143,257	(41,062)	(35,640)
– Total comprehensive profit/(loss) for the financial year	89,803	40,735	(4,029)	(5,422)
– Transfer from statutory common reserve	(594)	(1,657)	–	–
– Dividends paid (Note 21)	(15,354)	–	–	–
– Balance at end of the year	256,190	182,335	(45,091)	(41,062)

13 Other reserves

The Group	2016 RMB'000	2015 RMB'000
Other reserves comprised the following:		
Statutory common reserve		
– Balance at beginning of financial year	42,466	40,809
– Transfer from retained earnings	594	1,657
– Balance at end of the year	43,060	42,466
Voluntary common reserve		
– Balance as at beginning and end of the year	797	797
Total reserves	43,857	43,263

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

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

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

14 Trade and other payables

	The Group		The Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Trade payables	9,202	28,717	–	–
Accrual for salaries and related costs	12,182	3,132	–	–
VAT payables	2,478	990	–	–
Provision for directors' fees	830	–	830	–
Other governmental taxes payable	283	493	–	–
Advances received from customers	12,331	4,824	–	–
Amount owing to directors	70	70	–	–
Amount owing to staff	50	50	–	–
Amount owing to suppliers of property, plant and equipment	–	8,793	–	–
Amount owing to outsourced transportation companies	6,408	1,379	–	–
Refundable deposits received from third parties	3,229	5,850	–	–
Amount owing to sundry creditors	1,343	1,155	509	865
	48,406	55,453	1,339	865

The carrying amount of trade and other payables approximate its fair value due to the relative short duration of realisation.

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

Amount owing to outsourced transportation companies approximate its fair value due to the relative short duration of realisation.

14 Trade and other payables (cont'd)

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

The amount owing to directors represents unsecured advances from directors which are interest-free and repayable on demand. These amount approximate their fair values.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Singapore dollar	1,339	865	1,339	865
Renminbi	50,083	54,588	–	–
	51,422	55,453	1,339	865

15 Amounts owing to affiliated companies

The Group	2016 RMB'000	2015 RMB'000
Trade		
– 东明中油燃料石化有限公司	–	51,854
– 山东东明石化集团有限公司	–	3,057
– 山东润泽化工有限公司	290	1,743
	290	56,654

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

Amount owing to affiliated companies are unsecured, non-interest bearing and payable on demand. These amount approximate their fair values.

16(a) Other income

The Group	2016 RMB'000	2015 RMB'000
Interest income – bank	10,410	9,356
Exchange gain	–	32
Others	370	163
	10,780	9,551

16(b) Distribution costs

The Group	Note	2016 RMB'000	2015 RMB'000
Employee benefit costs	16(e)	3,747	3,987
Depreciation of property, plant and equipment	5	29	–
Travelling expenses		4	22
Entertainment expenses		–	5
Freight charges		443	963
Operating lease rentals – equipments		103	103
Others		96	204
		4,422	5,284

16(c) Administrative expenses

The Group	Note	2016 RMB'000	2015 RMB'000 (Restated) (Note 30)
Depreciation of property, plant and equipment	5	36	7
Directors' fees		1,655	1,555
Employee benefit costs	16(e)	6,004	2,666
Exchange (gain)/loss		(170)	275
Operating lease rentals		204	213
Entertainment expenses		491	332
Travelling and accommodation		740	627
Stamp duty & property tax		536	417
Repair and maintenance		85	59
Environment fee		138	118
Professional fee		656	247
Audit fee	17	721	647
Cleaning expense		216	216
Non-claimable value added tax		4,031	4,628
Compensation paid to injured worker [1]		–	2,148
Loss on disposal of property, plant and equipment		61	155
Others		3,670	2,210
		19,074	16,520

Note [1]:

In 2015, Dongming Hengchang was ruled by the PRC court to pay compensation amounting to RMB 2,148,000 for an injured worker. The directors were of the view that no further compensations to this injured worker was required following the PRC court ruling.

