

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

UNAUDITED FINANCIAL STATEMENT FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2018

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

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

**Consolidated statements of comprehensive income
for the 3rd quarter for the period ended 30 September 2018**

	<u>3rd Qtr 2018</u>	<u>3rd Qtr 2017</u>	<u>+/(–)</u>	<u>9 months 2018</u>	<u>9 months 2017</u>	<u>+/(–)</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>
Revenue	570,161	395,606	44.1	1,616,690	1,227,903	31.7
Cost of sales	(540,762)	(375,121)	44.2	(1,523,164)	(1,158,030)	31.5
Gross profit	29,399	20,485	43.5	93,526	69,873	33.8
Other income	1,970	3,592	(45.1)	4,658	10,922	(57.4)
Distribution costs	(204)	(244)	(16.5)	(430)	(645)	(33.3)
Administrative costs	(2,362)	(2,745)	(14.0)	(7,786)	(8,520)	(8.6)
Other operating expenses	(831)	(7)	NM	(1,023)	(32)	NM
Profit before taxation	27,972	21,081	32.7	88,945	71,598	24.2
Taxation	(8,095)	(6,396)	26.6	(23,100)	(18,721)	23.4
Total comprehensive income for the financial period	19,877	14,685	35.4	65,845	52,877	24.5

NM – Not meaningful

Notes to the Consolidated statement of comprehensive income

	3rd Quarter Ended		Change (+/-) %
	30/09/2018	30/09/2017	
	<u>RMB'000</u>	<u>RMB'000</u>	
Profit before tax is arrived at after charging/(crediting):			
Interest income	(1,970)	(3,592)	(45.2)
Disposal of property, plant and equipment	247	68	100.0
Depreciation of property, plant and equipment	3,818	5,848	(34.7)

NM – Not meaningful

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

	GROUP		COMPANY	
	30/09/2018	31/12/2017	30/09/2018	31/12/2017
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	110,529	85,312	-	-
Goodwill	2,501	2,501	-	-
Subsidiary	-	-	250,041	250,041
	<u>113,030</u>	<u>87,813</u>	<u>250,041</u>	<u>250,041</u>
CURRENT ASSETS				
Inventories	24,957	25,443	-	-
Trade and other receivables	14,299	17,380	-	-
Amount owing by subsidiary	-	-	13,290	37,977
Amounts owing by affiliated companies	235,768	166,268	-	-
Cash and cash equivalents	382,278	438,349	3,986	111
	<u>657,303</u>	<u>647,440</u>	<u>17,276</u>	<u>38,088</u>
TOTAL ASSETS	<u>770,332</u>	<u>735,253</u>	<u>267,317</u>	<u>288,129</u>
EQUITY				
Share capital	316,125	316,125	316,125	316,125
Retained profits/(accumulated losses)	351,061	300,571	(48,822)	(29,647)
Reserves	51,985	51,985	-	-
TOTAL EQUITY	<u>719,171</u>	<u>668,681</u>	<u>267,303</u>	<u>286,478</u>
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	48,649	52,719	14	1,651
Amounts owing to affiliated companies	-	10,113	-	-
Current tax payable	2,512	3,740	-	-
	<u>51,161</u>	<u>66,572</u>	<u>14</u>	<u>1,651</u>
TOTAL EQUITY AND LIABILITIES	<u>770,332</u>	<u>735,253</u>	<u>267,317</u>	<u>288,129</u>

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

Amount repayable in one year or less, or on demand

As at 30/09/2018		As at 31/12/2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Amount repayable after one year

As at 30/09/2018		As at 31/12/2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Details of any collateral

