



SINOSTAR PEC HOLDINGS LIMITED

(Company Registration No.: 200609833N)

SINOSTAR PEC SHAREHOLDERS' QUESTIONS AND ANSWERS

The Board of Directors (the "Board") of Sinostar PEC Holdings Limited (SGX: C9Q) ("Sinostar PEC" or the "Group"), together with its subsidiaries, the "Group") wishes to thank shareholders for submitting their questions in advance of the Annual General Meeting ("AGM") to be held by electronic means on 29 June 2020 at 09.30 a.m.

The Company wishes to inform shareholders that it has received questions from shareholders which are overlapping and/or similar in nature. Accordingly, the Company has consolidated such questions and have made editorial amendments to some of the questions to ensure that they are clear. For the avoidance of doubt, the editorial amendments do not change the meaning of the questions received by the Company. According, the following are responses to the substantial and relevant questions raised by shareholders:

- 1. On pg 8 of the annual report, it is stated that 'oil prices have also become very volatile'. What impact does this have on the company's operations and profitability?**

The Group's core products include processed LPG, Polypropylene, Propylene, and Methyl tert-butyl ether (MTBE), which are produced from raw LPG. Raw LPG is a major raw material input for our operations, representing more than 90% of our cost of sales. As LPG is produced from the refining of crude oil, our cost of LPG is subjected to the fluctuations of oil prices. In the event of a sudden change in oil prices, the Group's business and financial performance may be adversely affected, if we are unable to pass on such price changes to our customers.

MTBE is often used as an additive for gasoline and the prices of MTBE is highly correlated to the price of gasoline. The price of gasoline is in turn subjected to the fluctuations of oil prices, as crude oil is a major component of gasoline.

- 2. On pg 16 of the annual report, it stated that 'periodical production plants maintenance was carried out in both subsidiaries Dongming Hengchang and Dongmin Qianhai'. How often can we expect this and other major maintenance shutdowns to occur, and the time required to carry out such maintenance?**

Our production facilities run on a 24/7 shift and routine maintenance is required to minimise the breakdown of equipment during the production process. Yearly maintenance is typically carried out during lull periods like summer seasons or Chinese New Year and a major overhaul is conducted once every three years. Depending on the conditions of the equipment, the duration of these maintenances ranges between 2 to 6 weeks.

- 3. On pg 112 of the annual report, it stated that loans aggregating to RM750m are due to be repayable over a 5 years term. Are the repayments in equal amounts of RMB150m over the 5 year period?**

The Company is required to seek Shareholders' approval for the Loan Agreement under Rule 906(1)(a) of the Listing Manual. Subject to clearance from SGX-ST, a circular containing further information on the Loan Agreement, together with a notice of EGM and the independent financial adviser's opinion will be despatched to shareholders in due course.

The Company had on 15 May 2020 made an announcement relating to the Loan Agreement, and is therefore in compliance with Listing Rule 905(1) which requires an issuer to make an immediate announcement of any IPT of a value equal to, or more than, 3% of the group's latest audited net tangible assets. Details of the proposed repayments amount over the 5 years period can be viewed from the announcement.

- 4. On pg 119 of the annual report, under administrative expense, the employee benefits expense increased sharply from about RMB5.9m to RMB26.2m. Can the company provide a detailed breakdown for this increase?**

The rise in employee benefits expense is mainly due to an increase in manpower for the new polypropylene plant at Dongming Hengchang Petrochemical Co., Ltd, and the consolidation of Dongming Qianhai Petrochemical Co. Ltd. in FY2019.

Employee benefits expense for	2019	2018
	(RMB'000)	(RMB'000)
Sinostar	2,479	2,434
Dongming Hengchang	9,978	567
Dongming Qianhai	9,502	-
Dongming Changshun	4,288	2,866
	26,247	5,867

- 5. Also on pg 119, the item Non-claimable value added tax increased from RMB6.55m to RMB18.19m. Can the company elaborate on the reasons behind this increase?**

The increase in non-claimable value added tax is mainly due to the consolidation of Dongming Qianhai Petrochemical Co. Ltd. in FY2019.

- 6. With the cash available, did the board evaluate and generate return for shareholders in the form of dividends which is not declared this year?**



The Company does not have a fixed dividend policy. The form, frequency and amount of future dividends will depend on the performance and operational needs of the Group (including but not limited to factors such as the Group's earnings, general financial position, results of operations, capital requirements, cash flow, general business condition, development plans and other factors that the Directors may, in their absolute discretion, deem appropriate). Nevertheless, the Group will review with the Board again in this new financial year in regard to the dividends.

By Order of the Board

Zhang Liucheng
CEO and Executive Director