16(d) Other operating expenses

The Group	2016 RMB'000	2015 RMB'000
Bank Charges	4	19
Fines	36	–
Others	4	–
	44	19

16(e) Employee benefit costs

The Group	Note	2016 RMB'000	2015 RMB'000
Directors' remuneration			
– salaries and related costs		1,091	876
– defined contributions		13	14
Key management personnel (other than directors)			
– salaries and related costs		1,236	1,033
– defined contributions		105	82
Other than directors and key management personnel			
– salaries and related costs		41,019	17,866
– defined contributions		2,480	2,459
		45,944	22,330
As disclosed in:			
Cost of sales		36,193	15,677
Distribution costs	16(b)	3,747	3,987
Administrative expenses	16(c)	6,004	2,666
		45,944	22,330

17 Profit before taxation

The Group	Note	2016 RMB'000	2015 RMB'000
Profit before taxation has been arrived at after charging and (crediting):			
Depreciation of property, plant and equipment	5	22,515	12,544
Operating lease rentals		307	316
Audit fee	16(c)	721	647

18 Taxation

The Group	2016 RMB'000	2015 RMB'000
Current taxation	14,405	588

18 Taxation (cont'd)

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

The Group	2016 RMB'000	2015 RMB'000
Profit before taxation	104,208	41,323
Tax at statutory rate of 25% (2015 : 25%)	27,899	11,769
Tax at statutory rate of 17% (2015 : 17%)	(1,256)	(978)
Adjustments:		
Tax effect on non-taxable income	(250)	(1,202)
Tax effect on non-deductible expenses	1,692	825
Utilisation of previously unrecognised tax losses	(13,680)	(9,752)
Others	–	(74)
	14,405	588

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

The applicable tax rates of the Group's subsidiaries in the PRC, Dongming Hengchang, Changshun Transport for the financial year ended 31 December 2016 are 25% (2015 : 25%).

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 99,279,000 (2015 : 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 2016, the aggregate amount of temporary differences relating to undistributed profits of a subsidiary for which deferred tax liabilities have not been recognised is RMB 89,209,000 (2015 : RMB 81,233,000). No deferred tax liability has been recognised because the Group has not fully utilised the subsidiary's unremitted earnings before 31 December 2007 as discussed above.

Tax lossess

The Group has utilised all unabsorbed tax losses in 2016 (2015 : RMB 54,720,000) comprising solely from Dongming Hengchang which are subject to agreement with the relevant tax authorities.

19 Earnings per share

The Group

The basic earnings per share is calculated on the Group's profit after taxation attributable to equity holders of the Company of RMB 89,803,000 [2015 : RMB 40,735,000] based on the weighted average number of ordinary shares in issue of 640,000,000 (2015 : 640,000,000) shares during the financial year.

The diluted earnings per share is calculated on the Group's profit after taxation attributable to equity holders of the Company of RMB 89,803,000 [2015 : RMB 40,735,000] based on the weighted average number of ordinary shares in issue of 640,000,000 (2015 : 640,000,000) shares during the financial year.

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

20 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:

The Group	2016 RMB'000	2015 RMB'000
Defined contribution national pension plan	1,295	1,734

21 Dividends

The Group and The Company	2016 RMB'000	2015 RMB'000
Ordinary dividends paid		
– final tax-exempt (one-tier) dividend paid in respect of financial year 2015 of S$0.5 (2015 : S$Nil) per share	15,354	–

22 Commitments

22.1 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:

The Group	2016 RMB'000	2015 RMB'000
Not later than one year	334	523
Later than one year and not later than five years	1,669	2,613
Later than five years	6,126	10,819

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 RMB 197,000 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 agreement was cancelled during 2016.

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 expiring on 31 December 2025 are RMB 1,800, RMB 12,000 and RMB 120,000 per annum, and the lease expiring on 1 May 2026 is RMB 3,000.

22 Commitments (cont'd)

22.2 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	31 May 2006 to 30 May 2036

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

23 Related party transactions

There are no related party transactions in accordance with the definition of related party as disclosed in the accounting policy under Note 3.

Affiliated companies transactions

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

The Group	2016 RMB'000	2015 RMB'000
Sales to affiliated companies		
– 东明中油燃料石化有限公司	2,224	872
– 山东东明石化集团恒基化工有限公司	5,299	82,904
– 山东东明梨树化学有限公司	286,788	108,268
– 山东东明石化集团有限公司	73,336	1,324
– 东明石油经销有限公司	17,973	–
– 东明润明油品销售有限公司	35	881
	385,655	194,249
Purchases from affiliated companies		
– 东明中油燃料石化有限公司	1,195,132	1,256,738
– 东明润泽化工有限公司	19,613	–
– 东明润明油品销售有限公司	–	88
	1,214,745	1,256,826
Rental and utilities charged by affliated companies		
– 东明中油燃料石化有限公司	4,852	4,994
– 东明润昌化工有限公司	–	6,533
– 东明润邦化工有限公司	–	4,201
– 山东东明石化集团有限公司	19,426	21,605
– 东明润泽化工有限公司	–	5,640
	24,278	42,973
Other expenses charged by affiliated company		
– 东明中油燃料石化有限公司	–	376
	–	376
Consignment fee paid to an affiliated company		
– 东明县石油经销公司	–	1,487
Prepayment to an affiliated company		
– 东明中油燃料石化有限公司	–	80,000

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

The Group is still in the process of obtaining the shareholders' mandate in respect of certain interested party transactions above.

24 Disclosure of directors' remuneration

	2016	2015
Number of directors		
RMB 750,000 to RMB 1,000,000	1	1
RMB 500,000 to RMB 749,999	1	1
RMB 250,000 to RMB 499,999	3	3
Below RMB 250,000	–	–

25 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 foreign currency risk, 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.

25.1 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.

No sensitivity analysis had been presented as management was of the view that any changes in foreign currency denominated financial assets and liabilities was unlikely to be material to the Group.

25.2 Interest rate risk

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

The exposure of the Company and the Group to interest rate risk relates mainly to its bank deposits and cash funds placed with financial institutions as shown in Note 10 to the financial statements.

The Group is exposed to limited interest rate risk on its balances with banks.

No sensitivity analysis had been presented as management was of the view that any changes in interest rates on its balances with banks was unlikely to be material to the Group.

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

25.3 Credit risk

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

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

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

The trade receivables of transport and logistic business comprise 1 debtors (2015 : 3) that individually represented 57% (2015 : 86%) of trade receivables of the Group.

Further details of credit risks on trade and other receivables are disclosed in Note 8.

25.4 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.

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.

All financial assets and financial liabilities are expected to be settled within one financial year.

25.5 Market price risk

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

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

25.6 Categories of financial instruments

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

	The Group		**The Company**	
	2016 RMB'000	**2015 RMB'000**	**2016 RMB'000**	**2015 RMB'000**
Financial assets				
Loans and receivables				
Cash and bank balances	494,570	461,559	274	43
Trade and other receivables	23,884	43,347	–	–
Amount owing by subsidiaries	–	–	22,058	25,836
Amounts owing by affiliated companies	10,422	22,171	–	–
Financial liabilities				
Amortised cost				
Trade and other payables	33,315	49,146	1,339	865
Amount owing to affiliated companies	290	56,654	–	–

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

25.7 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 engage in hedging for against this risk.

26 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 transport and logistic services segment is the provision of logistics and transportation for petroleum products.

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.

<u>Allocation basis and transfer pricing</u>

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

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

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

26 Segment information (cont'd)

(a) Reportable segments

	Gas Separation		Transport & Logistic Service		Total	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
REVENUE:						
External customers	1,372,984	1,379,011	186,897	67,596	1,559,881	1,446,607
Inter-segment sales	–	–	–	(497)	–	(497)
Total revenue	1,372,984	1,379,011	186,897	67,009	1,559,881	1,446,110
Additions to property, plant and equipment	428	–	32,381	12,206	32,809	12,206
Depreciation of property, plant and equipment	15,522	11,578	6,993	966	22,515	12,544
Results						
Segment results	105,444	37,881	11,524	15,714	116,968	53,595
Unallocated expenses:						
Unallocated corporate expenses					(23,170)	(19,329)
Written off inventories to net realisable value					–	(2,299)
Profit from operations					93,798	31,967
Finance income					10,410	9,356
Profit before taxation					104,208	41,323
Taxation					(14,405)	(588)
Profit after taxation					89,803	40,735

	2016 RMB'000	2015 RMB'000
Customer 1	286,788	–[2]
Customer 2	–[1]	664,731

All the 2 customers above contribute revenue to the Gas Separation and Transport & Logistic Service segment.

[1] The sales of this customer do not exceed 10% in year 2016.
[2] The sales of this customer do not exceed 10% in year 2015.

(b) Geographical information

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

27 Capital management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;

(b) To support the Group's stability and growth;

(c) To provide capital for the purpose of strengthening the Group's risk management capability; and

(d) To provide an adequate return to shareholders.

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

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

There were no changes in the Group's approach to capital management during the year. As disclosed in Note 13, the subsidiaries in the 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 2016 and 2015.

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 amount of 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 2016 and 2015.

28 Financial instruments

Fair values

The carrying amount of financial assets and financial 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.

29 Business combinations

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

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

(a) Purchase consideration

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

29 Business combinations (cont'd)

Details of the consideration paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, were as follows (cont'd):

(b) Effect on cash flows of the Group

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

(c) Identifiable assets acquired and liabilities assumed

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

(d) Acquisition-related costs

There was no acquisition-related costs in the financial year ended 31 December 2015.

(e) Acquired receivables

The fair value of trade and other receivables was RMB 9,495,000 and included trade receivables with a fair value of RMB 4,841,000.

(f) Goodwill

The goodwill of RMB 2,501,000 arising from the acquisition of Changshun Transport was attributable to the distribution network in the PRC and the synergies expected to arise from the economies of scale in combining the operations of the Group with those of Changshun Transport. The entire goodwill arising from acquisitions is allocated to one cash generating unit (CGU), the transport and logistics business of the Group, which is the transport and logistic service reportable segment.

(g) Revenue and profit contribution

The acquired business contributed revenue of RMB 67,099,000 and net profit of RMB 3,306,000 to the Group from the period from 12 August 2015 to 31 December 2015.

Had Changshun Transport been consolidated from 1 January 2015, consolidated revenue and consolidated profit for the year ended 31 December 2015 would have been RMB 1,551,045,000 and RMB 43,349,000 respectively.

30 Reclassification and comparative figures

Reclassification was made to the prior year's financial statements to enhance the comparability with current year's financial statements. The effect of the reclassification on the comparative figures in the consolidated statement of profit or loss and other comprehensive income as at December 31, 2015 is as follows:

	As previously reported RMB'000	Adjustments RMB'000	As restated RMB'000
Statement of profit or loss and other comprehensive income			
Cost of sales	1,397,144	(4,629)	1,392,515
Administrative	11,891	4,629	16,520
	1,409,035	–	1,409,035

SHAREHOLDINGS STATISTICS

as at 28 March 2017

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

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	0	0.00	0	0.00
100 - 1,000	111	4.00	103,900	0.02
1,001 - 10,000	1,258	45.37	8,873,500	1.39
10,001 - 1,000,000	1,386	49.98	75,222,600	11.75
1,000,001 and above	18	0.65	555,800,000	86.84
	2,773	100.00	640,000,000	100.00

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 28 March 2017, approximately 42.3% 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	UOB Kay Hian Pte Ltd	108,444,500	16.94
3	Phillip Securities Pte Ltd	59,347,500	9.27
4	Raffles Nominees (Pte) Ltd	19,869,400	3.10
5	DBS Vickers Securities (S) Pte Ltd	8,423,200	1.32
6	DBS Nominees Pte Ltd	6,182,900	0.97
7	RHB Securities Singapore Pte Ltd	4,141,600	0.65
8	See Gim Tee or Sei Kim Hoe	3,476,500	0.54
9	OCBC Securities Pte Ltd	2,289,200	0.36
10	Mok Tian Soon	2,235,100	0.35
11	Wei Ran	2,017,000	0.32
12	United Overseas Bank Nominees Pte Ltd	1,879,000	0.29
13	Maybank Kim Eng Securities Pte Ltd	1,517,500	0.24
14	OCBC Nominees Singapore Pte Ltd	1,388,100	0.22
15	Citibank Nominees Singapore Pte Ltd	1,236,500	0.19
16	Chuah Poh Tin	1,200,000	0.19
17	Heng Kheng Long or Cynthia Poa Kheng Bee	1,145,000	0.18
18	See Gim Tee	1,011,000	0.16
19	Aw Yong Sai Chin	1,000,000	0.16
20	Chia Soon Loi	950,000	0.15
		557,750,000	87.16

SHAREHOLDINGS STATISTICS
as at 28 March 2017 (cont'd)

SUBSTANTIAL SHAREHOLDERS	No. of Shares Direct Interests	Deemed Interests	%
Intelligent People Holdings Limited [1]	329,996,000	4,060,600	52.19
Yoof Investments Limited	35,030,000	–	5.47
Li Xiang Ping [2]	–	334,056,600	52.19

Note:

(1) Intelligent People Holdings limited is deemed to be interested in 4,060,600 ordinary shares held under the name of RHB Securities Singapore Pte Ltd.

(2) Li Xiang Ping is deemed to be interested in 334,056,600 shares held by Intelligent People Holdings Limited and RHB Securities Singapore Pte Ltd.by virtue of Section 7 of the Companies Act, Cap. 50.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sinostar PEC Holdings Limited the "**Company**") will be held at Grand Salon Room Level 2, Conrad Centennial Singapore,2 Temasek Boulevard Singapore 038982 on Friday, 28 April 2017 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 2016 and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final exempt (one-tier) dividend of SGD 0.5 cents per share for the financial year ended 31 December 2016. **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:

Mr Zhao Jinqing	(Article 104) **(See Explanatory Note 1)**	**(Resolution 3)**
Mr Teo Moh Gin	(Article 104) **(See Explanatory Note 2)**	**(Resolution 4)**

4. To approve the payment of Directors' Fees of S$344,000 (2016 S$344,000) for the financial year ending 31 December 2017, to be paid quarterly in arrears. **(Resolution 5)**

5. To re-appoint RT LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an annual general meeting.

As Special Business:

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

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

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

(A) (i) issue Shares in the Company whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

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

Tan Chee How
Company Secretary

Singapore, 13 April 2017

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Explanatory Notes:

1. Mr Zhao Jinqing is an Independent, Non-Executive Director of the Company. He also serves as Chairman of Nominating Committee and Member of the Audit Committee and Remuneration Committee. Upon his re-election, Mr Zhao will continue to serve as as as Chairman of Nominating Committee and Member of the Audit Committee and Remuneration 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.

2. Mr Teo Moh Gin is an Independent, Non-Executive Director of the Company. He also serves as Chairman of Audit Committee and Remuneration Committee, Member of the Risk and Investment Committee. Upon his re-election, Mr Teo will continue to serve as as Chairman of Audit Committee and Remuneration Committee, Member of the Risk and Investment 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.

3. The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

4. 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 he 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 72 hours before the time appointed for holding the Annual General Meeting.

Personal Data Privacy

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) 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), 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) 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 Friday, 28 April 2017, at 9.30 a.m. at Grand Salon Room Level 2, Conrad Centennial Singapore, 2 Temasek Boulevard Singapore 038982 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the Financial year ended 31 December 2016.		
2	To declare a first and final exempt (one-tier) dividend of SGD 0.5 cents per share for the financial year ended 31 December 2016.		
3	Re-election of Mr Zhao Jinqing as a Director.		
4	Re-election of Mr Mr Teo Moh Gin as a Director.		
5	Approval of the payment of Directors' Fees of S$344,000 for the financial year ending 31 December 2017.		
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 ______________ 2017

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

3. A proxy need not be a member of the Company.

4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy from 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 72 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 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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