NIL

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

**Consolidated statement of cash flows for the period
ended 30 September 2018**

	3rd quarter ended	
	30/09/2018	30/09/2017
	<u>RMB'000</u>	<u>RMB'000</u>
Cash flows from operating activities		
Profit before taxation	27,972	21,081
Adjustments for:-		
Depreciation of property, plant and equipment	3,818	5,848
Loss on disposal of property, plant and equipment	247	68
Interest income	(1,970)	(3,592)
Operating profit before working capital changes	30,067	23,405
Decrease in inventories	3,216	15,221
Increase in operating receivables	(35,372)	(7,598)
Increase/(decrease) in operating payables	7,029	(19,436)
Cash generated from operations	4,940	11,592
Income tax paid	(8,754)	(3,674)
Net cash (used in)/generated from operating activities	(3,814)	7,918
Cash flows from investing activities		
Acquisition of property, plant and equipment	(27,969)	(988)
Interest received	1,970	3,592
Net cash (used in)/generated from investing activities	(25,999)	2,604
Net (decrease)/increase in cash and bank balances	(29,813)	10,522
Cash and bank balances at beginning of period	412,091	520,928
Cash and bank balances at end of period	382,278	531,450

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

Cash-in-hand	133	225
Bank balances	275,145	331,225
Cash funds placed with financial institutions	107,000	200,000
	382,278	531,450

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

UNAUDITED STATEMENT OF CHANGES IN EQUITY - GROUP

	Share capital <u>RMB'000</u>	Retained profits <u>RMB'000</u>	Other reserves		subtotal <u>RMB'000</u>	Total <u>RMB'000</u>
			Statutory common reserve <u>RMB'000</u>	Voluntary common welfare fund <u>RMB'000</u>		
1 January 2018 to 30 September 2018						
Balance as at 1 January 2018	316,125	300,571	51,188	797	51,985	668,681
Total comprehensive income for the period	-	65,845	-	-	-	65,845
Dividends paid	-	(15,355)	-	-	-	(15,355)
Balance as at 30 September 2018	316,125	351,061	51,188	797	51,985	719,171

	Share capital <u>RMB'000</u>	Retained profits <u>RMB'000</u>	Other reserves		subtotal <u>RMB'000</u>	Total <u>RMB'000</u>
			Statutory common reserve <u>RMB'000</u>	Voluntary common welfare fund <u>RMB'000</u>		
1 January 2017 to 30 September 2017						
Balance as at 1 January 2017	316,125	256,191	43,060	797	43,857	616,173
Total comprehensive income for the period	-	52,878	-	-	-	52,878
Dividends paid	-	(15,711)	-	-	-	(15,711)
Balance as at 30 September 2017	316,125	293,358	43,060	797	43,857	653,340

UNAUDITED STATEMENT OF CHANGES IN EQUITY - COMPANY

1 January 2018 to 30 September 2018

	Share capital <u>RMB'000</u>	Accumulated losses <u>RMB'000</u>	Total equity <u>RMB'000</u>
Balance as at 1 January 2018	316,125	(29,647)	286,478
Total comprehensive expense for the period	-	(3,820)	(3,820)
Dividends paid	-	(15,355)	(15,355)
Balance as at 30 September 2018	316,125	(48,822)	267,303

1 January 2017 to 30 September 2017

	Share capital <u>RMB'000</u>	Accumulated losses <u>RMB'000</u>	Total equity <u>RMB'000</u>
Balance as at 1 January 2017	316,125	(45,091)	271,034
Total comprehensive expense for the period	-	11,161	11,161
Dividends paid	-	(15,710)	(15,710)
Balance as at 30 September 2017	316,125	(49,640)	266,485

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

There were no changes in the Company's share capital since the end of the previous period reported on. There were no outstanding convertibles issued or treasury shares held by the Company as at 30 September 2017 and 30 September 2016.

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

	30/09/2018	31/12/2017
Number of issued shares (excluding treasury shares)	640,000,000	640,000,000
Number of treasury shares held	NIL	NIL

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

Not applicable.

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

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

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

Not applicable.

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

The Group had applied the same accounting policies and methods of computation in the financial statements for the current financial period as those adopted in the audited financial statements for the financial year ended 31 December 2017.

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

There are no changes in accounting policies and methods of computation since 31 December 2017.

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

	3 rd Quarter Ended	
	30/09/2018	30/09/2017
	<u>RMB (cents)</u>	<u>RMB (cents)</u>
Profit per share for the period based on net profit attributable to owners of the parent company		
(a) Based on basic number of ordinary shares on issue	3.11	2.29
No. of shares in issue (weighted average)	640,000,000	640,000,000
(b) On a fully diluted basis	3.11	2.29
No. of shares in issue (weighted average)	640,000,000	640,000,000

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

	Group		Company	
	30/09/2018	31/12/2017	30/09/2018	31/12/2017
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Net asset value per ordinary share	1.12	1.04	0.42	0.45

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

Breakdown of Revenue (in RMB'000)	3rd Qtr 2018	%	3rd Qtr 2017	%
Processed LPG	340,057	59.6%	220,816	55.8%
Propylene	129,171	22.7%	60,772	15.4%
Polypropylene	61,829	10.8%	76,394	19.3%
Logistics & transport related services	39,104	6.9%	37,624	9.5%
TOTAL	570,161	100.0%	395,606	100.0%

(a) Processed LPG

Sale of Processed LPG increases by 54.0% from RMB 220.8 million in 3Q17 to RMB 340.0 million in 3Q18, mainly due to increase in production output by 19.8% as compare to 3Q17. There were increase in average selling price ("ASP") and average cost of production ("ACP") in 3Q18 by 28.6% and 27.3% respectively as compared to 3Q17.

(b) Propylene

Sale of Propylene increases significantly by 112.6% from RMB 60.8 million in 3Q17 to RMB 129.2 million in 3Q18. This was mainly due to a periodical maintenance carryout in the polypropylene production plant leading to an increase of 79.6% of unprocessed propylene being sale to externally. Furthermore, ASP increases by 18.3% and ACP increases by 16.2% in 3Q18 as compare to 3Q17.

(c) Polypropylene

Despite increase of ASP by 18.3%, there was a plant maintenance carryout from mid-July till mid-August 2018, resulted the revenue of Polypropylene decreases by 19.1% from RMB 76.4 million in 3Q17 to RMB 61.8 million in 3Q18. Production output decrease by 31.6% as compare to 3Q17.

(d) Logistics & transport related service

Revenue from this business increase by 3.9% from RMB 37.6 million in 3Q17 to RMB 39.1 million in 3Q18.

Gross profit

The Group made a gross profit of RMB 29.4 million in 3Q18 as compare to RMB 20.5 million in 3Q17, 9-month accumulated increase to RMB 93.5 million as compare to RMB 69.9 million.

Other income and expenses

(a) Other income

Interest income decrease mainly due to less unutilized fund placed in fixed deposit with the financial institutions;

(b) Other operating expense

During the period reporting, Dongming Changshun paid a total of RMB 771 thousands settlement on two transport related compensation claims;

(c) Taxation

Provision increase is due to higher profit generated during the periods.

As a result, the Group made a profit of RMB 19.9 million in 3Q18 as compared to RMB 14.7 million in 3Q17. Total accumulated profit in 9-month at RMB 65.8million as compare to RMB 52.9 million in 9-month of 2017.

Balance Sheet

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

(a) Property, plant and equipment

Increase is due to capitalisation of initial costs for the commencing of construction-in-progress of polypropylene production plant;

(b) Inventories

Inventories comprises of both the raw materials and finished goods, at cost amounted to RMB 4.2 million and RMB 20.7 million respectively;

(c) Amount owing by affiliated companies

Amount owing by affiliated companies principally consist of (i) 50% progress payment to Dongming Zhongyou Fuel and Petrochemical Company Limited (东明中油燃料石化有限公司) amount of RMB 158.9 million for the 70% controlling stake acquisition of Dongming Qianhai Petrochemical Co., Limited (东明前海化工有限公司); and (ii) amount of RMB 74.8 million sales to Shandong Dongming Lishu Petroleum Co Limited (山东东明梨树化工有限公司). Subsequently in the month of October 2018, there was a partial settlement of RMB 59.8 million and balance settled on 3 November 2018.

Cash flow

As at 30 September 2018, the Group's free cash flow decreased to RMB 382.3 million from RMB 531.4 million of comparative periods 3Q17.

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

None.

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

In 3 May 2017, the Group announced plans to acquire the 70% controlling stake of Dongming Qianhai Petrochemical Co., which will double the group's propylene production capacity to 200,000 tonne/year. Having completed its trial run stage and achieved stable production, the acquisition is expected to be completed within the last quarter of the financial year 2018, and will contribute positively to the group's performance in FY2019.

Also in 14 September 2018, the board approved the proposed investment for the construction of a polypropylene production installation plant which will increase the Group's production capability of polypropylene from 50,000 tonne/year to 250,000 tonne/year. It is anticipated that through the proposed Investment, the Group will be able to fully utilise the additional 100,000 tonne of Unprocessed Propylene (from Dongming Qianhai) for the further production of polypropylene, which tend to have higher profits as compared to the sale of unprocessed propylene.

The Group will continue to focus on cost control measures as well as to have more regular reviewing of cost budgets and remains cautiously optimistic of its abilities to deliver profitability in 2018.

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared/recommendeded for the 9-month ended 30 September 2016.

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

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

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
For periods from July 2018 to September 2018:-		

<p>Dongming Zhongyou Fuel and Petrochemical Company Limited (东明中油燃料石化有限公司)</p> <ul style="list-style-type: none"> - Purchase of raw LPG - Purchase of utilities - Logistics & transport related services provided to 		<p>RMB 476,576,447</p> <p>RMB 1,435,299</p> <p>RMB 2,265,526</p>
<p>Shandong Dongming Petrochem Group Co., Ltd. (山东东明石化集团有限公司)</p> <ul style="list-style-type: none"> - Purchase of utilities, part & components - Sale of processed LPG - Logistics & transport related services provided to 		<p>RMB 4,752,005</p> <p>RMB 17,211,637</p> <p>RMB 78,280</p>
<p>Dongming Runze Petrochemical Co., Ltd (东明润泽化工有限公司)</p> <ul style="list-style-type: none"> - Purchase of utilities, part & components 		<p>RMB 8,880,331</p>
<p>Dongming Crude Oil Distribution Co., Ltd (东明石油经销有限公司)</p> <ul style="list-style-type: none"> - Logistics & transport related services provided to 		<p>RMB 494,922</p>
<p>Shandong Dongming Lishu Petroluem Co., Ltd (山东东明梨树化学有限公司)</p> <ul style="list-style-type: none"> - Sales of processed LPG - Logistics & transport related services provide to 		<p>RMB 85,782,323</p> <p>RMB 11,440</p>
<p>Dongming Qianhai Petrochemical Co.,Limited (东明前海化工有限公司)</p> <ul style="list-style-type: none"> - Sales of processed LPG - Logistics & transport services provided to 		<p>RMB 120,679,827</p> <p>RMB 178,892</p>
<p>Dongming Runming Oil Products Distribution Co., Limited (东明润明油品销售有限公司)</p> <ul style="list-style-type: none"> - Logistics & transport related services provide to 		<p>RMB 48,435</p>

Shendong Dongming Petrochem Group Huize Co.,Ltd (山东东明石化集团汇泽有限公司) * - Sales of processed LPG *Commenced from financial year 2018		RMB 3,601,720
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14. NEGATIVE CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5)

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

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

Not applicable.

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

Not applicable.

- 17 A breakdown of sales.**

Not applicable.

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

Not applicable.

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

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

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

We, Zhang Liucheng and Li Xiang Ping, being Directors of the Company, do hereby confirm for and on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the third quarter ended 30 September 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors
Sinostar PEC Holdings Limited

Zhang Liucheng
Executive Director and
Chief Executive Officer

Li Xiang Ping
Non-executive Chairman

BY ORDER OF THE BOARD

ZHANG LIUCHENG
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER