

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

UNAUDITED FINANCIAL STATEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 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 statement of comprehensive income for the
Second quarter for the period ended 30 June 2018**

	2nd Qtr 2018	2nd Qtr 2017	+/(-) %	1st Half 2018	1st Half 2017	+/(-) %
	<u>RMB'000</u>	<u>RMB'000</u>		<u>RMB'000</u>	<u>RMB'000</u>	
REVENUE	518,221	360,348	43.8	1,046,528	832,297	25.7
Cost of sales	(482,931)	(344,845)	40.4	(982,403)	(782,909)	25.5
Gross profit	35,290	15,503	127.6	64,125	49,388	29.8
Other income	1,972	4,245	(53.5)	2,687	7,330	(63.3)
Distribution costs	(204)	(262)	(22.3)	(226)	(401)	(43.6)
Administrative costs	(3,060)	(3,143)	(2.6)	(5,423)	(5,775)	(6.1)
Other operating expenses	(139)	(16)	100	(190)	(25)	100
Profit before taxation	33,859	16,327	107.4	60,973	50,517	20.7
Taxation	(9,168)	(4,577)	100.3	(15,005)	(12,325)	21.7
Total comprehensive income for the financial period	<u>24,691</u>	<u>11,750</u>	110.1	<u>45,968</u>	<u>38,192</u>	20.4

Notes to the Consolidated statement of comprehensive income

	2nd Quarter Ended		Change (+/-) %
	30/06/2018	30/06/2017	
	<u>RMB'000</u>	<u>RMB'000</u>	
Profit before tax is arrived at after (crediting)/charging:			
Other operating income;			
- Interest income	(1,972)	(2,410)	(18.2)
Depreciation of property, plant and equipment	5,534	7,753	(28.6)

NM – Not meaningful

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

	GROUP		COMPANY	
	30/06/2018	31/12/2017	30/06/2018	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	86,625	85,312	-	-
Goodwill	2,501	2,501	-	-
Subsidiary	-	-	250,041	250,041
	<u>89,126</u>	<u>87,813</u>	<u>250,041</u>	<u>250,041</u>
CURRENT ASSETS				
Inventories	28,173	25,443	-	-
Trade and other receivables	23,898	17,380	-	-
Amount owing by subsidiary	-	-	12,785	37,977
Amounts owing by affiliated companies	190,798	166,268	-	-
Cash and cash equivalents	412,091	438,349	5,217	111
	<u>654,960</u>	<u>647,440</u>	<u>18,002</u>	<u>38,088</u>
TOTAL ASSETS	<u>744,086</u>	<u>735,253</u>	<u>268,043</u>	<u>288,129</u>
EQUITY				
Share capital	316,125	316,125	316,125	316,125
Retained profits/(accumulated losses)	331,184	300,570	(48,558)	(29,647)
Reserves	51,985	51,985	-	-
TOTAL EQUITY	<u>699,294</u>	<u>668,680</u>	<u>267,567</u>	<u>286,478</u>
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	41,285	52,719	476	1,651
Amounts owing to affiliated companies	336	10,114	-	-
Current tax payable	3,171	3,740	-	-
	<u>44,792</u>	<u>66,573</u>	<u>476</u>	<u>1,651</u>
TOTAL EQUITY AND LIABILITIES	<u>744,086</u>	<u>735,253</u>	<u>268,043</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

<u>As at 30/06/2018</u>		<u>As at 31/12/2017</u>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Amount repayable after one year

<u>As at 30/06/2018</u>		<u>As at 31/12/2017</u>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Details of any collateral

NA.

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

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

	2 nd quarter ended	
	30/06/2018	30/06/2017
	<u>RMB'000</u>	<u>RMB'000</u>
Cash flows from operating activities		
Profit for the period	33,859	16,327
Adjustments for:-		
Depreciation of property, plant and equipment	5,534	7,753
Interest income	(1,972)	(2,410)
Operating profit before working capital changes	37,421	21,670
Changes in working capital:-		
Decrease/(increase) in Inventories	401	(12,447)
Decrease in amount owing from affiliated companies	(30,920)	(4,535)
Increase in operating receivables	1,394	5,898
Decrease in operating payables	(10,335)	(1,393)
Cash (used in)/generated from operations	(2,039)	9,868
Tax paid	(7,804)	(6,020)
Net cash (used in)/generated from operating activities	(9,843)	3,848
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(11,369)	(2,959)
Interest received	1,972	2,410
Net cash used in investing activities	(9,397)	(549)
Cash flows from financing activity		
Dividends paid	(15,355)	(15,720)
Net cash used in financing activity	(15,355)	(15,720)
Net decrease in cash and bank balances	(34,595)	(12,421)
Cash and bank balances at beginning of period	446,686	533,349
Cash and bank balances at end of period	412,091	520,928

