



SINOSTAR PEC HOLDINGS LIMITED

(Company Registration No.: 200609833N)

INTERESTED PERSONS TRANSACTIONS ENTERED INTO WITH DONGMING QIANHAI PETROCHEMICAL CO., LTD, DONGMING RUNZE PETROCHEMICAL CO., LTD AND SHANDONG LIANHUA ENERGY GROUP CO., LIMITED

1. Introduction

- 1.1 Reference is made to Sinostar Pec Holdings Limited (the “**Company**”)’s announcement dated 28 February 2022 in relation to the Past Recurrent IPTs (the “**First Announcement**”) and the Company’s further announcement dated 30 March 2022 which provided an update on matters disclosed in the First Announcement (the “**Second Announcement**”). Unless otherwise defined herein, all capitalised terms used in this announcement shall have the meanings given to them in the First and Second Announcements (the “**Announcements**”).
- 1.2 As disclosed in the Announcements, the Company has since appointed an IFA and relevant professionals required for the Preparation. In fact, the Company’s appointed IFA and internal auditor are currently in process of actively reviewing the Past Recurrent IPTs. In the conduct of the said review, it had been brought to the Company’s attention that there have been several other Past Recurrent IPTs that had not disclosed by the Company in its Announcements due to genuine reasons and its inadvertent oversight (the “**Further IPTs**”).
- 1.3 Therefore, the Company wishes to promptly announce that the Group had entered into such Further IPTs and provide details thereof, as set out in Section 3 below. In particular, these Further IPTs were entered into between the Group with Dongming Qianhai Petrochemical Co. Ltd (东明前海化工有限公司) (“**Dongming Qianhai**”), Shandong Runze Petrochemical Co., Ltd (东明润泽化工有限公司) (“**Shandong Runze**”), and Shandong Lianhua Energy Group Co., Limited (山东炼化能源集团有限公司) (“**Shandong Lianhua**”), which are of a revenue and trading nature. As at the date of this announcement, on an aggregated basis, such Further IPTs and all other Past Recurrent IPTs had exceeded 5% of the Group’s latest audited NTA as at 31 December 2021 of approximately RMB 1,516,457,000 (“**audited FY 2021 NTA**”).
- 1.4 While the Company owns 70% of Dongming Qianhai indirectly through its wholly owned subsidiary, Dongming Qianhai is also a company within the Dongming Petrochem Group. The Company had entered into several transactions with Dongming Qianhai, majority of which were mandated by shareholders in accordance with the 2021 IPT General Mandate. However, the Company had also entered into other transactions with Dongming Qianhai that were not within the scope of the 2021 IPT General Mandate, which include the purchase and sale of propylene and utilities (“**Dongming Qianhai Transactions**”).
- 1.5 The Company has been aware of the ongoing Dongming Qianhai Transactions that have been taking place in 2021 but had not included the said Transactions in the Announcements as such Dongming Qianhai Transactions technically do not constitute Interested Persons Transactions under the definition of the Listing Rules. Nevertheless, on the advice of its appointed

professionals and in its commitment to adhere to the spirit of the Listing Rules, the Company has decided to treat the Dongming Qianhai Transactions as IPTs, and in doing so, make the necessary announcements thereto and subject the said Transactions to the stringent procedures and oversight as set out in the Circular.

- 1.6 The Company had in 2021 entered into transactions with Shandong Runze, a company which also forms part of the Dongming Petrochem Group. These transactions were for the sale of hydrogen gas and utilities (the “**Shandong Runze IPTs**”), which had exceeded the scope of the 2021 IPT General Mandate. The Company had made disclosure of these transactions in each quarterly results announcement but inadvertently omitted to make an announcement and obtain the shareholders mandate in respect of the Shandong Runze IPTs as it had genuinely thought that such purchases had already been mandated by virtue of the 2021 IPT General Mandate.
- 1.7 The Company had in 2021 also entered into transactions with Shandong Lianhua, a company which also forms part of the Dongming Petrochem Group. These transactions were for the purchase of propylene and methanol (the “**Shandong Lianhua IPTs**”). While the Shandong Lianhua IPTs do not constitute more than 5% of the Company’s latest audited net tangible assets, on an aggregated basis, it forms part of the IPTs with the Dongming Petrochem Group that exceeded the said 5% threshold. Transactions with Shandong Lianhua are therefore deemed to be IPTs requiring shareholders’ approval.
- 1.8 The Company is proposing to also seek shareholders’ ratification, confirmation and approval of the Dongming Qianhai Transactions, Shandong Runze and Shandong Lianhua IPTs, together with the Past Recurrent IPTs which had been previously disclosed in the Announcements.
- 1.9 Moving forward, as the Group anticipates that there will be recurrent transactions entered into with Dongming Qianhai, Shandong Runze and Shandong Lianhua, which are of a revenue and trading nature, the Company shall also include said transactions in the Proposed New IPT General Mandate it is seeking at the EGM.

2. Details of the Interested Persons

Dongming Qianhai

- 2.1 Dongming Qianhai is a company incorporated in the PRC and is principally engaged in the business of processing and production of propylene related oil products. While Dongming Qianhai forms part of the Group and is majority-owned by the Company’s wholly owned subsidiary, it is also part of the Dongming Petrochem Group. As at the date of this announcement, Mr. Li, the Company’s Executive Chairman and CEO, holds 99.61% of Hong Li Yuan, which in turn owns 97.18% of Dongming Petrochem, which holds 30% in Dongming Qianhai. In view of the foregoing corporate structure, the resulting ownership of Dongming Qianhai by Mr. Li is just under 30% and therefore, Dongming Qianhai does not constitute an “associate” of Mr. Li pursuant to the Listing Manual and thus, is not technically an “Interested Person” of the Company.
- 2.2 Notwithstanding paragraph 2.1 above and as stated in paragraph 1.4, the Company is keenly aware of its obligations under the Listing Manual and committed to adhering to the rules of the Listing Manual beyond form to substance. In keeping with the spirit of the relevant IPT rules, the Company shall treat the Dongming Qianhai Transactions as IPTs going forward.
- 2.3 Moreover, it should be noted that as stated in the 2021 IPT General Mandate currently in force, the Dongming Petrochem Group are business partners, strategic suppliers of the Group and continue to play an important role in the Group’s business. Therefore, the Group intends to continue its business relations with Dongming Qianhai, which is 70% owned by the Group.

- Shandong Runze
- 2.4 Shandong Runze is a company incorporated in the PRC which forms part of the Dongming Petrochem Group. Its principal business activities are primarily engaged in the businesses of crude oil refinery and sales of raw LPG and oil related products. It is a subsidiary of four other companies within the Dongming Petrochem Group and its most significant shareholder is Dongming Zhongyou Fuel and Petrochemical Company Limited (“**Dongming Zhongyou**”), which owns 48.25% of Shandong Runze. As at the date of this announcement, Mr. Li, the Company’s Executive Chairman and CEO, holds 99.61% of Hong Li Yuan, which in turn owns 97.18% of Dongming Petrochem, which wholly owns Dongming Zhongyou. Given the foregoing corporate structure, Shandong Runze is deemed an associate of Mr. Li pursuant to the Listing Manual and therefore, an Interested Person of the Company. Accordingly, the relevant transactions entered into by the Company with Shandong Runze are IPTs.
- 2.5 In the Group’s ordinary course of business, transactions with Shandong Runze constitute an important component of the Group’s business and operations.

- Shandong Lianhua
- 2.6 Shandong Lianhua is a company incorporated in the PRC and is principally engaged in the business of oil and petrochemical products distributions. Its most significant shareholder is the Dongming Petrochem Group company. As of the date of this announcement, Mr. Li, the Company’s Executive Chairman and CEO, holds 99.61% of Hong Li Yuan, which in turn owns 97.18% of Dongming Petrochem, which owns 85.78% of Shandong Lianhua. Given the foregoing corporate structure, Shandong Lianhua is deemed an associate of Mr. Li pursuant to the Listing Manual and therefore, an Interested Person of the Company. Accordingly, the relevant transactions entered into by the Company with Shandong Lianhua are IPTs.

3 Details and value of the Past Recurrent IPTs

For illustrative purpose only, details and value of the Dongming Qianhai Transactions, Shandong Runze and Shandong Lianhua IPTs from February 2021 to December 2021(the “**Relevant Period**”) that do not fall within the scope of the 2021 IPT General Mandate are as follows:

- (a) Sales & Purchase transactions with Dongming Qianhai
The Dongming Qianhai Transactions, i.e., sales and purchases, amounted to RMB 839,870,579.16 and RMB 551,560,281, which is approximately 55.38% and 36.37% respectively of the Group’s latest audited FY 2021 NTA.
- (b) Sale of Hydrogen Gas and Utilities to Shandong Runze
The amount in aggregate amounts to RMB 221,959,507, which is approximately the 14.64% of the Group’s latest audited FY 2021 NTA.
- (c) Purchase of Propylene and Methanol from Shandong Lianhua
The amount in aggregate amounts to RMB 31,776,587, which is approximately the 1.5% of the Group’s latest audited FY 2021 NTA.

4 Rationale for Past Recurrent IPTs

- 4.1 As stated above, although the Dongming Qianhai Transactions do not constitute IPTs by the relevant definition in the Listing Manual, the Company has decided to treat them as such nonetheless in strict compliance with the substance of the Listing Manual.
- 4.2 On the other hand, the failure to seek shareholders’ approval for the Shandong Runze IPTs was due to the genuine mistaken impression that the said IPTs entered into were within the

scope of the 2021 IPT General Mandate, and that it had failed to seek shareholders' approval due to genuine and inadvertent oversight on the part of the Company.

- 4.3 The failure to seek shareholders' approval for the Shandong Lianhua IPTs was also due to the genuine mistaken impression that the said IPTs entered into were within the scope of the 2021 IPT General Mandate, and that it had failed to seek shareholders' approval due to genuine and inadvertent oversight on the part of the Company.
- 4.4 In addition, in the Group's ordinary course of business, transactions with the Dongming Qianhai, Shandong Runze, and Shandong Lianhua constitute a core component of the Group's business and operations and occur on a regular basis. The Dongming Qianhai Propylene Transactions, Shandong Runze and Shandong Lianhua IPTs are therefore of a recurring nature necessary to the day-to-day operations of the Group. It would not be prudent to cease dealings with the Dongming Qianhai, Shandong Runze, and Shandong Lianhua pending shareholders' approval of the Proposed New IPT General Mandate as such action would be highly prejudicial to the interest of the Company, and would not be in the best interest of the shareholders. Instead, the Company intends to seek a ratification of all Dongming Qianhai Transactions, Shandong Runze and Shandong Lianhua IPTs.

5 Proposed New IPT General Mandate

- 5.1 It is anticipated that in the ordinary course of business, transactions of a revenue and trading between the companies in the Group, and Dongming Qianhai, Shandong Runze, Shandong Lianhua are likely to occur on a recurrent basis, and is necessary for the Group's operations. Accordingly, the Company intends to seek shareholders' approval in respect of the Proposed New IPT General Mandate for future IPTs with Dongming Qianhai, Shandong Runze and Shandong Lianhua, provided such IPTs are carried on normal commercial terms and will not be prejudicial to the Company and/or its minority shareholders.
- 5.2 The Proposed New IPT General Mandate will give the Group the flexibility to also enter into future IPTs with Dongming Qianhai, Shandong Runze and Shandong Lianhua, in addition to the Past Recurrent IPTs, in the ordinary course of the Group's business without the need to seek shareholders' approval each time.
- 5.3 The Proposed New IPT General Mandate will also enhance the Group's ability to pursue business opportunities of a revenue or trading nature which are time-sensitive, and will eliminate the need for the Company to announce and convene separate general meetings on each occasion to seek shareholder's prior approval for the entry by the Group into such transactions. This will substantially reduce the expenses associated with the convening of such general meetings from time to time, improve administrative efficacy and allow resources and time to be focused towards other corporate and business opportunities.

6 Review and Implementation of Internal Controls and Safeguards

The Company shall take immediate steps to review all existing internal procedures and controls for the identification of Interested Persons, recording of all IPTs (including the IPTs with Dongming Qianhai, Shandong Runze, and Shandong Lianhua) and prevention of IPTs being entered into without shareholders' mandate. Where such existing procedure and controls are found to be inadequate, the Company shall promptly rectify such inadequacies and ensure that additional safeguards are put in place to safeguard the interests of shareholders.

7 Independent Financial Adviser

The appointed IFA shall advise the non-interested, independent directors namely, Mr. Jiang Xing Lu, Dr John Chen Seow Phun, Mr Liu Xiaoyan and Mr. Zhao Jinqing on whether:

- (a) The terms of the Dongming Qianhai Transactions, Shandong Runze and Shandong Lianhua IPTs had been carried out on normal commercial terms and were not prejudicial to the interests of the Company and/or its minority shareholders; and
- (b) The methods and procedures for determining the transaction prices are sufficient to ensure that the future IPTs with the Interested Persons (including Dongming Qianhai, Shandong Runze and Shandong Lianhua) under the Proposed New IPT General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and/or its shareholders.

8 Shareholders' Approval

8.1 The Company therefore intends to convene an EGM to obtain the approval of the Shareholders for, inter alia, the following resolutions:

- (a) The Proposed Ratification of the Past Recurrent IPTs; and
- (b) The adoption of the Proposed New IPT General Mandate.

8.2 The Company will make the necessary announcements in connection with the date and timing of the EGM subsequently.

9 Circular

A Circular containing further details of, inter alia, the Proposed Ratification of the Past Recurrent IPTs, the Proposed New IPT General Mandate, the opinion of the IFA and enclosing the notice of the EGM to be convened in connection therewith will be dispatched by the Company to the Shareholders in due course.

BY ORDER OF THE BOARD

Li Xiang Ping
Executive Chairman and CEO
13 July 2022