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

Cash-in-hand	101	104
Bank balance	284,990	160,824
Fixed deposit places with financial institution	127,000	360,000
	412,091	520,928

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

UNAUDITED STATEMENT OF CHANGES IN EQUITY - GROUP

	Share capital RMB'000	Retained profits RMB'000	Other reserves		Subtotal RMB'000	Total RMB'000
			Statutory common reserve RMB'000	Voluntary common welfare fund RMB'000		
1 January 2018 to 30 June 2018						
Balance as at 1 January 2018	316,125	300,571	51,188	797	51,985	668,681
Transfer to statutory common reserves	-	-	-	-	-	-
Total comprehensive income for the period	-	45,968	-	-	-	45,968
Dividends paid	-	(15,355)	-	-	-	(15,355)
Balance as at 30 June 2018	316,125	331,184	51,188	797	51,985	699,294

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

UNAUDITED STATEMENT OF CHANGES IN EQUITY - COMPANY

1 January 2018 to 30 June 2018	Share Capital <u>RMB'000</u>	Accumulated losses <u>RMB'000</u>	Total <u>RMB'000</u>
Balance as at 1 January 2018	316,125	(29,647)	286,478
Total comprehensive income for the period	-	(3,557)	(3,557)
Dividend paid	-	(15,354)	(15,354)
Balance as at 30 June 2018	316,125	(48,558)	267,567

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

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

There were no changes in the Company's share capital since the end of the previous period reported on. There were no outstanding convertibles issued or treasury shares held by the Company as at 30 June 2018.

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

	30/06/2018	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.**

	2nd Quarter Ended	
	30/06/2018	30/06/2017
	<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	3.86	1.84
No. of shares in issue (weighted average)	640,000,000	640,000,000
(b) On a fully diluted basis	3.86	1.84
No. of shares in issue (weighted average)	640,000,000	640,000,000

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

	Group		Company	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	1.09	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)	2nd Qtr		2nd Qtr	
	2018		2017	
Processed LPG	311,492	60.1%	193,203	53.6%
Propylene	86,482	16.7%	46,041	12.8%
Polypropylene	83,459	16.1%	73,115	20.3%
Logistics & transport related services	36,788	7.1%	47,989	13.3%
TOTAL	518,221	100.0%	360,348	100.0%

(a) **Processed LPG**

Sale of Processed LPG increases by 61.2% from RMB 193.2 million in 2Q17 to RMB 311.5 million in 2Q18, mainly due to increase in production output demand by 52.4% as compare to 2Q17, couple with the increase in average selling price (“ASP”) and average cost of production (“ACP”) in 2Q18 by 5.8% and 4.3% respectively as compared to 2Q17.

(b) **Propylene**

Sale of Propylene increases significantly by 87.8% from RMB 46.0 million in 2Q17 to RMB 86.5 million in 2Q18. Increase is mainly due to increase in production output demand by 58.4%. ASP increases by 18.5% and ACP increases by 10.3% in 2Q18 as compare to 2Q17.

(c) **Polypropylene**

The revenue of Polypropylene increases by 14.1% from RMB 73.1 million in 2Q17 to RMB 83.4 million in 2Q18. Increase is mainly ASP increased by 18.4%, offset by increases in ACP by 3.5% and decrease in the production output by 3.6% comparing with 2Q17. Lower output was due to stop production in preparation for the periodical maintenance scheduled from 26 July to 26 August 2018.

(d) **Logistics & transport related service**

Revenue from this business decrease by 23.3% from RMB 48.0 million in 2Q17 to RMB 36.8 million in 2Q18. Income were affected by;- (i) lower delivery requirement from a major customer, Jiangsu Xinhai Petrochemical Co., Ltd.(江苏新海化工有限公司) due to its scheduled plant maintenance; and (ii) government controls on oil & petrochemical production and roads within the areas during the holding of SCO Qingdao summit periods from 20 May-20 June 2018 that caused the stoppage of all delivery service.

Gross profit

The Group made a higher gross profit of RMB 35.3 million in 2Q18 as compare to RMB 15.5 million in 2Q17, 1H18 increase to RMB 64.1 million from RMB 49.4 million in 1H17.

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**

Increase is mainly due to payable of additional government tax.

(c) **Taxation**

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

As a result, the Group made a profit of RMB 24.7 million in 2Q18 as compared to RMB 11.7 million in 2Q17. Total accumulated profit in half-yearly at RMB 45.9million in 1H18 compare to RMB 38.2 million in 1H17.

Balance Sheet

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

(a) **Inventories**

Inventories comprises of both the raw materials and finished goods, at cost amounted to RMB 5.7 million and RMB 22.4 million respectively;

(b) **Trade and other receivables**

Increases in trade and other receivables mainly due to slow transport fee collection from a major customer, Jiangsu Xinhai Petrochemical Co. Ltd, total amounting to approximately RMB 6.5 million;

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

Amount owing by affiliated companies consist of (i) 50% 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 proposed acquisition of Dongming Qianghai Petrochemical Co., Limited; (ii) amount of RMB 30.0 million sales to Shandong Dongming Lishu Petroleum Co Limited (山东东明梨树化工有限公司).

Cash flow

The Group generated a net cash inflow RMB 37.4 million from operating activities before working capital changes. Net cash amount of RMB 9.8 million was being used in operating activities in 2Q18 compared to RMB 3.8 million generated in 2Q17, mainly due to the offsetting of amount owing by affiliated companies and decrease in operating receivables and tax paid.

Cash financing activities mainly the payment of RMB 15.3 million on FY2017 dividend pay-out.

As at 30 June 2018, the Group's free cash flow decreased to RMB 412.1 million from RMB 520.9 million of comparative periods 2Q17.

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.

With regards to the proposed acquisition of Dongming QianHai Petrochemical Co.,Ltd., target company continues to carryout actual trial-production run in order to fine-tuning the main De-hydrogenation(脱氢) installation and calibration of all equipment to ensure meeting the production stage. As announced on 1st May 2018, both parties have agreed to extend the Long Stop Date to complete the proposed acquisition

to 30 April 2019. The board will continue to monitor the production run outcome and will negotiate a completion date.

The board is also currently in the final stage of evaluating the investment of construction of a 200,000 tonne/year polypropylene production installation plant. This to expand the existing 50,000 tonne/year polypropylene plant and for the further processing of additional propylene that produce from the target acquisition in future.

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/recommended, a statement to that effect.

No dividend has been declared/recommended for the half-year ended 30 June 2018.

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

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

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
<p>For periods from April 2018 to June 2018:-</p> <p>Dongming Zhongyou Fuel and Petrochemical Company Limited (东明中油燃料石化有限公司)</p> <ul style="list-style-type: none"> - Purchase of raw LPG - Purchase of utilities - Logistics & transport related services provided to <p>Shandong Dongming Petrochem Group Co., Ltd. (山东东明石化集团有限公司)</p> <ul style="list-style-type: none"> - Purchase of utilities, part & components - Sale of processed LPG - Logistics & transport related services provided to <p>Dongming Runze Petrochemical Co., Ltd (东明润泽化工有限公司)</p> <ul style="list-style-type: none"> - Purchase of utilities, part & components <p>Dongming Crude Oil Distribution Co., Ltd (东明石油经销有限公司)</p> <ul style="list-style-type: none"> - Logistics & transport related services provided to <p>Shandong Dongming Lishu Petroluem Co., Ltd (山东东明梨树化学有限公司)</p> <ul style="list-style-type: none"> - Sales of processed LPG 		<p>RMB 424,548,239</p> <p>RMB 1,143,106</p> <p>RMB 4,280,645</p> <p>RMB 4,055,954</p> <p>RMB 16,040,251</p> <p>RMB 45,630</p> <p>RMB 6,072,090</p> <p>RMB 335,222</p> <p>RMB 59,307,601</p>

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

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

BY ORDER OF THE BOARD

**ZHANG LIU CHENG
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER**

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

We, Zhang Liucheng and Li Xiang Ping, being Directors of the Company, do hereby confirm for and on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the second quarter ended 30 June 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 LIU CHENG
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER