



中星石化
SINOSTAR PEC HOLDINGS LIMITED



DELIVERING LONG-TERM VALUE AND SUSTAINABILITY

实现长期价值，迈向可持续发展

ANNUAL REPORT 2021



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.

CONTENTS

- 2** Sinostar PEC at a Glance
- 6** Chairman's Message
- 10** Strategic Affiliations and Process
- 12** Our Business Segments
- 13** Key Products and Services
- 15** Operations Review
- 18** Board of Directors
- 22** Key Management
- 26** Financial Highlights
- 27** Corporate Information
- 29** Sustainability Report
- 47** Corporate Governance
- 79** Directors' Statements
- 83** Independent Auditors Report
- 88** Financial Contents
- 138** Statistics of Shareholdings
- 140** Notice of Annual General Meeting

SINOSTAR PEC

at a Glance

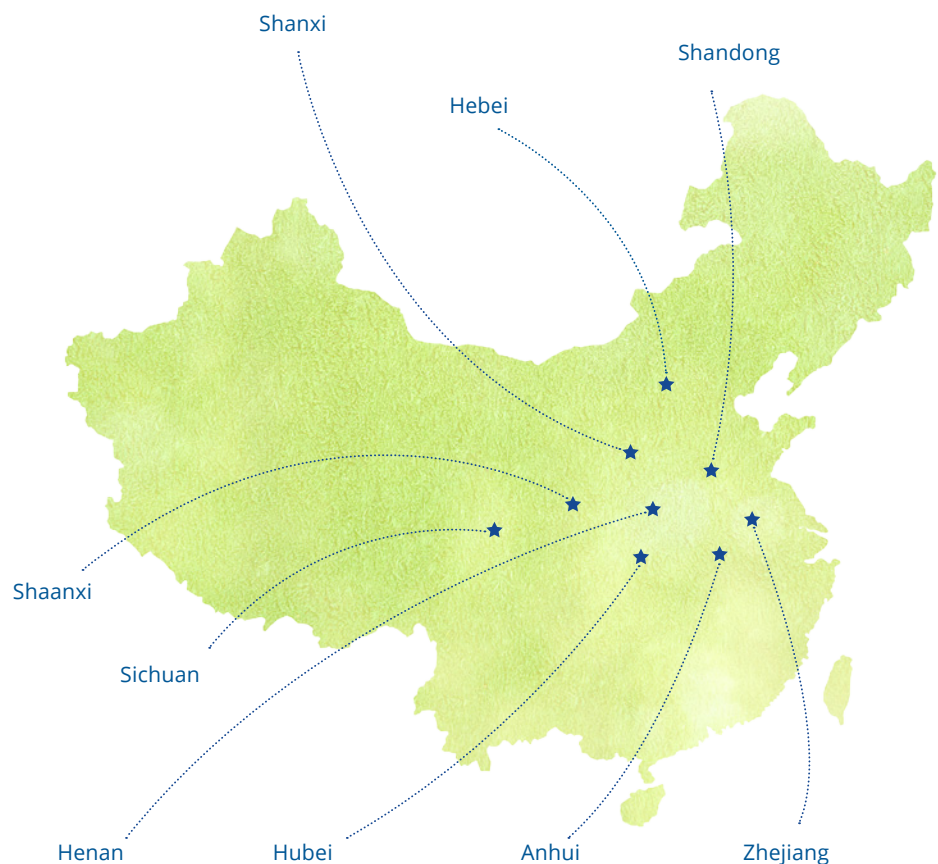


We aim to be more than an experienced producer of petrochemical goods. We aim to be a committed supplier of product quality, prompt delivery and good customer service.

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, Sichuan, 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.

People's Republic of China



SINOSTAR PEC

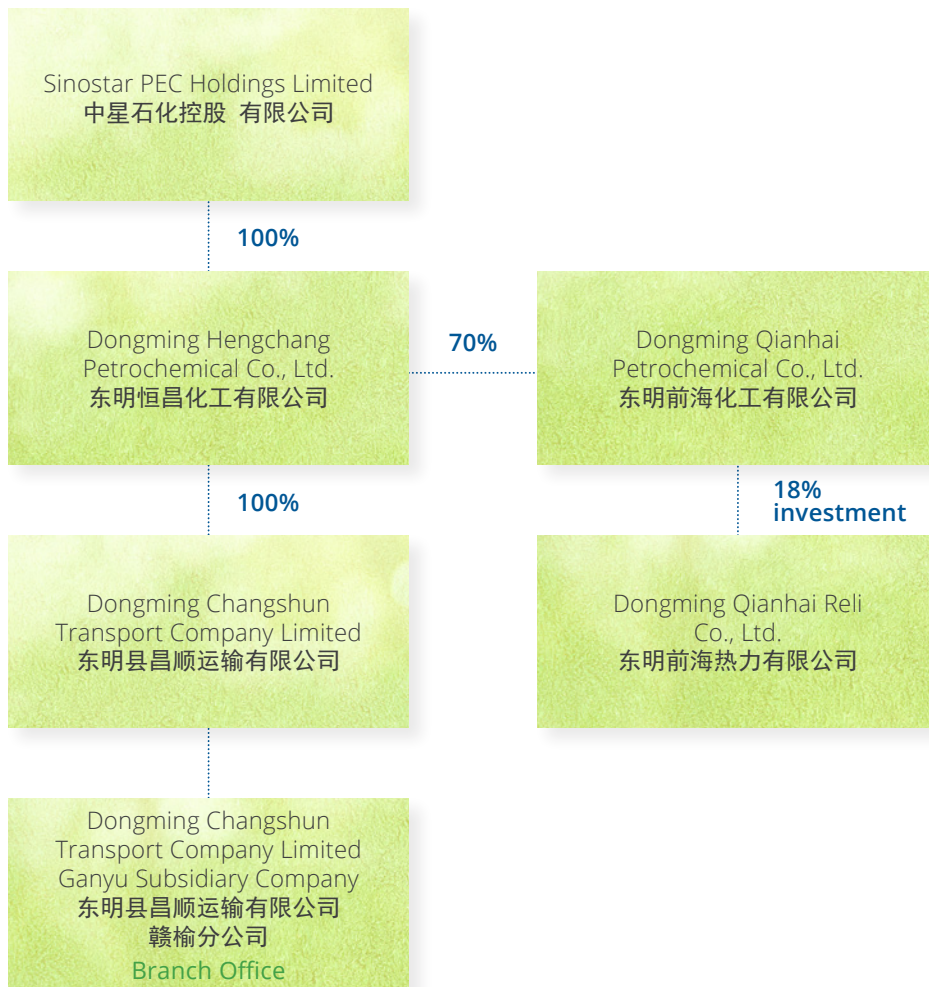
at a Glance

OUR CORPORATE STRUCTURE

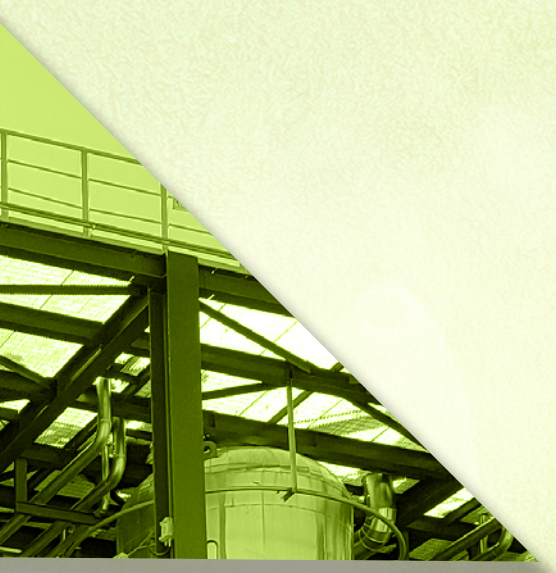
Our Group comprises Sinostar PEC Holdings Limited and our PRC 100% wholly-owned subsidiary, Dongming Hengchang Petrochemical Co., Ltd. which runs gas-fractionation production plants with an annual production capacity of 550,000 tonnes in the Dongming county. The Group has also completed the construction of a new polypropylene processing plant in 1Q of FY2021, which increases our annual production capacity of polypropylene by 5 times to 250,000 tonnes within the Dongming county.

We completed our acquisition of a 70% stake in Dongming Qianhai Petrochemical Co., Ltd. in late 2018, doubling our Propylene annual production capacity to 180,000 tonnes and extending our production lines to include Methyl tert-butyl ether ("MTBE"), Propylene, Hydrogen and Isobutylene.

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







CHARTING THE PATH TOWARDS EXCELLENCE

Over the years, we continue to brave challenges by turning them into opportunities. With the increased demand for medical equipment and many other requirements on premier grade polypropylene, the production of our polypropylene fibre has been maximized and has enabled us to deliver positive and steady growth.

CHAIRMAN'S Message



LI XIANG PING
Executive Chairman and CEO

While overcoming difficulties brought about by the adverse external business environment, Sinostar Pec continued to strengthen our internal fundamental management system by focusing on efficiency.

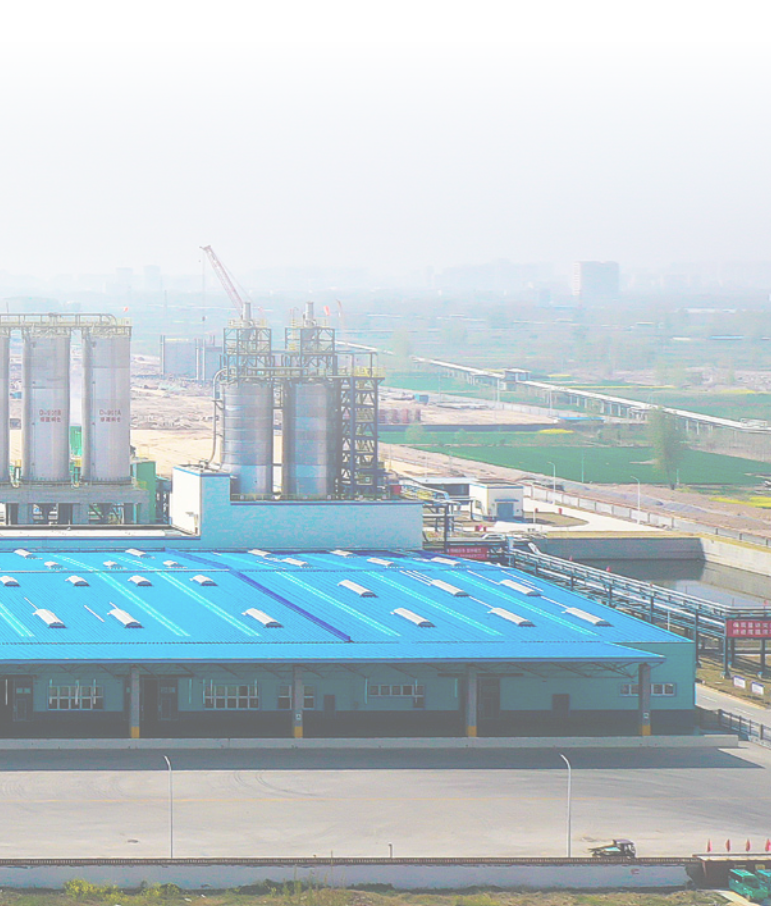
DEAR SHAREHOLDERS,

First of all, I would like to thank you all for taking the time to attend this General Meeting to discuss business arrangements. As much as I miss seeing everyone in person, we are holding this meeting virtually due to the raging COVID-19 pandemic. On behalf of the board of directors (the **"Board"**) of Sinostar Pec, I would like to give a brief report on the various activities of the Group in 2021 and our future development plans.

ROBUST GROWTH IN OUR OPERATING RESULTS

Despite the presence of adverse market factors in 2021, such as the slow global economic recovery, soaring crude prices and global supply chain shortages, the management of Sinostar Pec worked diligently to grasp opportunities from China's early economic recovery. The Group achieved positive operating results in 2021, and our business segments of petrochemical refinery and transportation experienced steady growth in profits.

CHAIRMAN'S Message



ACHIEVING SIGNIFICANT ENERGY-SAVING PROGRESS WITH THE CONTINUOUS IMPLEMENTATION OF BENCHMARKING PRACTICES

In 2021, while overcoming difficulties brought about by the adverse external business environment, Sinostar Pec continued to strengthen our internal fundamental management system by focusing on efficiency. In 2021, we adopted a full range of competitive benchmarking practices in areas such as production, operation, and management. At the same time, we implemented more rigorous assessment requirements to ensure the proper execution of various management measures. Our new equipment that has an output capacity of 200,000 tonnes per year was put into successful operation in March. Since then, we have recorded lower unit consumption of water, electricity, gas, wind and other products than last year. Management fees, selling expenses, and finance costs were all significantly reduced as compared with our forecast.

STEADY DEVELOPMENT OF NEW PRODUCTS AND FURTHER ENHANCEMENT OF PRODUCT CORE COMPETITIVENESS

Hengchang's newly-built equipment is capable of producing 200,000 tonnes of polypropylene per year, and is equipped with the latest petrochemical loop reactor technology developed by LyondellBasell Industries, which makes use of efficient and environmentally friendly catalysts. The equipment consumes little energy and

can produce a full range of multi-purpose polypropylene products of various models. Since the successful launch of the equipment in March and the achievement of production stability, the technology team of the Company has defied all odds and steadily pushed forward the continuous development of polypropylene products of different models. As of this date, we have developed and produced 23 polypropylene products, all of which are ready for mass production according to the needs of the market and customers. Among our innovations, LA640T polypropylene and EP200R polypropylene are two impact copolymers that are known in the market for their high melt flow index, high modulus, and high impact. They have filled the domestic market gap for such products in China, thereby enhancing our product competitiveness.

FURTHER EXPANSION OF CUSTOMER CHANNELS AND OVERALL IMPROVEMENT IN CUSTOMER SATISFACTION

The Group's major marketing strategy has always been providing products of superior quality to meet customers' demands. On one hand, we have strict control over product quality during the production process to ensure that we produce industry-leading products. On the other hand, with respect to marketing, we have created a perfect customer database that allows us to collect customer information in a timely manner through internet technologies to understand customers' product demands and align customer feedback with production and operation improvements. In 2021, all new polypropylene products developed by the Company have entered the market and were well-received by customers. As such, customer loyalty and satisfaction have increased.

AN IMPROVED GOVERNANCE STRUCTURE ALLOWED US TO MAKE MORE EFFICIENT DECISIONS

In 2021, the Group appointed three talents who have possessed extensive experiences in the area on legal, capital operational, financial and auditing, to serve as independent directors of the Company. Their theoretical knowledge and practical experiences in the above mentioned areas provided strong support to the Board and ensured that we operate in compliance with the relevant laws and regulations and that major decisions are made in a sound and scientific manner.

CHAIRMAN'S Message

GIVING BACK TO THE SOCIETY

On one hand, the Company has been increasing our technological input into areas such as environmental protection, safety, and occupational health, and practicing corporate culture beliefs such as “clear waters and lush mountains are our invaluable assets”, “the responsibility of production safety is more important than Mount Tai” and “being happy while at work”. On the other hand, we proactively fulfill our social responsibility by helping those in need, so that our business growth may bring value to society in the course of history, as we integrate corporate social responsibilities into our operating practices. In the face of epidemics, floods, poverty alleviation, and other social welfare issues of public concern, the Group actively donates money and goods, provides solutions, and contributes to the relevant efforts. Thus, we have built a great reputation in society.

UNLIMITED BUSINESS PROSPECTS

Dear shareholders, the development of Sinostar Pec cannot be achieved without the full cooperation with Dongming Petrochem Group, our strategic partner, the dedicated support from our shareholders, and the high-quality development planning and quality corporate management of the Company. In 2021, the Group's newly built 200,000 tonne polypropylene equipment has been put into full operation. In the coming years, we will, on one hand, rely on the scientific research and technological strengths of Dongming Petroleum and Chemical Technology Research and Development Centre (東明石化技術研發中心), Economics and Technology Research Institute (經濟技術研究院), academician workstations (院士工作站), and High-end Chemical Research Institute (高端化工研究院), focus on the planning of new projects and products, increase investment into R&D technology, and improve marketing strategies for new and environmentally friendly value-added products. On the other hand, we will continue to strengthen our in-depth cooperation with Dongming Pec, and leveraging on the 14th Five Year Plan of Dongming Pec and on the basis of expanding, enhancing, and improving the existing petrochemical industry, continue to integrate and optimize the allocation of resources and gradually extend towards the high-end petrochemical industry chain. Thirdly, we will continue to strengthen the risk and compliance management of the Company, to ensure the continuous improvement of product quality.

Hengchang Pec, our subsidiary, has been listed by the Shandong provincial government as a major enterprise belonging to the C3 high-end petrochemical industry chain. In a future period, the expansion of this industry chain will be supported by more policies and the added value of the products will be significantly enhanced.

History and experience have proven once again that, once we have a clear direction for business development, cohesion is the key to realizing our goals. I hereby would like to express my sincere gratitude to all shareholders for their strong support to the development of Sinostar Pec over the years and to the Board and the management of the Company for their full recognition and trust. Based on the operating results achieved by the Company in 2021 and its future development needs, the Board of the Company has proposed a distribution of S\$0.6 cents per share for 2021, subject to approval at the general meeting.

Once again, I would like to thank all shareholders for taking the time to attend this meeting. I sincerely wish you all good health and good fortune in the Year of the Tiger

LI XIANG PING

Executive Chairman and CEO

致股东们的一封信



尊敬的各位股东：

首先，非常感谢各位股东拨冗参会，共商企事。由于新冠疫情依然严重，我们本次股东大会还只能以视频的方式召开，无法和各位股东见面，很是遗憾，也非常想念。下面我谨代表中星集团董事会，就2021年本集团的各项工作，及集团未来发展，向各位股东简要汇报。

经营业绩稳中向好

2021年，尽管存在全球经济恢复缓慢，国际原油价格持续上扬，全球供应链紧张等不利市场因素。但是，中星集团管理层，抢抓中国率先经济复苏机遇，勤勉工作，依然在2021年度取得了较好的经营业绩。集团旗下化工、运输两个业务板块均实现了利润的稳步增长。

持续推进对标管理，节能降耗成效明显

2021年中星集团，在克服不利外部经营环境的同时，继续加强公司内部基础管理工作，向管理要效益。2021年，在生产、经营、管理等环节，全方位开展对标竞赛活动，同时，通过加大考核力度，确保各项管理措施的落实。20万吨新装置产能自3月份开车成功以来。水、电、气、风等产品单耗较去年均有所降低。全年三项费用（管理费、销售费、财务费）支出较预算均有大幅节约。

新产品开发稳步推进，产品核心竞争力进一步增强

恒昌公司20万吨聚丙烯新装置，引用利安德巴塞尔公司环管法最新一代化工工艺技术，采用高效、环保催化剂。装置能耗低，可生产全范围、多用途的各种型号聚丙烯产品。该装置在3月份一次开车成功，4月份稳定达产的情况下。公司科技团队不畏困难，稳步推进全型号聚丙烯产品的持续开发，截至目前已开发生产聚丙烯产品23个，均可按市场及客户需要实现量产。其中被市场称为抗冲共聚“三高

料”的LA640T聚丙烯，EP200R聚丙烯两个品号填补了国内空白。公司产品竞争力进一步增强。

客户渠道进一步拓宽，客户满意度全面提升

本集团一直将提供过硬产品，满足客户需求，为主要营销策略。一方面在生产环节，严把产品质量关，确保产品质量处于同行业最好水平。二是在营销环节，建立完善的客户档案，通过网络技术手段，及时收集客户信息，了解客户产品需求，并将客户反馈信息，与生产、运营无缝对接。2021年公司所开发的所有新型标号聚丙烯产品投入市场后，均受到客户的青睐。客户忠诚度、满意度全面提升。

治理架构更加完善，决策效率进一步提高

本集团2021年相继聘请了三位，在法律法务、资本运营、财务审计等方面，具有丰富实践经验及理论基础的业界精英，任职公司独立董事。董事会力量的充实，对确保公司运营合规、合法，重大决策稳健、科学提供了强大支撑。

饮水思源、反哺社会

公司一方面不断加大环保、安全、职业健康等科技投入，且实践“绿水青山就是金山银山”，“安全生产责任重于泰山”，和“工作着是快乐的”等企业文化理念。另一方面积极响应一方有难八方支援的社会担当，把企业自身发展融入社会、历史的潮流之中，将社会责任融入到企业发展的命脉中。面对疫情、洪灾、扶贫等普遍关注的社会公益事业，本集团积极捐款、捐物、献策、献力。在社会上赢得了良好的美誉。

公司发展，前景广阔

各位股东，中星石化的发展即离不开与战略合作方东明石化集团的通力合作，也离不开各位股东的大力支持，更离不开公司

高质量发展规划、高质量企业管理。2021年本集团新建20万吨新聚丙烯装置已全面投产。接下来，一方面要紧紧依托东明石化技术研发中心、经济技术研究院、院士工作站、高端化工研究院等科研、科技实力，围绕新项目产品规划这根主线，加大研发科技投入，完善新型、环保、高附加值产品的市场投放。另一方面继续深化与东明石化的深度合作，搭乘东明石化的“十四五”战略规划顺风车，在做大、做强、做优现有化工产业的基础上，继续整合、优化资源配置，逐步向高端化工产业链持续延伸。第三，继续加强公司风险及合规管理，确保公司发展航向朝着高质量不断迈进。

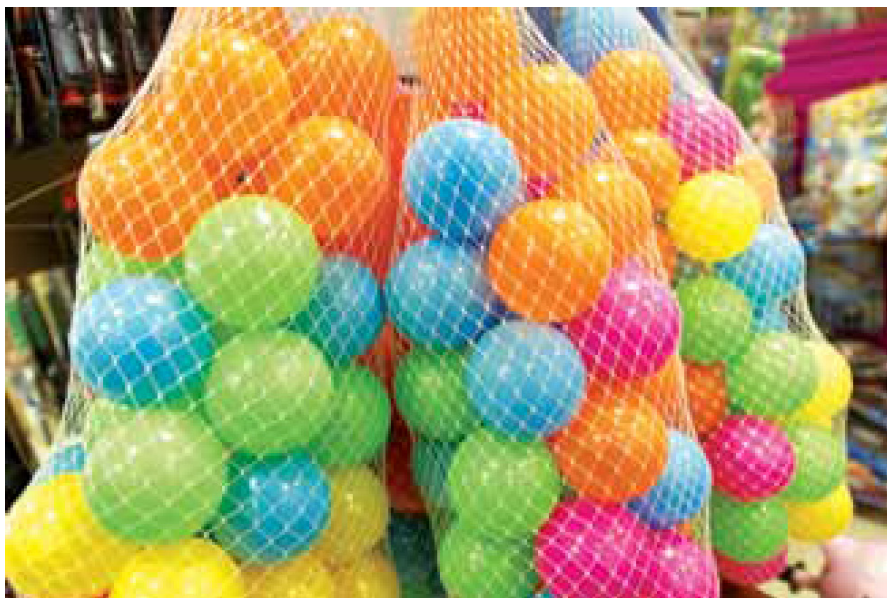
尊敬的各位股东，本集团下属公司恒昌化工，已被山东省政府列为C3高端化工产业链链主企业。未来一段时期，产业链发展将会得到更多的政策支持，产品附加值将会大幅提升。

尊敬的各位股东，历史和发展实践一再证明，发展方向一经明确，凝心聚力是实现目标的关键。在此，向多年来各位股东对中星石化发展给予的大力支持，对公司董事会、管理层给予的极大认可充分信任，表示衷心的感谢。基于2021年公司所取得的经营业绩，及公司未来发展需要，经公司董事会提议，2021年年度分红0.006元/股，待本次股东大会批准后实施。

再次感谢各位股东的拨冗参会，真诚的祝福大家，身体健康，万事如意，虎年如虎添翼，虎虎生威，行大运，发大财。

李湘平
执行主席兼执行总裁

STRATEGIC AFFILIATION and Process



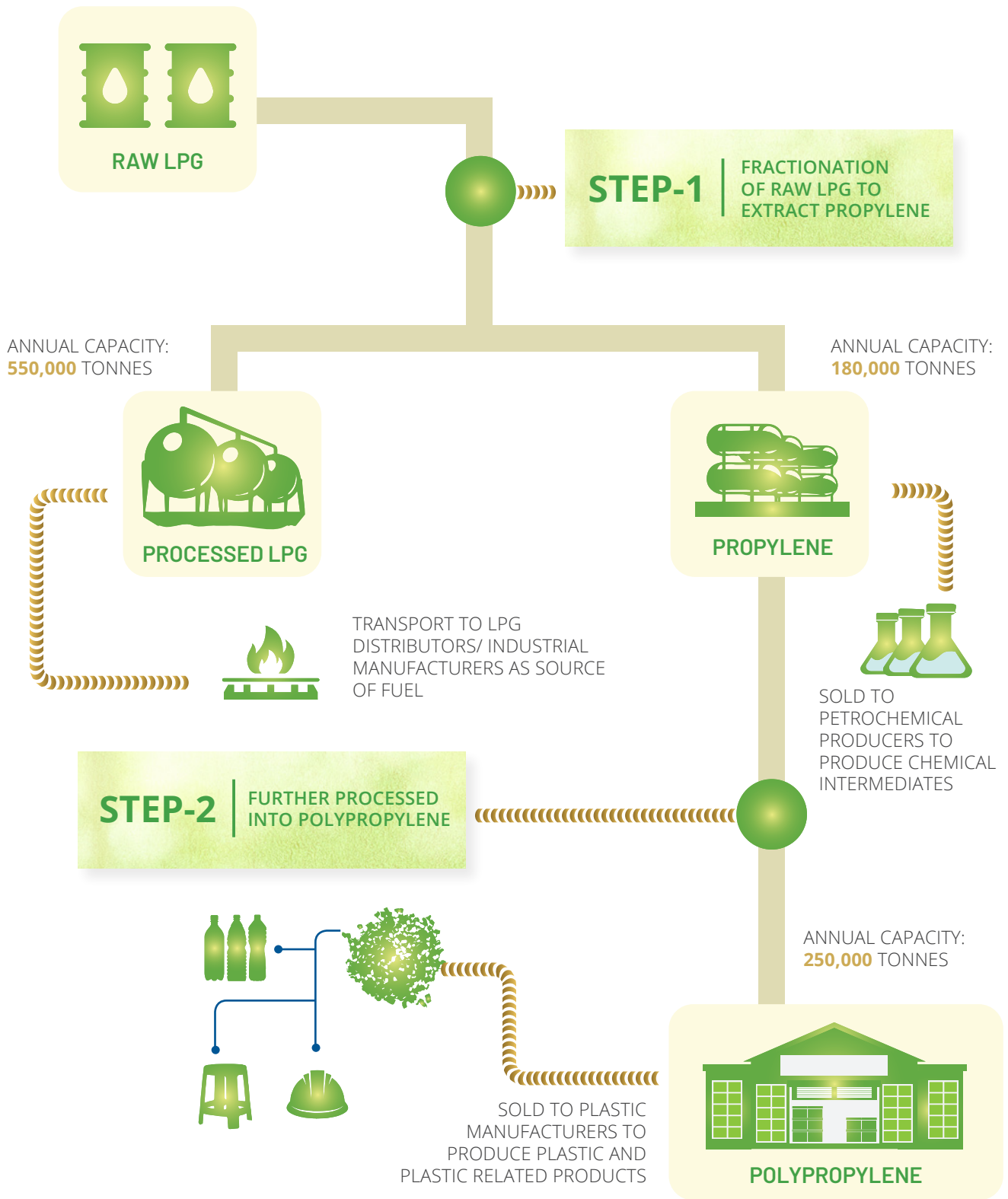
Our strategic affiliation with Shandong Dongming Petrochem Holdings Group (“Dongming Petrochem”) began in 2006 when we acquired Dongming Hengchang, where Dongming Petrochem was one of the founding shareholders. Dongming Hengchang was originally set up in 2000 as a joint venture between Dongming Petrochem and its key management staff, in line with the PRC’s broad policy of reforming its state-owned enterprise (“SOE”), 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 provision of its major material – raw LPG.

Since incorporation, Dongming Hengchang was able to introduce into an exclusive agreement with Dongming Petrochem Group 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 re-negotiated and entered into the 2016 Exclusive Supply Agreement with Dongming Zhongyou Fuel and Petrochemical Company Limited (a full subsidiary of Dongming Petrochem Group), 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 Group. Dongming Petrochem Group, established in 1997, has since grown to become China’s largest independent oil refiner with primary oil processing capacity of 15 million tonnes per year. For Sinostar, through the strategic relationship with Dongming Petrochem Group, 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.

PRODUCTION PROCESS

生产过程



OUR BUSINESS

Segments



PRIORITISING QUALITY

We have attained 3 major international standards in the areas of quality, environment and health management: GB/T 19001-2016/ISO 9001:2015, GB/T 45001-2020/ISO 45001:2018, GB/T 24001-2016/ISO14001:2015 —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.

Enlisted in the fractionation of raw LPG to produce downstream petrochemicals, namely propylene, polypropylene, processed LPG, purified isobutylene and MTBE, 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 250,000 tonnes of polypropylene annually.

We have 96 vehicles in our fleet of scaling up the acquired transportation business.

KEY PRODUCT and Services

Processed Liquefied Petroleum Gas (LPG)

Processed LPG is 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, polyvinyl chloride (PVC).

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).

Purified Isobutylene

A colourless gas that can form explosive mixtures with air. It is also an important chemical raw material that is used for preparation of butyl rubber, antioxidants, tertiary butylphenol etc.

Methyl Tert-butyl Ether (MTBE)

A highly flammable liquid that forms explosive mixtures with air. It is widely used as the oxygenated additive to improve the characteristics of petrol.

Hydrogen

About 55% of hydrogen produced around the world is for ammonia synthesis, 25% in refineries, 10% for methanol productions and 10% for other applications. It can be used in various industrial applications including metal alloying, flat glass production, protective and carrier gas, cleaning in the electronics industry, and applications in the electricity generation.

Transportation and Logistics

A transportation and logistics company with a total of 96 vehicles, mainly 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.



KEY PRODUCT and Services

Some of premier graded polypropylene that produce from the newly built polypropylene installation



Grade: EP200K
Application Type: Injection
Melt Index: 3-4g/10min
Ambient Shock: >30KJ/m2
Bending Modulus: >700MPa
Application: Improved impact resistance and rigidity.
High impact material: Household items, toys, outdoor furniture.



Grade: HP500N
Application Type: Injection
Melt Index: 10-16g/10min
Tensile Stress: 30-33MPa
Bending Modulus: 1200-1300MPa
Application: Medium to High Fluidity Grades to Reduce Operating Cycles, Life "Consumer Goods, Food Containers, Flower Pots."



Grade: LA640T
Application Type: Injection
Melt Index: 60-70g/10min
Ambient Temperature Shock: >4KJ/m2
Bending Modulus: >1200MPa
Application: High crystallinity impact products for automotive, home appliances, and modification Good processability, low VOC.



Grade: RP344R
Application Type: Injection
Melt Index: 25-30g/10min
Ambient Shock: >4KJ/m2
Haze: <12%
Application: Excellent Transparency, Gloss Performance, Ice Cream, and Dessert Bowls, Transparent Syringes, Medical Devices.



Grade: RP340N
Application Type: Injection
Melt Index: 9-14g/10min
Ambient Shock: >4KJ/m2
Haze: <12%
Applications: Excellent transparency and gloss performance, good antistatic properties, storage containers, household goods.

OPERATIONS

Review

FINANCIAL PERFORMANCE

Processed LPG

LPG increases by 54.0% from RMB 261.6 million in 4Q20 to RMB 402.8 million in 4Q21, included the inter-company transactions. A total of 79,904 tonnes produced and sold during the periods, a decrease of 10.0% as compared to 4Q20. However, average selling prices ("ASP") and average cost of production ("ACP") during the period increase by 71.1% and 74.7% respectively as compared to 4Q20.

LPG increases by 49.7% from RMB 924.1 million in FY20 to RMB 1,384.8 million in FY21 (included inter-company transactions). Total of 326,029 tonnes produced and sold during FY21, an increase of 4.1% as compared to FY20. Both the ASP and ACP increase by 43.9% and 44.0% respectively for FY21 as compared to FY20.

Propylene

Propylene is used to further process into polypropylene due to higher margin and only excess output will be sold to markets. During the 4Q21 reporting period, all propylene output were used to process to polypropylene and premier grade polypropylene.

Due to all propylene provided as production materials on the commencement of new production plant for premium grade polypropylene in 2Q21, the sale of propylene decreases by 75.3% from RMB 335.1 million in FY20 to RMB 82.9 million in FY21.

Polypropylene

Polypropylene decreases by 7.9% from RMB 80.3 million in 4Q20 to approximately RMB 73.9 million in 4Q21. Production output by decreases by 12.8% to 9,757 tonnes whereas both ASP and ACP during the period increase by 5.5% and 10.9% respectively as compared to 4Q20.

Polypropylene increases by 7.1% from RMB 280.0 million in FY20 to RMB 300.0 million in FY21. Output decreases by 5.5% to 40,282 tonnes but offset by both ASP and ACP in FY21 increase by 13.4% and 16.4% respectively as compared to FY20.

Premier grade polypropylene

Premier grade polypropylene is produced by the newly commercialised polypropylene production plant from March 2021.

A total of 153,990 tonnes were produced during the reporting financial year with approximately a total of RMB 1.2 billion generated.

MTBE

MTBE increases by 65.1% from RMB 330.3 million in 4Q20 to approximately RMB 545.3 million in 4Q21. Though production output decreases by 2.3% to 97,182 tonnes, both ASP and ACP during the period increase by 69.1% and 90.0% respectively as compared to 4Q20.

MTBE increases by 66.7% from RMB 1,105.9 million in FY20 to RMB 1,843.1 million in FY21. Output increases by 11.3% to 362,691 tonnes whereas both ASP and ACP in FY21 increase by 49.7% and 44.5% respectively as compared to FY20.

Propylene II

Propylene II increases by 2.6% from RMB 173.0 million in 4Q20 to RMB 177.5 million in 4Q21 (included the inter-company transactions, sold to Dongming hengchang for further process into premier grade polypropylene). Production output decreases by 2.3% to 25,650 tonnes. ASP increase by 5.0% whereas ACP decreases during the period by 10.1% as compared to 4Q20.

Total revenue increases by 18.7% from RMB 560.5 million in FY20 to RMB 665.2 million in FY21 (included the inter-company transactions). During the FY21, output increases by 5.4% to 98,096 tonnes, ASP increases by 12.6% and ACP decreases by 5.7% as compared to FY20.

Hydrogen

Hydrogen is mainly transacted with an affiliate party for its production utilities consumption. During the period, production output increases by 2.7% to 3,935 tonnes resulted the revenue to increase from RMB 56.2 million in 4Q20 to RMB 57.8 million in 4Q21.

For FY21, a total output of 14,271 tonnes was transacted with a revenue value of RMB 209.6 million.

Isobutylene

Isobutylene increases by 47.4% from RMB 34.5 million in 4Q20 to RMB 50.9 million in 4Q21. Though total production output decreases by 4.8% to 6,042 tonnes, both the ASP and ACP during the reporting period increase by 54.7% and 82.8% respectively as compared to 4Q20.

For FY21, although the total output decreases by 4.3% to 21,457 tonnes, total revenue increases by 31.2% from RMB 127.1 million to RMB 166.6 million mainly due to higher increase in ASP by 37.0% as compared to 33.0% in ACP.

Logistics & transport related service

Revenue from this business increases by 15.5% from RMB 64.7 million in 4Q20 to RMB 74.7 million in 4Q21, mainly contributed from Dongming Changshun.

Total revenue for FY21 increases by 19.2% from RMB 213.1 million to RMB 254.1 million due to increase in transportation demand from the affiliated group companies.

Gross profit decrease from RMB 121.9 million in 4Q20 to approximately RMB 60.5 million in 4Q21. However, larger gross profits accumulated in past three quarters increase whole year profits from RMB 285.9 million in FY20 to RMB 478.7 million.

Other income

Comprise mainly of bank interest earned on short-term deposits placed with financial institution amounted to approximately RMB 1.7 million and balances on other non-trade receivables in 4Q21. For FY21, a total of RMB 5.9 million earned from bank interest and balances on non-trade receivables.

Administrative costs

Decreased from RMB 25.8 million in 4Q20 to RMB 9.9 million in 4Q21, mainly due to the decrease in the operating expenses in subsidiary Hengchang, the allocation of labour costs from administrative costs to cost of production.

Finance costs

Interests incurred on the loan from non-controlling interest amounted to RMB 7.7 million and RMB 5.4 million on external bank borrowing in 4Q21. For FY21, total of RMB 49.1 million interest paid to non-controlling interest and balance on bank loan.

Taxation

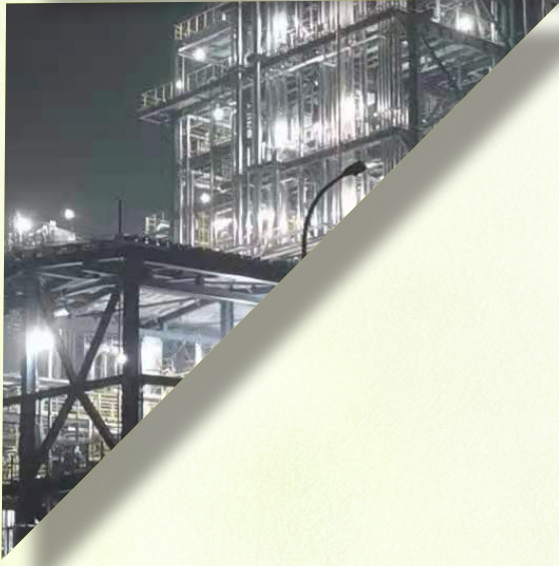
Increase is in tandem to increase in the sale transaction activities.



EMBARKING ON NEW FRONTIERS

The completion of our new polypropylene production plant has allowed us to diversify our product types and improve productivity. Sustaining this momentum, we will expand to new markets and explore new industries to further improve our profitability.





BOARD OF Directors



MR LI XIANG PING

Executive Chairman and CEO

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 Co., Ltd. ("Dongming Petrochem") and handled 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 got 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. Mr Li was appointed as the Chairman of the Association of Oil & Petrochemical Refinery in the Shandong province (山东省炼油化工协会) since 2015 and appointed as the Vice President of China Petroleum and Chemical Industry Federation (中国石油和化学工业联合会) since 2017. During 2018, Mr Li was appointed as the Chairman of Shandong Refining and Energy Group Co., Ltd. (山东炼化能源集团有限公司), an entity in which Shandong Dongming Petrochemical Group has an influential, controlling stake. He was also appointed as the Vice Chairman of the 12th All-China Federation of Industry and Commerce (第十二届全国工商联).

In 2019, Mr Li was accoladed the award of "100 Outstanding Private Entrepreneurs in 40 Years of Reform" (改革开放40年百名杰出民营企业家). He also won the commemorative medal for celebrating the 70th anniversary of the founding of the People's Republic of China, issued by the CPC Central Committee, the State Council and the Central Military Commission.

In 2021, Mr Li was awarded the Meritorious Entrepreneur Award for Year 2020 in China, Shandong.

BOARD OF Directors



MR YAN TAILING

Executive Director and Deputy CEO

Mr Yan was appointed the Deputy CEO of the Group on 18 February 2021, where he will assist the board for the overall management and operations of the Group.

Prior to his appointment, Mr Yan had worked in affiliated entity Shandong Dongming Petrochemical Group as the Finance Director and Deputy General Manager of the treasury department from 2010 to 2015. He was also the Director and Deputy General Manager of another affiliated entity owned by Shandong Dongming Petrochemical Group, Hong Kong Hengfeng Oil Trade Co. from 2016 to 2018. In Mar 2018, Mr Yan held the position of CFO and Board secretary at Shandong Dongming Yinglun Petrochemical Co. Ltd, a JV entity coowned by the Shandong Dongming Petrochemical Group.

Mr Yan graduated from the Engineering Economy and Finance, Shandong Water Conservancy college.



MR LI ZHI

Non-Executive Director

Mr Li Zhi was appointed as the non-executive director of Sinostar PEC Holdings Limited on 29 April 2019. Mr Li concurrently serves as the Director and Chief Executive Officer of its strategic affiliation - Shandong Dongming Petrochem Group ("Dongming Petrochem"), the General Manager of overseas operations, and the Director and General Manager of Pacific Commerce Holdings Pte. Ltd. Prior to joining Dongming Petrochem in April 2017, he was responsible for the roles of Business Executive and Business Manager in PetroChina International Co., Ltd. (China National United Oil Corporation) from July 2007 to April 2017. From October 2009 to October 2015, he was appointed as the Finance Minister of PetroChina International (Japan) Co., Ltd. And the Supervisor of the Osaka International Refining Co., Ltd in Japan.

Mr Li attained a Master's degree in Business Administration at Guanghua School of Management, Peking University from September 2015 to July 2017.

From July 2003 to July 2007, Mr Li studied at the School of Economics and Management of Beijing Jiaotong University and obtained a Bachelor's degree in Information Management and Information Systems.

In 2021, Mr Li was awarded the award of industry leader for 2020 in China, Shandong.

BOARD OF Directors



DR CHEN SEOW PHUN, JOHN

Lead Independent Non-Executive Director

Dr Chen was a Member of Parliament from 1988 to 2006 and served as the Assistant Secretary General of the National Trades Union Congress from 1991 to 1997. He was a Minister of State for Communications from 1997 to 1999. From 1999 to 2001, he was the Minister of State for Communications & Information Technology and Minister of State for National Development. Dr Chen has been a Board member of the Economic Development Board, the Housing & Development Board, the Port of Singapore Authority and Singapore Power Ltd respectively. He taught at the National University of Singapore from 1983 to 1991. Dr Chen is presently the Executive Chairman of Pavillon Holdings Ltd and sits on the Board of a number of public listed companies in Singapore. He is also the Chairman of SAC Capital Private Limited.

Dr Chen holds a PhD in Electrical Engineering from the University of Waterloo, Canada.



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.

BOARD OF Directors



MR JIANG XINGLU

Independent Non-Executive Director

Mr Jiang served as deputy director and senior partner of Shandong Qindao law firm from 1994 to 2008. From 2008 to 2010, he joined Grandall law firm as a partner and then worked as a partner in King & Wood Mallesons Beijing company until 2015. Since January 2015, Mr Jiang is the general manager of Shandong Blue Economic Industry Fund Management Co., Ltd. and executive partner of Qingdao Yulink fund management center (limited partnership). He also serves as an independent director of Liqun Commercial Group Co., Ltd., Tsingtao Brewery Co., Ltd., Hailir Pesticides and Chemicals Group Co., Ltd., Qingdao Eastsoft Communication Technology Co., Ltd., and external supervisor of Bank of Qingdao Co., Ltd.

Mr. Jiang graduated from Shandong University in 1994 and obtained the qualification of a lawyer. He is also the winner of “The Financial High-end talents of Shandong Province” and obtains the honorary title of “the May 1st Labor Medal of the financial system” in Shandong Province.



MR LIU XIAOYAN

Independent Non-Executive Director

Mr Liu spent his early career working in the Chinese government. When he migrated to Singapore, Mr Liu started to work in the capital market, focusing on investment banking and private equities. As an experienced professional, he has worked with several public-listing and M&A projects and has gathered abundant network resources across China, Singapore, and the emerging Southeast Asian markets. He is also the head of the Nankai Alumni Association of Singapore.

Mr Liu was the managing director at Asia Petroleum Technology from 2011 to 2016 and has held executive positions at Zana Capital and Haitong International Securities between 2016 and 2018. He was also a consultant at Morgan Stanley Bank of Asia from 2019 to 2021. Currently, Mr Liu is the General Manager of Lance Capital Pte Ltd.

Mr Liu graduated from Nankai University with a bachelor’s degree and furthered his study in the School of Economics at Peking University. Mr Liu also practised as a research analyst at Nankai Bohai Research Institute of Finance under the School of Economics at Nankai University.

KEY Management



MR TAN YEW CHEE WILLIAM

Chief Financial Officer

Mr William Tan joined the Group on 2 May 2008 and is responsible for the Group's overall business development, operational, financial and taxation functions.

Mr Tan started his career as an audit assistant at a local audit firm in 1990. From 1992 to 2001, he was the 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, Mr 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, he was engaged as a financial consultant by Sinocom Solar Group, a solar energy solutions provider in Beijing. From 2012 to 2015, Mr 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).



MR LI BING WEI

General Manager (Dongming Hengchang Petrochemical Co., Ltd.)

Mr Li Bing Wei oversees the general operations of Dongming Hengchang Petrochemical Co., Ltd. and is the Group's General Manager. Mr Li joined Shandong Dongming Petrochem Group Co., Ltd. after graduating with a Bachelor's degree in Applied Chemistry from Qingdao University of Science and Technology in 1998, taking on roles within the Group in chemical analysis, manufacturing, procurement and many more.

KEY Management



LI DAN

General Manager (Dongming Changshun Transport Company Limited)

From 2011 till 2016, Mr. Li served as a business executive at Shandong Dongming Petrochemical Group Sales Company, and from 2013 to 2017, he started working at Dongming Oil Distribution as a deputy and department head. He was appointed as deputy chief economist in January 2017. Mr. Li was promoted to Deputy General Manager in March 2019.

Mr. Li received a diploma from Shandong Heze Normal College.



HUANG QIAN SHENG

General Manager (Dongming Qianhai Petrochemical Firm Ltd)

Mr. Huan Qian Sheng is the General Manager of Dongming Qianhai Petrochemical Firm Limited, and he's in management of the day-to-day operations of the company. Mr. Huan has a degree in Machinery Manufacturing Processes and Equipment from Xi'an Jiaotong University.

Mr. Huan operated as a workshop supervisor for the Atmospheric and Decompression workshop from January 2011 to May 2013. He was the deputy supervisor of the production scheduling division from May 2013 until July 2015. He served as the Deputy Chief Engineer of Dongming Zhongyou Fuel and Petrochemical Co. from July 2015 until November 2016. He was named deputy general manager of Dongming Qianhai Petrochemical Co Limited in November 2016.





MAINTAINING THE GROWTH MOMENTUM

Here in Sinostar, we are optimistic of our future and confident of our performance. We will stay focus on optimising our production, exercising sustainable processes, and tapping uncharted waters.

FINANCIAL Highlights

(in RMB'000)	2016	2017	2018	2019	2020	2021
REVENUE & PROFITABILITY						
Sales	1,559,881	1,804,624	2,259,480	3,660,048	3,182,338	4,716,209
Gross Profit / (Loss)	116,968	103,718	128,011	270,338	285,878	478,691
Net Profit / (Loss)	89,803	68,219	82,703	138,014	184,574	307,318
Net Profit / (Loss) to Equity holders of the Group	89,803	68,219	82,703	113,692	158,552	237,423
Interest Coverage ratio	-	-	-	4.59	7.56	9.43
FINANCIAL STRENGTH						
Cash & bank balances	494,570	438,349	426,215	66,247	352,035	702,615
Bank borrowings	-	-	(281,250)	(156,250)	(531,250)	(480,000)
Loan from non-controlling interest*			(1,000,000)	(850,000)	(705,000)	(625,000)
Net Debt/Equity	Net cash	Net cash	98.4%	94.9%	72.2%	26.5%
Current assets	567,166	647,440	803,941	351,944	548,306	1,032,236
Current liabilities	(52,122)	(66,572)	(1,410,696)	(1,098,298)	(321,727) [^]	(570,667)
Net current assets/(net current liabilities)	515,044	580,868	(606,755)	(746,354)	226,579	461,569
Shareholders' equity	616,172	668,681	736,030	833,603	1,026,672	1,248,586
CASH FLOW						
Net cash generated from operating activities	71,078	116,912	61,076	205,900	353,844	581,264
Net cash generated from/(used in) investing activities	(22,173)	(157,423)	(57,856)	(223,351)	(259,292)	(34,425)
Net cash generated from/(used in) financing activities	(15,354)	(15,710)	(15,354)	(342,517)	191,236	(196,259)
SHAREHOLDERS' WEALTH						
Number of shares on issue ('000)	640,000	640,000	640,000	640,000	640,000	640,000
Basic earnings per share (RMB cents)	14.03	10.66	12.92	17.76	24.77	37.10
Net asset value per share (RMB cents)	96.28	104.48	135.76	154.81	191.35	236.95
Net cash value per share (RMB cents)	77.27	68.49	N.A.	N.A.	N.A.	NA
Dividend yield	3.3%	2.3%	2.6%	Nil	3.3%	2.0%
TOTAL MARKET CAPITALISATION (IN S\$)						
	\$96,000	\$140,800	\$119,680	\$120,320	\$96,000	\$188,800
MARKET PRICE (IN S\$)						
High	\$0.160	\$0.255	\$0.235	\$0.220	\$0.191	\$0.490
Low	\$0.060	\$0.155	\$0.150	\$0.145	\$0.135	\$0.147
Closing	\$0.150	\$0.220	\$0.187	\$0.188	\$0.150	\$0.295

*Arising from the acquisition of Dongming Qianhai, loan was for working capital use and from strategic affiliation, Shandong Dongming

[^]A portion of the loan from non-controlling interest has been reclassified from current liabilities to non-current liabilities

CORPORATE Information

BOARD OF DIRECTORS

Li Xiang Ping
*Executive Chairman and
Chief Executive Officer*

Yan Tailing
*Executive Director and
Deputy Chief Executive Officer*

Li Zhi
Non-Executive Director

Dr Chen Seow Phun, John
Lead Independent Non-Executive Director

Zhao Jinqing
Independent Non-Executive Director

Jiang Xinglu
Independent Non-Executive Director

Liu Xiaoyan
Independent Non-Executive Director

AUDIT COMMITTEE

Jiang Xinglu
Chairman

Zhao Jinqing

Dr Chen Seow Phun, John

REMUNERATION COMMITTEE

Dr Chen Seow Phun, John
Chairman

Zhao Jinqing

Jiang Xinglu

NOMINATING COMMITTEE

Zhao Jinqing
Chairman

Dr Chen Seow Phun, John

Jiang Xinglu

RISK AND INVESTMENT COMMITTEE

Li Zhi
Chairman

Li Xiang Ping

Yan Tailing

SECRETARY

Tan Chee How, ACIS

COMPANY REGISTRATION NUMBER

200609833N

REGISTERED OFFICE

30 Cecil Street,
#19-08 Prudential Tower
Singapore 049712

PRINCIPAL PLACE OF BUSINESS

27 Huanghe Road, Dongming County
Shandong Province, PRC 274500
Tel: (86) 530 7286138

SHARE REGISTRAR

In.Corp Corporate Services Pte. Ltd.
(formerly known as
RHT Corporate Advisory Pte. Ltd.)
30 Cecil Street,
#19-08 Prudential Tower
Singapore 049712

AUDITOR

Nexia TS Public Accounting
Corporation
80 Robinson Road, #25-00
Singapore 068898
Director-in-charge: Lee Tze Shiong
(Appointed since financial year ended
31 December 2021)

LEGAL ADVISERS TO THE COMPANY ON PRC LAW

北京市盈科(济南)律师事务所
济南市历下区经十路 11111
号济南华润中心 38-39 层

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

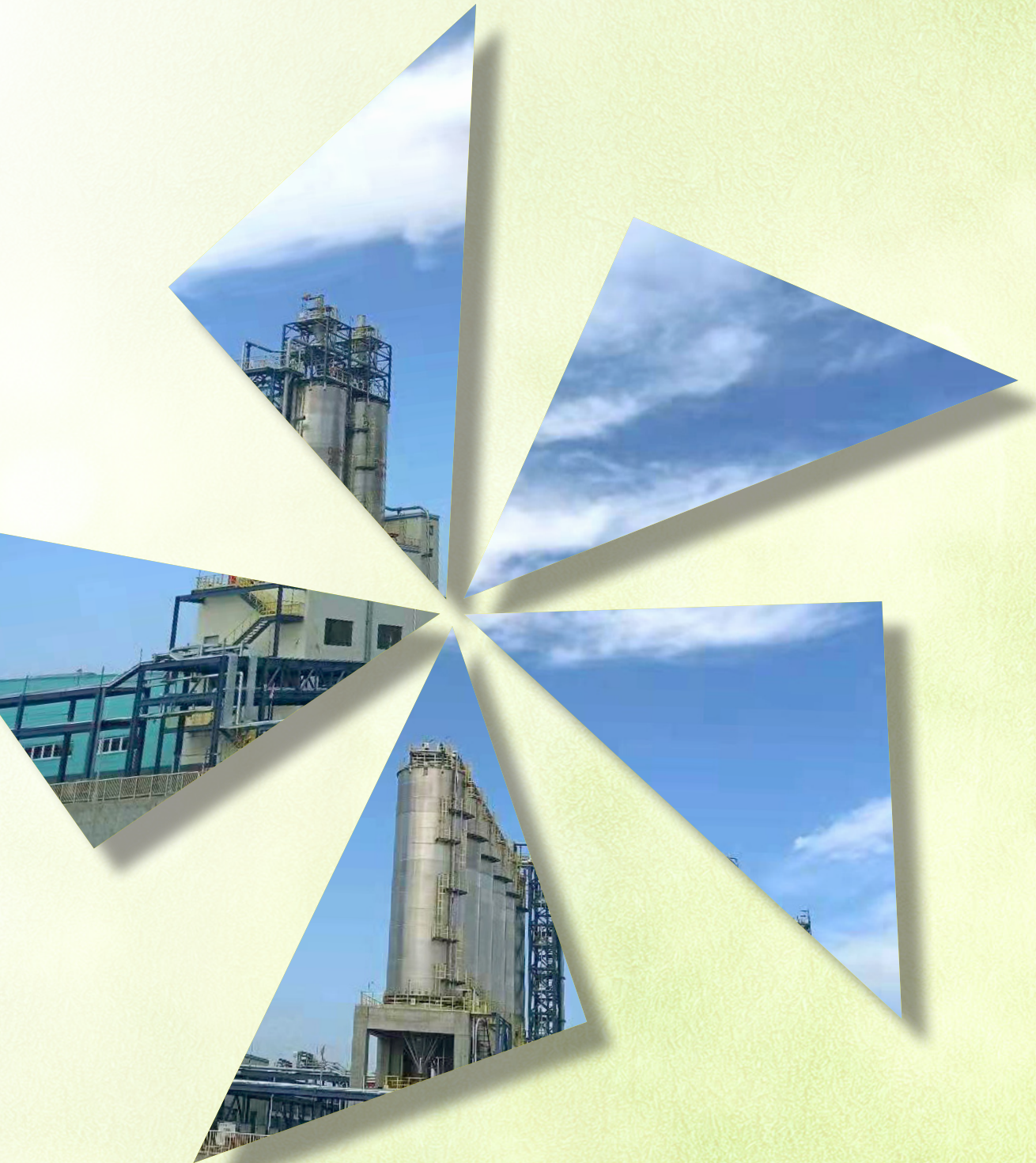
Agricultural Bank of China
Dongming Branch
No. 165, Xiang Yang Road
Dongming County, Shandong Province
PRC 274500

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

INVESTOR RELATIONS

Gem Comm Pte Ltd
1 Temasek Avenue, Level 30
Singapore 039192
Email: connect@gem-comm.com
Telephone: +65 8740 7951



SUSTAINABILITY REPORT

ABOUT This Report

BOARD STATEMENT

We are pleased to present Sinostar PEC Holdings Limited's ("Sinostar Pec") annual Sustainability Report, for our financial year ended 31 December 2021 ("FY2021").

The key material environmental, social and governance factors for Sinostar Pec have been identified and reviewed by the Executive Chairman and CEO. The Board of Directors of Sinostar Pec ("**Board**") oversees the management and monitoring of these factors and takes them into consideration in the determination of the company's strategic direction and policies. Sustainability is a part of Sinostar Pec' wider strategy to create long-term value for all our stakeholders.

With the availability of economic, environment, social and governance ("**EESG**") data, sustainability reporting has gained greater significance to investors. Far from being just an image building exercise, today it is widely accepted that good EESG practices contribute to the overall long-term success of the company and play an important part in the competition for talent and investment. Business must be quick to adapt to key stakeholders' concerns, closing any potential gaps and capitalising on opportunities amid today's rapidly-changing business environment.

In defining our reporting content, we applied the Global Reporting Initiative ("**GRI**")'s principles by considering the Group's activities, impact and substantive expectations and interests of its stakeholders. We observed a total of four principles, namely materiality, stakeholder inclusiveness, sustainability index and completeness. For reporting quality, we observed the principles of balance, comparability, accuracy, timeliness, clarity and reliability.

We have relied on our internal source of information and verification mechanisms to ensure the accuracy of this Report. We will consider seeking an independent assurance review in future.

REPORTING PERIOD AND SCOPE

This report is set out on a "comply or explain" basis in accordance with Listing Rule 711B and Practice Note 7.6 of the Singapore Exchange Securities Trading Ltd ("**SGX-ST**") Listing Manual on Continuing Listing Obligations. Corresponding to GRI's emphasis on materiality, the report highlights the key economic, environmental, social and governance related initiatives carried out throughout the 12-month period, from 1 January to 31 December 2021.

REPORTING FRAMEWORK

Sinostar Pec has chosen the GRI framework as it is the most established international sustainability reporting standard and in respect of the extent to which such framework is applied, this report has been prepared in reference to the GRI Standards reporting guidelines, at Core level.

FEEDBACK

We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to improve our policies, systems and results. Please send your comments and suggestions to william.tan@sinostar-pec.com.



SUSTAINABILITY

Approach

OUR SUSTAINABILITY METHODOLOGY



STAKEHOLDER ENGAGEMENT

An important starting point in our sustainability journey is to identify our stakeholders and material aspects relevant to our business. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. These key stakeholders include, but not limited to, customers, suppliers, employees, investors, and regulators. We adopt both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into our corporate strategies to achieve mutually beneficial relationships.

The table below sets out our engagement with our stakeholders:

Stakeholders	Engagement and Communication Channels	Key Concerns and Expectations	Our Responses and Actions
Customers and Consumers	<ul style="list-style-type: none"> Hotline Email queries Customer visit Onsite audit Customer survey 	<ul style="list-style-type: none"> Compliant operation Provide green quality products Provide quality services Rights protection 	<ul style="list-style-type: none"> Spare no efforts to ensure stable and continuous supply High quality materials and product Establish a two-way communication mechanism with customers Customer Satisfaction Survey Develop new products according to customers' requirements
Employees	<ul style="list-style-type: none"> Townhall sessions Open dialogues among teams Intranet portal Relevant information disclosure 	<ul style="list-style-type: none"> Guarantee their basic rights and interests Offer suggestions for enterprise development Develop employee capabilities and promote career development Sense of belongings and recognition Share the development achievements with the Company 	<ul style="list-style-type: none"> Protection of employee lawful rights and interests Create a good working environment Organize employees' representative conferences Carry out employee training Promote the reward system for rational proposals Increase input in employees' occupational health Career planning and development path
Communities	<ul style="list-style-type: none"> Official website and email Sustainability Report Interviews and meetings Various social and charity events 	<ul style="list-style-type: none"> Serve community development Work for public benefit Create job opportunities Help poor and disadvantaged group 	<ul style="list-style-type: none"> Drive employment and local economic development Support local suppliers Support education Volunteer activities Contribute to the community environmental constructions

SUSTAINABILITY

Approach

Stakeholders	Engagement and Communication Channels	Key Concerns and Expectations	Our Responses and Actions
Government and regulators	<ul style="list-style-type: none"> Face-to-face meetings Regular reports Participation in discussions Regular reporting Relevant information disclosure 	<ul style="list-style-type: none"> Abide with laws and regulations Service national economic development Increase local employment rate Ensure production safety Realise cleaner production Implement energy conservation and emission reduction Protect ecological environment 	<ul style="list-style-type: none"> Pay taxes Report work regularly Realize prudent operation Strengthen safety management Cooperate with environmental protection departments to conduct inspections Promote cleaner production Research and develop green products Organize environmental protection activities Waste recycling
Suppliers and service providers	<ul style="list-style-type: none"> Face-to-face meetings Annual review and feedback sessions Contracts and agreements 	<ul style="list-style-type: none"> Realize fair and transparent procurement Promote joint development Timely fulfil the contracts 	<ul style="list-style-type: none"> Promote stable purchase policy Establish fair and transparent procurement principle and process Help suppliers make progress
Investors/ Shareholders	<ul style="list-style-type: none"> Group Annual Report Annual General Meeting Quarterly result briefings Company website email 	<ul style="list-style-type: none"> Enhance earning capacity Improve corporate governance structure Perform the obligation of information disclosure 	<ul style="list-style-type: none"> Ensure compliance with SGX rules and regulations Realize healthy growth Establish shareholder communication mechanism Issue annual report on a regular basis
Trade Associations	<ul style="list-style-type: none"> Engagements through business partnerships Leading working groups in industry associations Face-to-face meetings and communications 	<ul style="list-style-type: none"> Participate the standardisation process of the industry Contribute to the sustainable development of the industry Stimulate the technology transformation, upgrade and innovation 	<ul style="list-style-type: none"> Actively participate Promote industry optimisation

MATERIAL ASPECTS ASSESSMENT

We conducted a materiality assessment during the year via an internal review and taking into account stakeholders' feedbacks obtained. A materiality review will be conducted every year, incorporating inputs from the stakeholder engagements.

To determine if an aspect is material, we assessed its potential impact on the economy, environment and society and the influence on the stakeholders. Senior management took part along with our consultant. Aspects were identified and prioritised through internal workshops, peer reviews and social impact assessments at site level. Applying the guidance from GRI, we have identified the following material aspects:



ECONOMIC

- Economic Performance
- Anti-Corruption



ENVIRONMENTAL

- Energy
- Environmental Compliance



SOCIAL

- Diversity and Equal Opportunity
- Occupational Health & Safety
- Socioeconomic Compliance
- Local Communities



GOVERNANCE

- Business Ethics
- Enterprise Risk Management

ECONOMIC

ECONOMIC PERFORMANCE

Here at Sinostar Pec, we are committed to grow our customers and exceed our customers' expectations and providing them with competitive edge products by enhancing operational efficiency by constantly upgrading our production capabilities via new techniques, technologies and automation of processes, extending range of inventory of quality, brand-name products, providing personal service and competitive pricing and dependable and on-time delivery. For detailed financial results, please refer to the following sections:

- Operation Review, page 15
- Financial Highlights, page 26
- Financial Statements, pages 88 to 137

Our objective is to establish ourselves to be a market leader in our core and diversified businesses by providing quality products and services at competitive prices.

The Group is one of the largest producers and suppliers of downstream petrochemical products within a 400km radius of its production facilities within the Dongming Petrochem Industrial Zone in Dongming County of Shandong Province, PRC. Situated within the Zhongyuan Oilfield - one of PRC's largest oilfields, and linked by a comprehensive logistics network, Sinostar Pec is able to reach out to the nearby populous and industrialised provinces such as Shandong, Henan, Anhui, Shaanxi, Shanxi, Sichuan, Hebei, Hubei and Zhejiang. The Group has total processing capacity of 550,000 tonnes of processed LPG and the capacity to process generated propylene into another 250,000 tonnes of polypropylene at two gas-fractionation production plants.

In 2021, Dongming Hengchang Petrochemical Co., Ltd made breakthroughs in various projects, and achieved remarkable results in management improvement, including safety management, environmental protection management, production management, equipment management, energy consumption management and corporate culture.

We are proudly to announce that we only spent 18 days from processing of raw material to qualified finished goods for our first production. Considering the cost of imported polymerization catalyst was much higher comparing to

local, the Group decided to use local made catalyst for cost saving. We were able to save up to RMB 2.8 million/tonnes of our production by using local polymerization catalyst.

Through extensive research and development, the Group successfully to produce premier grade polypropylene namely EP200R. Beside that our research team had also developed more than 20 kinds of value-added products based on market trends and needs. These products included fibre, injection moulding, spare parts for automobiles, medical device materials and food containers.

The company has broken the bottleneck of eliminating shortages after the start of the ring-pipe polypropylene plant. The plant has been running stably since the start of the plant, and achieved homopolymerization, impact resistance, and less random switching fluctuations. Now it has been in normalized production.

Dongming Hengchang Petrochemical Co., Ltd. invested RMB 317.8 million to hold 70% equity of Dongming Qianhai Petrochemical Co Ltd. Dongming Qianhai's raw material processing capacity can reach 510,000 tonnes per year. Its main products are propylene and MTBE. The acquisition can increase the overall capacity of the group doubled up to 180,000 tonnes of propylene per year. The Group used Dongming Qianhai's production capacity as an advantage, use propylene deep processing to extend the industrial chain, and use international technology in the 250,000-tonnes polypropylene installation to produce premier grade polypropylene products.

ANTI-CORRUPTION

Here at Sinostar Pec, we prohibit corruption in any form, including extortion and bribery. This has been made clear to all of our employees, our suppliers and our business partners. Any report of corruption are escalated to the attention of the Chairman.

We have achieved the target we set last year. There have also been zero (FY2020: Nil) reported incidents of corruption during the reporting period.

Our goal for FY2022 is to maintain zero incident of corruption. We will regularly review policies on whistleblowing and anti-corruption.

ENVIRONMENT

The Group is aware of the environmental impact from manufacturing activities and dedicated to ensure our operations and business activities comply with environmental protection regulations and safety regulations.

The company strives to reduce, reuse and recycle materials wherever possible. We reduce our demand on the environment through designing our processes and incorporate environmental considerations at all stages of our production and operation. The company complied with international guidelines on pollution management. We also implemented water efficiency benchmarking process and improved the water production rate by 63%, reaching the best rate in history.

We focus on creating value through our offering of products and services that minimally impact on the environment themselves and reduce environmental impact.

The Group is proud to report that we have enhanced our certifications as follows:

- GB/T19001-2016/ISO9001:2015
- GB/T24001-2016/ISO14001: 2015
- GB/T45001-2020/ISO45001: 2018.



ENVIRONMENT

ENVIRONMENTAL COMPLIANCE

The Group complies with all regulations and requirements on water pollution, adheres to the environmental protection concept of “Green Operation and Sustainable Development”, comprehensively enhances the level of environmental protection management and strengthen measures to improve standards for the establishment and implementation of a resource-saving and environment-friendly society. We have achieved the target we set last year. There were also zero (FY2020: Nil) incidence of non-compliance with laws and regulations resulting in significant fines or sanctions in FY2021.

The Group also actively working on the control valve vibration setting to achieve zero emission during production. Thereby, this can reduce wastage of raw materials up to 30 tonnes/production which amount to RMB 225,000. To enhance production efficiency, quality and profitability, the Group adopted lean management to improve business process that eliminate waste, this could result in significant time and cost saving for the businesses. To gain market share, the Group also actively promote product customization based on customer's requirements.

In accordance with regulatory requirements, the Dongming county local government and a third-party sewage treatment plant processed our wastewater. The goal is to improve social and economic benefits, effectively improve of the sewage treatment, ensure the smooth

implementation of the national “South-to-North Water Diversion Project” and meet the national water quality standard for the Dongming outbound river section. In FY2021, Dongming Hengchang Petrochemical Co., Ltd. spent a total of approximately RMB 5.78 million (FY2020: RMB 9.38 million) on sewage treatment, thus, there was a decrease of RMB 3.6 million comparing to last year. The decrease in sewage treatment was mainly due to the increasing investment in environmental protection.

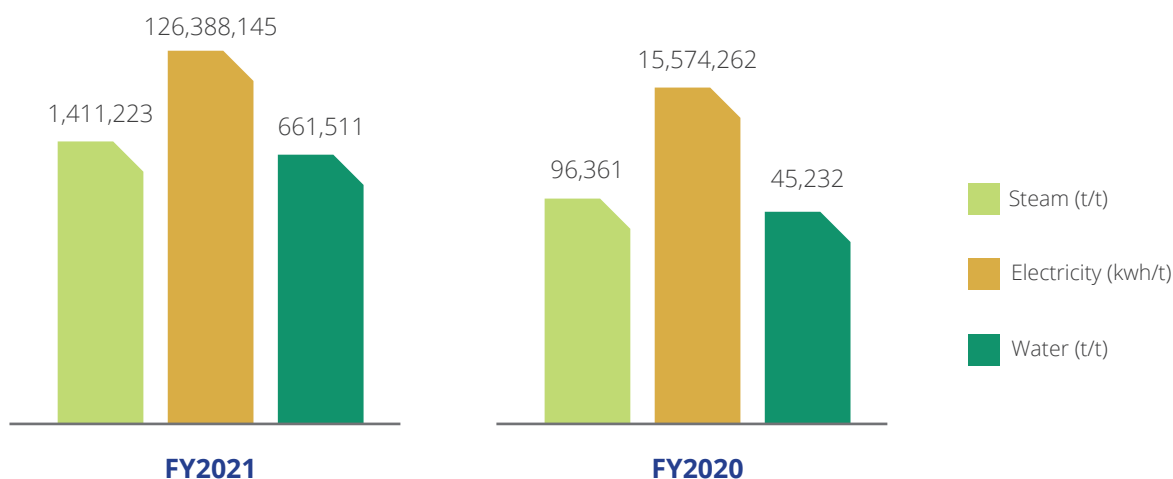
The discharge of sewage complies with the special limits for discharge of pollutants under the “Emission Standards for Petroleum Refining Industry Pollutants” and “Class A Standard for Discharge Standards of Pollutants for Municipal Wastewater Treatment”. After treatment, the third-party inspections were conducted.

We aim to fully comply with all environmental rules and regulations.

ENERGY

Our total energy consumption increased in FY2021 and we have not achieved the target we set last year. This was due to the newly constructed 200,00 tonnes polypropylene plant which expanded our production capacity. Though overall energy consumption has increased is in line with the higher production volume, we are pleased to share that the energy consumption per unit of production remains stable year on year.

TOTAL ENERGY CONSUMPTION



In order to manage energy effectively, we have adopted the following measures:

1. Conscientiously implement the national and local energy management laws and regulations as well as the company's energy management rules and regulations, and raise awareness of energy conservation among management personnel.
2. Establish and monitor targets for energy consumption, establish energy-saving plans and control measures, and enhance indicators to promote reduction in energy consumption and efficiency.
3. Strengthen the management of in the energy field to eliminate the waste of energy.
4. Make efforts to reduce the utilisation of equipment and scientifically formulate reasonable target indicators to reduce energy.
5. Align the energy consumption to the standard and improve the energy saving level of the equipment. Compare the energy utilisation of the equipment for the past two years, identify and analyse the reason of for high-energy consumption and formulate a plan to improve energy consumption.
6. Establish an energy-saving incentive mechanism, pay attention to daily operational management of equipment, and raise the energy-saving level of these equipment. Areas of emphasis are:
 - Strengthening the control over consumption of water, electricity and steam in the daily production process;
 - Reducing energy consumption in the processing, storage, handling, etc. of raw materials;
 - Monitoring and controlling the use of high power consumption equipment;
 - Improving the energy efficiency of equipment;
 - Setting energy and consumption reduction measures and rules;
 - Forming an assessment mechanism that provides incentives and imposes penalties for exceeding the standards; and
 - Encouraging teams to actively carry out energy-saving activities.
7. Establish an energy management system, adopt effective energy-saving measures, and carry out internal audits of energy plants. Cooperate with the project team in the construction of energy management and control platform. The platform establishes a dynamic database of full-operating energy benchmarks for real-time monitoring, benchmarks short-cycle energy predictions, and monitors deviations in energy consumption trajectories in real time. After completion, it can plan and use energy more reasonably, reduce energy consumption per unit product, and improve economic benefits.
8. Focusing on reducing steam consumption, combining the current status of electricity and water management, and starting from two aspects of technical transformation and management, which have achieved significant control effects and steam balance in winter.

By adopting the above measures, our energy consumption and intensity by production has been improved from 349 kgoe/tonnes to 327 kgoe/tonnes.

We target a 5% decrease of total energy consumption in FY2022.

SOCIAL

SOCIAL

Here at Sinostar Pec, our employees are the drivers of our business and we believe in creating a respectful, rewarding and safe working environment for our people. We support and respect the protection of internationally proclaimed human rights.

We respect human rights, support the elimination of all forms of forced and compulsory labour, especially child labour, and do not tolerate any discrimination in respect of race, gender, religion and ethnic minority during employment.

Sinostar Pec believes in employee training and continual career development. In FY2021, we provided the following training to our employees:

- New employee on-boarding
- Professionalism
- Leadership training for Head of department
- Job transfer training
- Sale and Production management
- Equipment management
- Safety knowledge and skills training
- Quality, Safety and Occupational Health, Environment and Energy management
- Theoretical training for both in-base and out of the base, and polypropylene installations training.

The company provides competitive remuneration based on merit to all our employees. Our employees are not covered by collective bargaining agreements, but are given the right to exercise freedom of association.

All employees at our operations hold permanent contracts and work full-time. We seldom rely on workers who are not full-time employees.

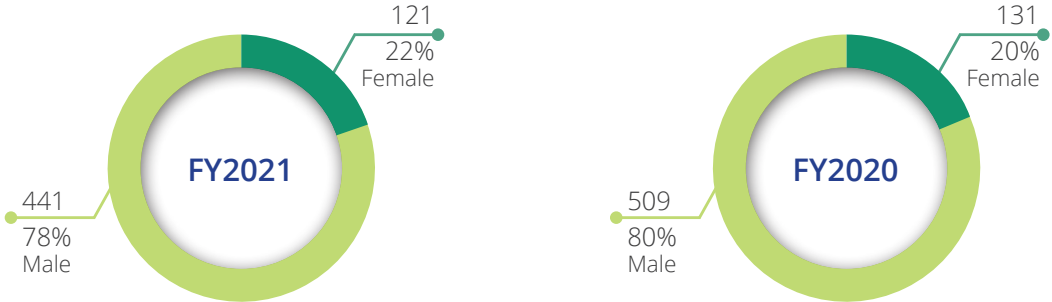


DIVERSITY AND EQUAL OPPORTUNITY

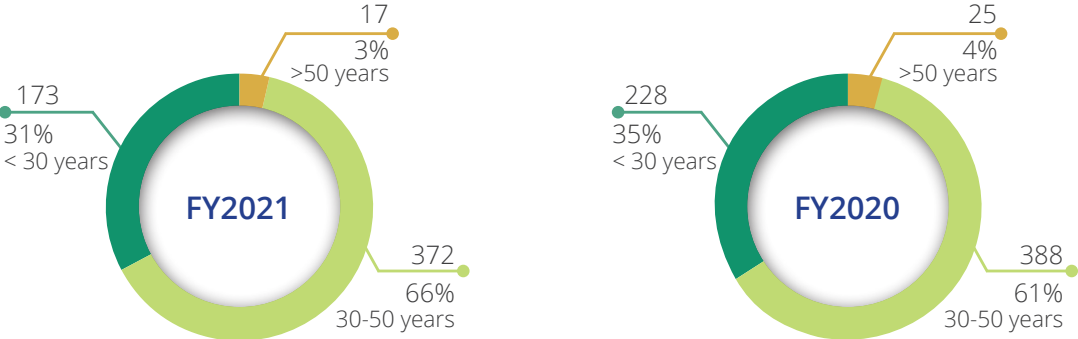
A diverse workforce is an asset in today's ever-changing global marketplace. We cultivate an inclusive culture where employees with wide-ranging backgrounds and qualities are highly motivated, engaged and connected.

Our workforce has decreased due to the completion of the polypropylene project and underwent restructuring. From 640 in 2020 we are now 562 in headcount as of 31 December 2021 distributed as follows:

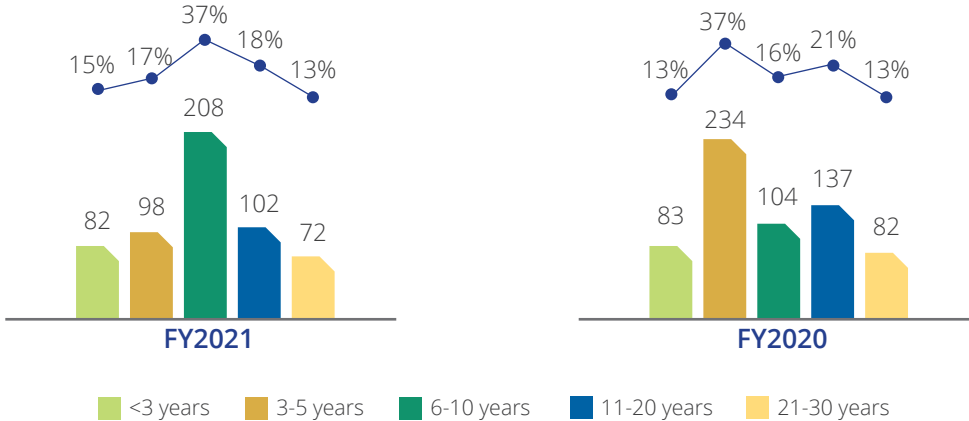
GENDER



AGE



LENGTH OF SERVICE



SOCIAL

Every employee plays an essential role in our Company. We organise different types of activities for our employees regularly, such as tug-of-war, table tennis, sorority, sports day and cultural activities during Women's day.

Apart from that, we also place great importance on our employees by supporting them through employee assistance program. In 2021, we have spent RMB 533,000

in total to boost employee wellbeing. During Chinese New Year and Mid-Autumn Festival, we gifted RMB 520,000 to our employees as festival allowance. In addition, we also spent RMB 5,000 on drinking water to ensure our employees able to consume fresh, pure and safe water in our workplace. During Women's day, we also spent RMB 7,000 in organising the events and activities for our employees.



Our recruitment of staff is based solely on merit and qualifications, without discrimination of race, age, gender, religion or ethnicity. Similar to 2020, we have no reported discrimination in 2021. We have achieved the target we set last year. We will continue to target to have zero complaint on discrimination in the upcoming years.

OCCUPATIONAL HEALTH AND SAFETY

We are also committed to safeguarding our employees' health and safety against any potential workplace hazards.

Employees health and safety are important for Sinostar Pec to achieve optimal performance. It is fundamental right for our workers to be able to work in a safe environment. When our employees' wellness is attained, our productivity will increase and provide the best to our customers. From implementing job safety guidelines and procedures to conduct rigorous safety trainings, we are committed to provide a hazard-free workplace to ensure the wellbeing of both our employees and environment.

Sinostar Pec employs a variety of measures to ensure the health and safety of all our staff. Starting from a methodological documentation of all occupational health and safety issues on an employee level, we listen to all our employees' safety concerns and suggestions. The company conducts regular safety checks and enforces all relevant health and safety rules. Our employees are trained to be safety conscious and all potential hazards in the workplace are identified.

Our new employees undergo the required safety training and drills to familiarize themselves with the operation of the machinery and equipment as well as the safety precautions and procedures during the production process.

We conduct safety risk assessments at all levels and at all operating locations. Staff perform an annual check using our Plant Safety & Health Audit Checklist to ensure that training on new employees performed, environment is conducive for working, proper processes are in place, machinery have been checked, all electrical and junction boxes are in good working condition, materials are stored properly and that there are no obstruction in the event there is a fire and whether health precautions are taken. All Plant Safety & Health Audit Checklist is reviewed and followed up by the Production Manager and reviewed by the Safety & Health Officer. The Safety and Health Chairman also signs off too. This is to ensure the internal controls are monitored by management. Any issues will be highlighted by these reports and remedied.

We have a safety committee to oversee the promotion of safety culture and practices in the workplace. Led by a member of our management, the committee includes representatives from each functional department. Quarterly meetings are held to discuss safety related matters, including reviews of changes in regulatory requirements, outcomes of monthly safety inspection, results from regular risk assessments and the necessary preventive measures. The information is then disseminated by committee members to their peers during their respective department meetings. All of our employees are represented by the joint management-worker safety committee.

The Group provides medical health screening every year for employees involved in radiation related roles, and once every two years for all other employees.

We are pleased to report that we have zero (FY2020: Nil) industrial accident as well as zero (FY2020: Nil) man-day lost for FY2021 and we have achieved the target we set last year.

SOCIAL

Starting from 2018, as part of the Group's initiative to continuously improve the Group's occupational health, safety and environmental protection training, the Group issued a training needs questionnaire which extensively solicited employees' opinions. The management thereafter tailored the Group's occupational health and safety as well as environmental protection training program based on the current operational capabilities and results of the questionnaire. The following sets out the training objectives formulated:

1. New employees should receive three levels of occupational health, safety and environmental protection training at no less than 72 hours. Each year, no less than 20 hours of retraining should be conducted.
2. In relation to the transfer of employees or the adoption of new technologies, new equipment or new materials, special occupational health, safety and environmental protection training shall be carried out.
3. The implementation rate of occupational health, safety and environmental protection education and training programs shall be 100%.
4. The passing rate of occupational health, safety and environmental protection education and training shall be 100%.
5. Workers shall only be employed if they acquired relevant certifications and qualifications for certain designated work scope as stipulated in the government regulations.
6. The passing rate of safety training for key responsible person and safety management personnel of the production and operation unit shall be 100%.

The Group also made significant improvements to its safety policy since 2019 to comply with regulatory requirements, following enhancements were made:

1. Demolished the management office near to the former liquefied gas tank, replaced it with a new anti-explosion control room, including the operation room, cabinet, etc., to completely eradicate the issue of insufficient safety spacing.
2. Moved the existing Distributed Control System (DCS) cabinet to the new anti-explosion room and upgraded the new DCS operating system.
3. Equipped all polypropylene equipment with an independent Safety Instrumented System (SIS).

The Group also integrated its existing interlock to the SIS system and added a batch of interlocking points and matching shut-off valves. A total of seven new emergency shut-off valves were added; one emergency shut-off valve for propylene feed and six emergency shut-off valves for torch.

These enhancements help ensure compliance with the requirements of Article 10 of the "GB50160-2008 Petrochemical Enterprise Design Fire Protection Code", Article 5.1.2, Shandong Province Hazardous Chemicals Safety Management Measures (Provincial Government Order No. 309).

In relation to the Group's new processing plant with an annual capacity of 250,000 tonnes, new safety measures have been implemented in the following areas:

- General Infrastructure
- Building
- Equipment security
- Process safety control
- Automation control, detection and alarm measures
- Fire alarms
- Emergency power supply, gas supply
- Lightning protection grounding
- Other protective measures
- Anti-virus dust
- Noise prevention
- Safety management of employees.

We will continue to stress workplace safety at all times and aim for accident frequency rate of zero in the upcoming years.

COVID-19 CONTROL MEASURE

The Group strictly comply rules and regulation in fighting Covid. We ensure all our employees are vaccinated to lower the risk of getting and spreading the virus. We also monitor closely for the employees who have been close contacts of Covid-19 before returning to work. For visitors to our premises, we will perform checking on their travel history for the past 14 days, vaccination status, mode of transportation before allow them entering to our premises. As we follow strict guidelines during Covid-19, there was no significant impact on our productions and sales.

PRODUCT QUALITY

Backed by a strong reputation and credible track record for quality products and services, the Group's "Hengchang" brand of polypropylene was named "Shandong Province Famous Trade Mark" and "Shandong Top Brand" in China. Quality management has enhanced by implemented the followings:

1. Taking advantage of the shutdown and maintenance opportunities, contacted the laboratory to calibrate and maintain some instruments, sampling cylinders, inspection marks, etc. At the same time, contacted the quality inspection center to optimize and update the quality inspection standards in conjunction with UOP to ensure that the special bottles are dedicated to ensure the representativeness of the samples. The test standard method is currently valid.
2. Combined with the overhaul and technical improvement of the device, some supervision and inspection plans were optimized and adjusted. At the same time, the quality of some external raw materials was investigated and analyzed in advance in conjunction with the distribution company, which fully prepared for the start of preparation of materials.
3. Pay close attention to the feedback of the quality of the raw materials of the upstream companies in time, and cooperate with the production profession to carry out targeted adjustment and control measures according to the quality of the upstream raw materials. Actively coordinate the quality inspection center to strengthen the timely comparison and analysis of the distillation export. The upstream raw material equipment is also adjusting and controlling and the mutual supply of raw materials contains some materials of poor quality during the early shutdown period. The quality supervision and control of distillate outlets has been formulated.
4. Carry out preventive control in advance as product quality inevitably will encounter the problem of high water content due to hydrocarbon tank inspection and top-line operation in the water tank area. We also carry out random inspection and analysis on product quality of each car after loading to ensure that the manufactured products meet customer quality requirements. At the same time, the risk of lower product quality such as large water content and lower purity of the product caused by preliminary water tank overhaul and top line operations may be eliminated. At present, each raw material is normally used, and the MTBE product tank is normally used; the propylene product tank has been reduced from about 300 ppm of water in the initial stage to less than 20 ppm and has reached the quality standard of superior products; the storage tank of isobutylene products has been reduced from about 300 ppm in the initial stage of operation to within 50 ppm, the quality standards of superior products.
5. Focus on strengthening the quality control of chemical excipients. In view of the use of chemical auxiliary equipment in the installation and the small number of manufacturers, we actively cooperate with the company to conduct research and analysis on the quality of chemical auxiliary materials, collect the use of similar domestic equipment, and take samples for laboratory analysis.
6. Eliminate disadvantages and create excellence, accelerate the speed of unloading, improve the efficiency of logistics operations, and improve customer satisfaction. Effectively achieve "time is efficiency, logistics is efficiency", and optimize management to increase efficiency.
7. A scientific research group was set up to improve the technology research of high value-added products of hybrid dehydrogenation units to provide strong organizational, financial and personnel protection for technology development and applied research.
8. Actively carry out process innovation and process optimization. The "Research Group on Optimization of Process Flow for the Processing of Hetero-butene Heterogeneous Raw Materials" was organized. The research group worked out a large number of experimental research operations to optimize the analysis of data to find out the optimal operating parameters and verify the actual production. At present, the optimization and innovation process is running well and the project has won the first prize of Heze Science and Technology Innovation.

SOCIAL

CUSTOMER SATISFACTION

At the beginning of each year, Sinostar Pec conducts with its key customers a monthly Customer Satisfaction Survey. This survey is led by our Supply and Marketing Department and covers the following:

- Compliance with product-related requirements, such as product quality, price, etc.
- Attitude towards pre-sale, sales, and after-sales service work.
- On time delivery.

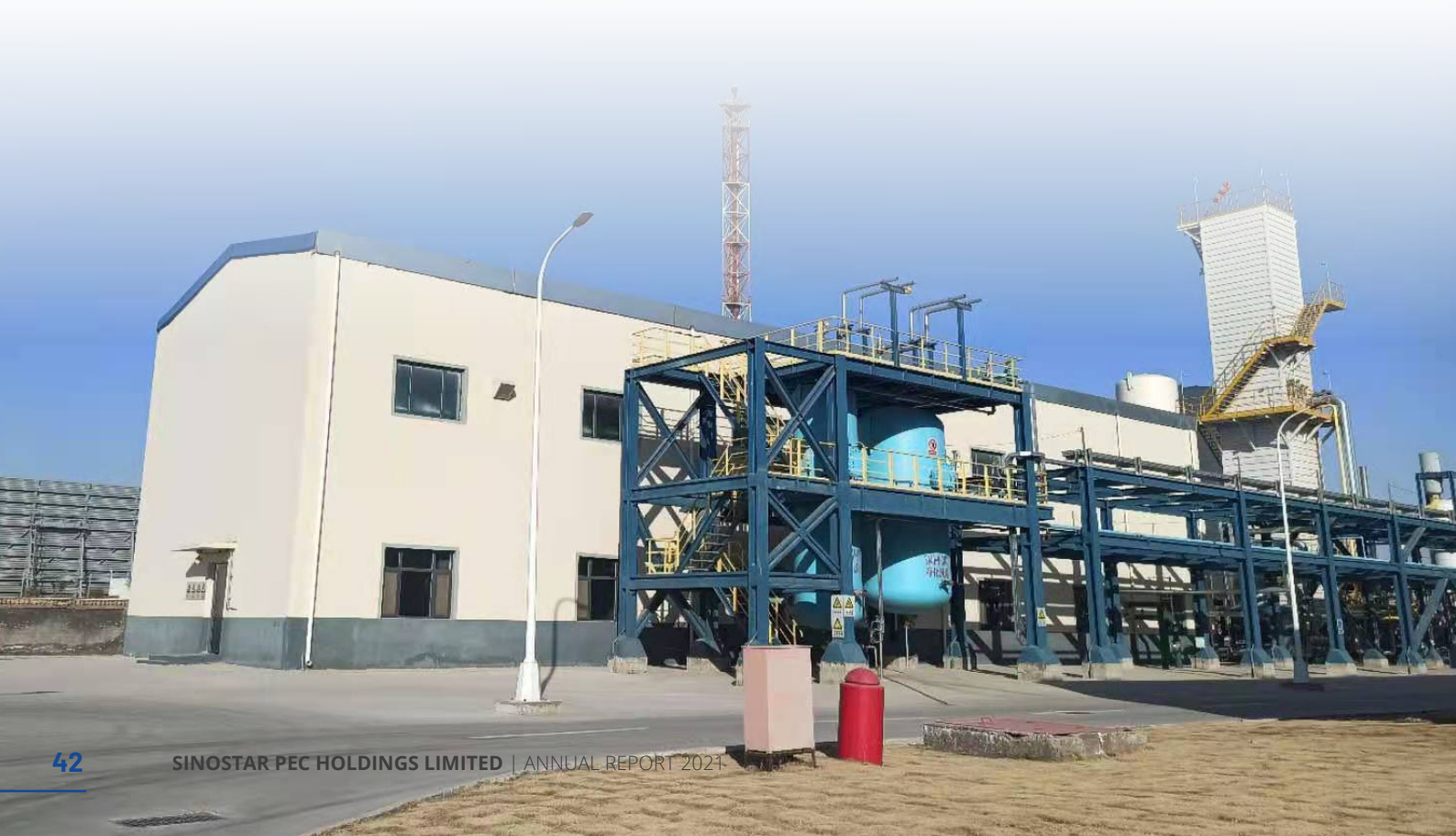
We use the result of the survey for competition analysis, understanding gaps and finding opportunities for improvement. These are also reported to the relevant departments in the company such as the Enterprise Management Department and the Production Operations Department for management review and for the continuous improvement of the quality system. In FY2021, we received 91% feedback on the customer satisfaction survey. The satisfaction rate was 100% (FY2020: 100%) on average throughout the year.

We have achieved the target we set last year. We will continue to aim to achieve the full compliance with customers' requirements and to be a committed supplier of product quality, prompt delivery and good customer service.

SOCIOECONOMIC COMPLIANCE

We pride ourselves in having good corporate governance and observing compliance with applicable laws and regulations. The Group is committed to conduct the business with integrity and to safeguard the interest of all our stakeholders, both internal and external.

We have achieved the target we set last year. There were no non-compliance noted in FY2021 (FY2020: Nil). Our objective is to maintain zero incidents of non-compliance.



LOCAL COMMUNITIES

Over the years, the Group has given great importance to charitable work, viewing philanthropy as an integral part of building corporate culture and promoting our traditions of poverty alleviation and charity. In FY2021, the Group has built eight 'cabins of hope' for children in "Cai Yuan Ji" township. The cabins have provided the children a comfort and good environment for their study. We also provided furniture and study material for enhancing their living standard. On top of that, the Group had organised donation campaign for fund raising to help people in need.

We have achieved the target we set last year. We aim to promote harmonious development of the society by actively participating in public welfare undertakings.



AWARDS

Our products and services are well received by our customers and formally recognized. "Hengchang" polypropylene was awarded "Shandong Province Famous Brand", and "Hengchang" trademark is awarded "Shandong famous brand". In FY2021, our Executive Chairman and CEO Li Xiang Ping was awarded "Shandong Leading Entrepreneur". Apart from that, our Group has also been certified as "Green Factory" and "Water Conservation Unit" by Shandong Government for our outstanding contribution to saving the environment and creation.



GOVERNANCE

SUSTAINABILITY GOVERNANCE

At Sinostar Pec, we believe that strong governance is the key to a sustainable business. Throughout 2021, we continue to comply with the Code of Corporate Governance. Please refer to the pages 47 to 78 on the details of the SGX Code of Corporate Governance.

It is a continual challenge to successfully manage the environmental and social issues. Sinostar Pec has incorporated this into our business model and implemented sustainable and responsible practices throughout. Our products and services meet all the requirements demanded by our customers and the regulatory bodies.

Sinostar Pec pays strict attention to enforcing good labour practices in all our operations. The company provides many training opportunities for continued employee development and this is reflected in the quality and delivery of our products and solutions. We value our relationships with our clients and the wider community in which we operate and these relationships have helped us through challenging times in the past. Sinostar Pec strongly believes that in the long run, these efforts will have a positive impact on our economic performance.

We have achieved the target we set last year. We will continue to comply with the Code of Corporate Governance and meet all requirements that are expected of us by our stakeholders.

BUSINESS ETHICS AND COMPLIANCE

When it comes to hiring, we take seriously any possibility of conflict of interest. Our code of conduct clearly spells out Sinostar Pec's expectations from our staff and the consequences if any of the rules are violated or standards not met. We also have clear and fair grievance procedures. During the year, there was no allegation received.

Business ethics are communicated to all our heads of business units regularly and they must fully understand that compliance with rules and regulations is a key part of running a responsible business. The company regularly updates key staff with development in international and local regulations. Sinostar Pec fully complies with all environmental rules and regulations, anti-competitive behaviour laws and all requirements on health and safety.

Cyber security and data privacy are important not just for compliance, but also in safeguarding both our data and that of our customers. Sinostar Pec takes measures to guard against cyber risks for both our internal and external stakeholders by complying with the Personal Data Protection Act Policy. This policy also applies to our employment process where the privacy of all applicants are safeguarded and access to personal data is restricted to authorised persons senior management on a need-to-know basis.

For FY2021, there were zero (FY2020: Nil) significant fines or non-monetary sanctions for non-compliance with laws and regulations. We have achieved the target we set last year.

Our target is to ensure all allegation received are promptly addressed and to maintain zero incidents of non-compliance.

ENTERPRISE RISK MANAGEMENT (ERM)

As the Group does not have a risk management committee, the Board, Audit Committee 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 Audit Committee.

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.

For detailed disclosure on ERM, please refer to pages 74 to 75.

We have achieved the target we set last year. We aim to review the ERM policies regularly to ensure all relevant risks are identified, communicated and addressed timely.

GRI STANDARD

Content Index

GRI Standard	Disclosure	Reference / Description	
GRI 101: Foundation 2016			
GENERAL DISCLOSURE			
GRI 102 : General Disclosures 2016	102-1	Name of organisation	SINOSTAR PEC HODINGS LIMITED
	102-2	Activities, brands, products and services	Pages 12 to 14
	102-3	Location of headquarters	Page 27
	102-4	Location of operations	Pages 2 to 3
	102-5	Ownership and legal form	Pages 3, 27
	102-6	Markets served	Pages 2 to 3
	102-7	Scale of the organisation	Pages 2 to 3, 37
	102-8	Information on employees and other workers	Pages 36 to 40
	102-9	Supply chain	Pages 10 to 11
	102-10	Significant changes to the organisation and its supply chain	None
	102-11	Precautionary Principle or approach	We do not specifically address the Precautionary Principle
	102-12	External initiatives	None
	102-13	Membership of associations	None
	102-14	Statement from senior decision maker	Pages 6 to 9, 29
	102-16	Values, principles, standards and norms of behaviour	Page 44
	102-18	Governance structure	Pages 44, 47 to 78
	102-40	List of stakeholder groups	Pages 30 to 31
	102-41	Collective bargaining agreements	None
	102-42	Identifying and selecting stakeholders	Page 30
	102-43	Approach to stakeholder engagement	Pages 30 to 31
102-44	Key topics and concerns raised	Pages 30 to 31	
102-45	Entities included in the consolidated financial statements	Pages 3, 113	
102-46	Defining report content and topic boundaries	Page 29	
102-47	List of material topics	Page 31	
102-48	Restatement of information	None	

GRI STANDARD

Content Index

GRI Standard	Disclosure	Reference / Description	
	102-49	Changes in reporting	None
	102-50	Reporting period	Page 29
	102-51	Date of most recent previous report	15 April 2021
	102-52	Reporting cycle	Page 29
	102-53	Contact point for questions about the report	Page 29
	102-54	Claims if reporting in accordance with the GRI Standards	Page 29
	102-55	GRI content index	Pages 45 to 46
	102-56	External Assurance	We may seek external assurance in the future
MATERIAL TOPICS			
GRI 201: Economic performance	201-1	Direct economic value generated and distributed	Page 32
GRI 205: Anti-corruption	205-1	Operations assessed for risks related to corruption	Page 32
GRI 302: Energy	302-1	Energy consumption within the organization	Pages 34 to 35
GRI 307: Environmental compliance	307-1	Non-compliance with environmental laws and regulations	Page 34
GRI 403: Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Pages 39 to 40
GRI 405: Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	Page 37
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	Page 43
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Page 42

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 FY2021 in keeping pace with the evolving corporate governance practices and complying with the Code of Corporate Governance 2018 (the “Code”). Outlined below are the policies, processes and practices adopted by the Group in compliance with the principles and provisions of the Code. Appropriate explanations and/or alternative corporate governance practices adopted by the Company have been provided in the relevant sections below where there are deviations from the 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 2021, the Company has generally adhered to the principles and guidelines as set out in the Code save as otherwise explained below.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company

As at the date of this Annual Report, the Board comprises seven (7) directors, which include one Executive Chairman, one Executive Director, one Non-Executive Director, and four 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:

- Providing entrepreneurial leadership, setting strategic directions and overall corporate policies of the Group;
- Supervising, monitoring and reviewing the performance of the management team;
- Ensuring the adequacy of internal controls, risk management and periodic reviews of the Group’s financial performance and compliance;
- Setting the Company’s values and standards (including ethical standards) to meet its obligations to shareholders and other stakeholders, ensuring that the necessary human resources are in place;
- Approving the annual budget, major investments and divestment proposals;
- Assuming responsibility for good corporate governance practices; and
- Approving corporate or financial restructuring, share issuance, dividends and other returns to Shareholders, Interested Person Transactions of a material nature and release of the Group’s results for the first three (3) quarters and full year results.
- Setting an appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company.

When facing a conflict of interest, a Director recuses himself or herself or abstains from discussions and decisions involving the matter or issue of conflict.

CORPORATE

Governance

All directors objectively discharge their duties and responsibilities at all times as fiduciaries and make decisions in the interests of the Company.

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 upon 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 expense.

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.

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 ("IC"), 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 committee 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.

CORPORATE Governance

The attendance of the Directors at Board meetings, committees meetings and Annual General Meeting during the financial year under review is tabulated below:

Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee		Risk And Investment Committee	
	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	Number of Meetings Held	Number of Meetings Attended
Li Xiang Ping ¹	4	4	4	2	1	1	1	1	-	-
Zhang Liu Cheng ²	2	2	-	-	-	-	-	-	1	1
Teo Moh Gin ³	2	2	4	2	1	1	1	1	1	1
Li Zhi	4	3	-	-	-	-	-	-	1	1
Zhao Jinqing	4	4	4	4	1	1	1	1	-	-
Yan Tailing ⁴	2	2	-	-	-	-	-	-	-	-
Dr Chen Seow Phun, John ⁵	2	2	4	2	-	-	-	-	-	-
Jiang Xinglu ⁶	2	2	4	2	-	-	-	-	-	-
Liu Xiaoyan ⁷	1	1	-	-	-	-	-	-	-	-

Directors	AGM on 30 April 2021	
Name of Directors	Number of Meetings Held	Number of Meetings Attended
Li Xiang Ping	1	1
Zhang Liu Cheng	1	1
Teo Moh Gin	1	1
Li Zhi	1	1
Zhao Jinqing	1	1
Yan Tailing	-	-
Dr Chen Seow Phun, John	-	-
Jiang Xinglu	-	-
Liu Xiaoyan	-	-

¹ Mr Li Xiang Ping re-designated as Executive Chairman and CEO and retired as Member of AC, NC and RC on 30 April 2021.

² Mr Zhang Liu Cheng retired as Directors at the conclusion of the 2021 AGM on 30 April 2021.

³ Mr Mr Teo Moh Gin resigned as Director, Chairman of AC, Member of NC and RC on 21 May 2021.

⁴ Dr Yan Tailing was appointed as Director and a member of IC from 20 May 2021.

⁵ Dr Chen Seow Phun, John was appointed as Director, Chairman of RC, Member of AC and NC on 1 June 2021.

⁶ Mr Jiang Xinglu was appointed as Director, Chairman of AC, Member of NC and RC on 13 July 2021.

⁷ Mr Liu Xiaoyan was appointed as Director on 9 December 2021.

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 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.

CORPORATE

Governance

Separate and independent access to Management, company secretary and external advisers

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.

The Company Secretary or their representatives attend all Board and Board Committees meetings and prepare minutes of Board and Board Committees meetings and assist the Chairman in ensuring that Board procedures are followed and reviewed in accordance with the Company's Constitution so that the Board functions effectively and the relevant rules and regulations applicable to the Company are complied with. The appointment and removal of the Company Secretaries are subjected to the approval of the Board.

Where decisions to be taken by the Board require specialised knowledge or expert opinion, the Board takes independent professional advice as and when it is necessary to enable it or the Independent Directors to discharge the responsibilities effectively.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company

The Group endeavours to maintain a strong and independent element on the Board. Where the Chairman is not independent, the requirement of the Code is that at least the independent directors make up a majority of the Board. As the Chairman is not an Independent Director, Currently the Board comprises one Executive Chairman, one Executive Director, one Non-Executive Directors and four Independent Non-Executive Director. Independent Non-executive directors make up a majority of the Board. . The Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision that could create a potential conflict of interest.

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	Executive (Executive Chairman and CEO)	-	-	-	Member
Yan Tailing	Executive (Deputy CEO)	-	-	-	Member
Dr Chen Seow Phun, John	Lead Independent Non-Executive	Member	Member	Chairman	-
Zhao Jinqing	Independent Non-Executive	Member	Chairman	Member	-
Li Zhi	Non-Executive	-	-	-	Chairman
Jiang Xinglu	Independent Non-Executive	Chairman	Member	Member	-
Liu Xiaoyan	Independent Non-Executive	-	-	-	-

Board Independence

The criterion of independence is based on the Code. The Board considers an “independent” director as one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial 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 2021, 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 Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board, 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 NC will also consider the benefits of all aspects of diversity, including diversity of background, experience, gender, age and other relevant factors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

Each Director has been appointed based on the strength of his calibre, experience, grasp of corporate strategy and potential to contribute to the Company and its businesses. As each director brings valuable insights from different perspectives vital to the strategic interests of the Company, the Board considers that the Directors possess the necessary competencies to provide Management with a diverse and objective perspective on issues so as to lead and govern the Company effectively.

The Board considers its present size of 7 members and composition appropriate to facilitate effective decision making, taking into account the nature and scope of the Group’s operations and 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. The feedback and views expressed by the independent directors was communicated to the Board and the Chairman after the meeting, as appropriate.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making

The Group’s Executive Chairman, Mr Li Xiang Ping, is also the CEO of the Group. Mr Li is in charge of the management and day-to-day operation of the Group. He is also responsible for developing the overall strategic directions of the Group, as well as the business strategies and policies of the Group.

As the Executive Chairman and Chief Executive Officer of the Company and bears executive responsibility for the Group’s business performance. 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. As CEO of the Company He is also responsible for scheduling Board meetings as and when required, setting the agenda for Board meetings and ensuring the quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders.

CORPORATE

Governance

The Board is of the view that with the appointment of Lead Independent Director and establishment of the four 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 Executive Chairman and Chief Executive Officer consult with the Board and the respective Committees on major issues.

Dr Chen Seow Phun, John is the Lead Independent Non-Executive Director. The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board

The NC comprises the following members:

Zhao Jinqing (Chairman)
Dr Chen Seow Phun, John
Jiang Xinglu

Mr Zhao Jinqing (NC Chairman), Dr Chen Seow Phun, John and Mr Jiang Xinglu are Independent Non-Executive Directors.

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 the following:

- 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;
- assessing the effectiveness of the Board as a whole, the board committees and the contribution by each director to the effectiveness of the Board;
- review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
- the process and criteria for evaluation of the performance of the Board, its board committees and directors, and
- review of training and professional development programmes for the Board and its directors. The NC will ensure that new directors are aware of their duties and obligations and decide whether a director is able to and has been adequately carrying out his or her duties as a director of the company.

CORPORATE Governance

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: 61	Executive Chairman and CEO	6 July 2006	29 June 2020	None	None
Yan Tailing Age: 53	Deputy Chief Executive Officer and Executive Director	20 May 2021	-	None	None
Dr Chen Seow Phun, John Age: 68	Lead Independent Non-Executive Director	1 June 2021	-	1) Pavilion Holdings Ltd 2) OKP Holdings Limited 3) Hiap Seng Engineering Ltd 4) Hanwell Holdings Ltd 5) Matex International Limited 6) Tat Seng Packaging Group Ltd	Fu Yu Corporation Limited Hong Lai Huat Group Limited
Zhao Jinqing Age: 63	Independent Non-Executive Director	7 March 2015	29 June 2020	None	None
Li Zhi Age: 36	Non-Executive Director	29 April 2019	29 June 2020	None	None
Jiang Xinglu Age: 51	Independent Non-Executive Director	13 July 2021	-	Liqun Commercial Group Co., Ltd., Tsingtao Brewery Co., Ltd., Hailir Pesticides and Chemicals Group Co., Ltd., Qingdao Eastsoft Communication Technology Co., Ltd., Bank of Qingdao Company Limited	Qingdao Copton Technology Co., Ltd., Qingdao Qinghe Artificial Turf Co., Ltd.,
Liu Xiaoyan Age: 53	Independent Non-Executive Director	9 December 2021	-	None	None

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 such as recommendations from the Board or Management. 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.

There is no alternate director being appointed to the Board for the financial year ended 31 December 2021.

CORPORATE

Governance

Review of Director's independence

The NC reviews annually the independence declarations made by the Company's Independent Non-Executive Directors based on the criterion of independence under the Provisions of the Code. For the year under review, the NC has ascertained the independent 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.

Directors' Time Commitment

The NC had reviewed the multiple listed company board representations held presently by the Directors and is of the opinion that they do not impede the Directors' performance in carrying out their duties to the Company. Although some of the Board members have multiple listed company board representations, the NC had ascertained that for the period under review, the Directors had devoted sufficient time and attention to the Group's affairs. Further, the Board is also of the view that such multiple listed company board representations of the Independent Directors may benefit the Group, as the Directors are able to bring with them the experience and knowledge obtained from such board representations in other listed companies. Accordingly, it is not necessary at this stage to set a maximum limit on the number of listed company board representations and other principal commitments but would assess each Director on a case by case basis.

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 Li Zhi will be retiring by rotation pursuant to the Article 104 of the Articles and Association. However Mr Yan Tailing, Dr Chen Seow Phun, John, Mr Jiang Xinglu and Mr Liu Xiaoyan will be retiring by rotation pursuant to the Article 114 of the Articles and Association. Mr Li Zhi, Mr Yan Tailing, Dr Chen Seow Phun, John, Mr Jiang Xinglu and Mr Liu Xiaoyan being eligible for re-election had offered themselves for re-election. The key information on Mr Li Zhi Mr Yan Tailing, Dr Chen Seow Phun, John, Mr Jiang Xinglu and Mr Liu Xiaoyan can be found in the 'Board of Directors' section of the Annual Report. Pursuant to Rule 7.4.1 of the Listing Manual of the SGX-ST, the information set out in Appendix 7.4.1 relating to the above Directors to be put forward for re-election at the forthcoming Annual General Meeting is disclosed below:

Name of Director	Li Zhi	Yan Tailing	Dr Chen Seow Phun, John
Date of appointment	29 April 2019	20 May 2021	1 June 2021
Date of last re-appointment	29 June 2020	N.A	N.A
Age	36	53	68
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the Nominating Committee and having assessed Mr. Li Zhi's requisite knowledge and experiences to assume the responsibilities as Non Executive Director of the Company.	The Board, having considered the recommendation of the Nominating Committee and having assessed Mr. Yan Tailing's requisite knowledge and experiences to assume as Executive Director cum Deputy CEO of the Company.	The Board of Directors of the Company has accepted the NC recommendation after evaluating Dr Chen's experience and ability to be an Independent Director of the Company.

CORPORATE Governance

Name of Director	Li Zhi	Yan Tailing	Dr Chen Seow Phun, John
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive. Mr Yan will be responsible for overall management and operations, as well as business development for the Group.	Non-Executive Independent Director, Chairman of RC, Member of AC and NC
Job title (e.g. Lead ID, AC Chairman, AC Member, etc.)	Non Executive Director, Chairman of Risk and Investment Committee.	Executive Director cum Deputy CEO and a member of Risk and investment committee.	Non-Executive Independent Director, Lead Independent Director, Chairman of RC, Member AC and NC.
Professional qualifications	Master's degree in Business Administration at Guanghai School of Management, Peking University School of Economics and Management of Beijing Jiaotong University Bachelor's degree in Information Management and Information Systems.	Junior College, Engineering Economy and Finance, Shandong Water Conservancy college	B. Eng (Electrical Engineering) M. Applied Sc Ph.D. (Electrical Engineering)
Any relationship (including immediate family relationships) with any existing Director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Son of The Company's Executive Chairman and Substantial shareholder Mr Li Xiang Ping	None	None
Conflict of interest (including any competing business)	Director and CEO of Shandong Dongming Petrochem Group Co., Ltd	None	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes.	Yes.	Yes.
Working experience and occupation(s) during the past 10 years	July 2007 to April 2017 Business Executive and Business Manager Petro China International Co., Ltd. April 2017 till current General Manager Pacific Commerce (Holdings) Pte. Ltd. December 2020 till Current Director and CEO of Shandong Dongming Petrochem Group Co., Ltd	August 2010 to May 2013 Shandong Dongming Petrochem Group Co., Ltd Finance director June 2013 to December 2015 Shandong Dongming Petrochem Group Co., Ltd Deputy General Manager of Fund Manager January 2016 to February 2018 Hong Kong Hengfeng Oil Trade Co., Limited, Director and Deputy General manager March 2018 to January 2020 Shandong Dongming Yinglun Petrochemical Co., Ltd, CFO and Board Secretary March 2021 to Current Deputy CEO Sinostar Pec Holdings Limited	Executive Chairman of Pavillon Holdings Ltd, Chairman of SAC Capital Private Limited, Independent Directors of a number of publicly listed companies.

CORPORATE

Governance

Name of Director	Li Zhi	Yan Tailing	Dr Chen Seow Phun, John
Shareholding interest in the listed issuer and its subsidiaries	None	None	None
Shareholding details	N.A	N.A	N.A
Other Principal Commitments Including Directorships			
Past (for the last five years)	None	None	<ol style="list-style-type: none"> 1) National University Health System Pte Ltd 2) Exeterstar Holdings Pte Ltd 3) MHC Asia Holdings Pte Ltd 4) Fu Yu Corporation Limited 5) Hong Lai Huat Group Limited
Present	Pacific Commerce (Holdings) Pte. Ltd. Pacific Commerce Shipping Pte. Ltd. Intelligent People Holdings Limited Dongming Hengchang Petrochemical Co., Ltd. Shandong Hong Li Yuan Stock Limited Company Shandong Dongming Petrochem Group Co., Ltd. Qingdao Xinrenfeng Crude oil trading Shandong Dongming Petrochem Group Finance Co., Ltd. Hong Kong Hengfeng Oil Trade Co., Limited Top Pride Group Holdings Ltd	Hong Kong Hengfeng Oil Trade Co., Limited	<ol style="list-style-type: none"> 1) Pavilion Holdings Ltd 2) OKP Holdings Limited 3) Hiap Seng Engineering Ltd 4) Hanwell Holdings Ltd 5) Matex International Limited 6) Tat Seng Packaging Group Ltd 7) JCL Business Development Pte Ltd 8) Unigold Asia Limited 9) Fengchi IOT Management Co., Ltd 10) SAC Capital Private Limited 11) Pavillon Financial Leasing Co. Ltd 12) JLM Foundation Ltd 13) SAC Advisors Pte Ltd 14) Pavillon Business Development (Shanghai) Co. Ltd

Name of Director	Li Zhi	Yan Tailing	Dr Chen Seow Phun, John
Information Required Pursuant to Listing Rule 704(7)			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him/her or against a partnership of which he/she was a partner at the time when he/she was a partner or at any time within two years from the date he/she ceased to be a partner?	No.	No.	No.
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he/she was a Director or an equivalent person or a key executive, at the time when he/she was a Director or an equivalent person or a key executive of that entity or at any time within two years from the date he/she ceased to be a Director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No.	No.	No.
(c) Whether there is any unsatisfied judgement against him/her?	No.	No.	No.
(d) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such purpose?	No.	No.	No.

CORPORATE

Governance

Name of Director	Li Zhi	Yan Tailing	Dr Chen Seow Phun, John
(e) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such breach?	No.	No.	No.
(f) Whether at any time during the last 10 years, judgement has been entered against him/her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his/her part, or he/she has been the subject of any civil proceedings (including any pending civil proceedings of which he/she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his/her part?	No.	No.	No.
(g) Whether he/she has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or the Management of any entity or business trust?	No.	No.	No.
(h) Whether he/she has ever been disqualified from acting as a Director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the Management of any entity or business trust?	No.	No.	No.

CORPORATE Governance

Name of Director	Li Zhi	Yan Tailing	Dr Chen Seow Phun, John
(i) Whether he/she has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him/ her from engaging in any type of business practice or activity?	No.	No.	No.
(j) Whether he/she has ever, to his/her knowledge, been concerned with the Management or conduct, in Singapore or elsewhere, of the affairs of:-			
<ul style="list-style-type: none"> any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or 	No.	No.	No.
<ul style="list-style-type: none"> any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or 	No.	No.	No.
(k) Whether he/she has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No.	No.	No.

CORPORATE

Governance

Name of Director	Jiang Xinglu	Liu Xiaoyan
Date of appointment	13 July 2021	9 December 2021
Date of last re-appointment	N.A	N.A
Age	51	53
Country of principal residence	China	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has accepted the NC recommendation after evaluating Mr Jiang's experience and ability to be an Independent Director of the Company.	The Board of Directors of the Company has accepted the NC recommendation after evaluating Mr Liu's experience and ability to be an Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive Independent Director, Chairman of AC and Member of the RC & NC	Non-Executive Independent Director
Job title (e.g. Lead ID, AC Chairman, AC Member, etc.)	Non-Executive Independent Director, Chairman of AC and Member of the RC & NC	Non-Executive Independent Director
Professional qualifications	Bachelor of Law, Shandong University Professional qualification of lawyer	Bachelor degree, Department of Chinese Nankai University Tianjin
Any relationship (including immediate family relationships) with any existing Director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None
Conflict of interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes.	Yes.
Working experience and occupation(s) during the past 10 years	2010 to January 2015 Partner King & Wood Mallesons Beijing January 2015 till current General Manager of Shandong Blue Economic Industry Fund Management Co., Ltd. and executive partner of Qingdao Yulin fund management Center (limited partnership)	December 2011 to February 2016 Managing Director, Asia Petroleum Technology Pte Ltd March 2016 to January 2017 Partner, Zana Capital PTE LTD April 2017 to October 2018 Executive Director, Haitong International Securities September 2019 to February 2021 Consultant, Morgan Stanley Bank Asia Limited April 2021 till current General Manager of Lance Capital Pte Ltd
Shareholding interest in the listed issuer and its subsidiaries	None	None
Shareholding details	N.A	N.A

CORPORATE Governance

Name of Director	Jiang Xinglu	Liu Xiaoyan
Other Principal Commitments Including Directorships		
Past (for the last five years)	Independent director of Qingdao Copton Technology Co., Ltd., Qingdao Qinghe Artificial turf Co., Ltd.	None
Present	Independent director of Liquin Commercial Group Co., Ltd., Tsingtao Brewery Co., Ltd., Hailir Pesticides and Chemicals Group Co., Ltd., Qingdao Eastsoft Communication Technology Co., Ltd., and external supervisor of Bank of Qingdao Co., Ltd. Shandong Blue Economy Industry Fund Management Co., Ltd. Qingdao Yulin Investment Co., Ltd. Qingdao Yulin Yi Real Estate Investment Co., Ltd. Qingdao Blue Ocean Emerging Industry Venture Capital Management Co., Ltd. Shandong Blue Cloud Sea Information Fund Management Co., Ltd. Shandong Lanjieming Energy Investment Management Co., Ltd. Qingkong Jinxin Blue (Qingdao) Investment Management Co., Ltd. Shandong Taiwen Hospital Management Co., Ltd. Qingdao Hengkun Huijing Capital Management Co., Ltd. Beijing Zijinding Investment Co., Ltd. Qingdao Blue Hongzhou Investment Management Co., Ltd. Shandong Chaoyue Information Technology Co., Ltd. Qingdao Hongyao Science and Technology City Investment Development Co., Ltd. Qingdao Jiaao Real Estate Co., Ltd.	Volatility Smile Technology Pte. Ltd
Information Required Pursuant to Listing Rule 704(7)		

CORPORATE

Governance

Name of Director	Jiang Xinglu	Liu Xiaoyan
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him/her or against a partnership of which he/she was a partner at the time when he/she was a partner or at any time within two years from the date he/she ceased to be a partner?	No.	No.
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he/she was a Director or an equivalent person or a key executive, at the time when he/she was a Director or an equivalent person or a key executive of that entity or at any time within two years from the date he/she ceased to be a Director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No.	No.
(c) Whether there is any unsatisfied judgement against him/her?	No.	No.
(d) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such purpose?	No.	No.

CORPORATE Governance

Name of Director	Jiang Xinglu	Liu Xiaoyan
(e) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such breach?	No.	No.
(f) Whether at any time during the last 10 years, judgement has been entered against him/her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his/her part, or he/she has been the subject of any civil proceedings (including any pending civil proceedings of which he/she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his/her part?	No.	No.
(g) Whether he/she has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or the Management of any entity or business trust?	No.	No.
(h) Whether he/she has ever been disqualified from acting as a Director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the Management of any entity or business trust?	No.	No.

CORPORATE

Governance

Name of Director	Jiang Xinglu	Liu Xiaoyan
(i) Whether he/she has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him/ her from engaging in any type of business practice or activity?	No.	No.
(j) Whether he/she has ever, to his/ her knowledge, been concerned with the Management or conduct, in Singapore or elsewhere, of the affairs of:-		
<ul style="list-style-type: none"> any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or 	No.	No.
<ul style="list-style-type: none"> any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or 	No.	No.
(k) Whether he/she has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No.	No.

Key Information on Directors

Key information on each Director is set out on pages 18 to 21 of the Annual Report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors

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 interests of the Company and its shareholders.

The NC recommends for the Board's approval the objective performance criteria and process for assessing the effectiveness of the Board as a whole, and for each board committee separately, as well as the contribution by the Chairman and of each individual director to the Board. The Board's 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 as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board is conducted annually by way of a Board Evaluation Questionnaire, which is circulated to the Board members for completion and thereafter, the completed evaluation forms were submitted to the Company Secretary for collation. The consolidated responses were presented to the NC to review to determine the actions required to improve the corporate governance of the company and effectiveness of the Board, Board committees as well as Individual Directors of the Board.

For financial year ended 31 December 2021, individual assessment of directors had been conducted at the NC meeting held on 27 February 2022. 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.

CORPORATE

Governance

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration

As at the date of this Annual Report, the RC comprises the following members:

Dr Chen Seow Phun, John (Chairman)
Zhao Jinqing
Jiang Xinglu

Dr Chen Seow Phun, John (RC Chairman), Mr Zhao Jinqing and Mr Jiang Xinglu are Independent Non-Executive Directors.

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;
- recommending to the Board specific remuneration packages for each Director and key management personnel. 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.

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.

The RC will seek independent expert advice inside and/or outside the Company on the remuneration of Executive Directors and key management personnel, and those employees related to the Executive Directors and controlling shareholders of the Group, if necessary. The Company has not engaged any remuneration consultants.

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company

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.

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 provision may not be required after taking 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 2022, directors' fees of S\$262,000 are recommended by the Board and subject to the approval of shareholders at the Company's AGM to be held on 28 April 2022.

CORPORATE

Governance

DISCLOSURE ON REMUNERATION

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation

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 2021 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	–	–	–	–
Li Zhi	–	–	–	–
Zhang Liu Cheng	100	–	–	100
Teo Moh Gin	–	–	100	100
Zhao Jinqing	–	–	100	100
Yan Tailing	90	10	–	100
Dr Chen Seow Phun, John	–	–	100	100
Jiang Xinglu	–	–	100	100
Liu Xiaoyan	–	–	100	100
Executive Officers				
Below S\$250,000				
Li Dan	100	–	–	100
Li Bing Wei	100	–	–	100
Huang Qianshen	100	–	–	100
Tan Yew Chew William	80	20	–	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 2021 is S\$472,391.

There is no employee in the Group who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$100,000 during the financial year ended 31 December 2021.

The Company has not implemented any employee share scheme during the financial year ended 31 December 2021.

There are no other forms of remuneration and other payments and benefits paid by the company and its subsidiaries to directors and key management personnel of the company.

The Board is of the opinion that the information disclosed would be sufficient to the shareholders for their understanding of the Company's compensation policies as remuneration matters are commercially sensitive information and thus may be prejudice to the Group's interest if such information are disclosed.

The Company has further set out information regarding its remuneration policies, procedures for setting remuneration and relationships between remuneration, performance and value creation under provisions 6 and 7 in its report on corporate governance. Accordingly, the Company is of the view that its practices are consistent with the intent of provision 8 of the Code.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders

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.

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 compliance and information technology controls and risk management systems, were adequate as at 31 December 2021. 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 the risk management and internal controls systems which could adversely affect the Company's ability to record, process, summarise or report financial data and that the risk management and internal control systems are adequate and effective.

CORPORATE

Governance

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.

A summary of the interested person transactions for FY2021 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)	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 & Petrochemical (东明中油燃料石化有限公司) - Purchase of raw LPG - Purchase of utilities - Transportation services - Sales of residual oil	5,433,001	2,334,473,272 13,822,570 39,053,429
Shandong Dongming Petrochem Group (山东东明石化集团有限公司) - Purchase of Utilities - Sales of processed LPG - Transportation services - Sales of utilities - Loan interest		43,763,931 27,379,633 568,078 747 32,407,131
Dongming Runze Petrochemical (东明润泽化工有限公司) - Purchase of utilities - Sales of utilities - Sales of hydrogen gas - Sales of processed LPG - Transportation services - Sales of used assets - Purchase of vehicle	70,682 116,000	62,441,654 26,734,437 651,066,869 49,543,800 252,927
Dongming Crude oil Distribution Co (东明石油经销有限公司) - Transportation services - Consignment fee paid	3,522,169	50,652,279

CORPORATE Governance

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)
Shandong Dongming Lishu Petroleum Co (山东东明梨树化学有限公司) - Sales of porcessed LPG - Purchase of LPG - Purchase of utilities - Transportation services		381,716,353 211,498,618 14,138 4,667,536
Dongming Runming Oil products distribution (东明润明油品销售有限公司) - Transportation services		107,210
Shandong Lianhua Energy Group (山东炼化能源集团有限公司) - Purchase of methanol - Purchase of propylene	15,663,813 9,546,022	
Qingdao Xinrenfeng Crude oil trading (青岛新润丰石油贸易有限公司) - Purchase of propylene	115,301	
Dongming Wanhai Ivjiang Petrochemical Co (东明万海氯碱化工有限公司) - Transportation services		14,359,997
Dongming Qianhai Reli Co (东明前海热力有限公司) - Purchase of utilities - Contra on purchase of utilities	79,226,858	403,334,610
Jiangsu Xinghai Petrochem Co (江苏新海化工有限公司) - Purchase of propylene	68,304,751	
Jiangsu Renhai Oil products DistributionCo (江苏润海油品销售有限公司) - Purchase of propylene	31,184,791	

CORPORATE

Governance

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 laws on insider trading.

The Board confirms that for the financial year ended 31 December 2021, the Company has complied with Listing Rule 1207(19).

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively

The AC comprises the following members:

Jiang Xinglu (Chairman)
Dr Chen Seow Phun, John
Zhao Jinqing

Mr Jiang Xinglu (Chairman of the AC), Dr Chen Seow Phun, John and Mr Zhao Jinqing are Independent Non-Executive Directors. Of which, Mr Jiang and Dr Chen, both have recent and relevant accounting or related financial management expertise or experience.

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

- reviewing with the independent auditor 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 independent auditor and the Management, reviewing the co-operation and assistance given by the Management to the independent auditor, 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;
- 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 or regulatory requirements;
- commissioning, reviewing and discussing with the independent auditor, 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 independent auditor, and where the independent auditor 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;
- to review the adequacy, effectiveness, independence, scope and results of the company's internal audit function
- reviewing the independence of the independent auditor annually, and recommending to the Board the appointment, re-appointment or removal of the independent auditor and recommending to the Board the remuneration and terms of engagement of the independent auditor;
- 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 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;
- reviewing the assurance from the CEO and the CFO on the financial records and financial statements;
- deciding on the appointment, termination and remuneration of the head of the internal audit function;
- 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.

Whistle-blowing Policy

The Company has put in place a whistle-blowing policy and procedure, 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 financial year and until the date of this report.

The AC held 4 meetings during the financial year under review. It has reviewed the financial statements of the Group for the purpose of the first three (3) quarters and annual results released before they were submitted to the Board for approval. It has also met with the Company's internal and external auditors (without the presence of Management) to review their audit plans and results, and has separate and independent access to the auditors. 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:

Li Zhi (Chairman)
Yan Tailing
Li Xiang Ping

CORPORATE

Governance

Mr Li Zhi is an Non-Executive Directors, Mr Yan Tailing is an Executive Director, whilst Mr Li Xiang Ping is the Executive Chairman. The terms of reference of the IC, which have been approved and adopted, are as follows:-

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

The AC meets with the independent auditor, 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 2021, the amount of audit fees paid or payable to independent auditors of the Group amounted to S\$179,700. Including audit fee of \$178,000 and non audit fee of \$1,700. The AC has reviewed the non-audit services provided by the independent auditor and is satisfied that the non-audit services would not affect the independent and objectivity of the independent auditor.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the independent auditor.

No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

In line with the recommendations by ACRA, Monetary Authority of Singapore and SGX, the AC can help to improve transparency and enhance the quality of corporate reporting by providing a commentary on Key Audit Matters ("KAM"). The AC considered the KAM presented by the external auditors together with Management. The AC reviewed the KAM and concurred and agreed with the external auditors and Management on their assessment, judgements and estimates on the significant matter reported by the external auditors.

Internal Audit

The Audit Committee has outsourced its internal audit function to BDO LLP, which is an established international auditing firm. BDO conducts their internal audits based on the BDO Global Internal Audit Methodology which is consistent with the International Professional Practices Framework established by the Institute of Internal auditors.

The BDO LLP Engagement Partner has more than 20 years of audit and advisory experience and is a Chartered Accountant (Singapore), Certified Internal Auditor and Certified Information System Auditor. BDO performs outsourced internal audits of several listed companies, government bodies and regulated entities. Members of the internal audit team also have relevant academic qualifications, professional certifications and internal audit experience.

The Audit Committee is hence satisfied that the outsourced internal audit function is adequately staffed by suitably qualified and experienced professionals based on the internal audits conducted for FY2021.

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 internal 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.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 14: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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.

CORPORATE

Governance

(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.

All shareholders receive reports or circulars of the Company including notices of general meetings by post within the mandatory period. Notices of general meetings are announced through SGXNET.

CORPORATE

Governance

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 48 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, independent auditor 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.

Minutes of AGMs and other General Meetings are prepared and made available to shareholders upon their written request. The minutes of AGM and EGM, which include a summary of substantial and relevant comments or queries received from shareholders and responses from the Board and Management, are published via SGXNet.

All Directors are expected to attend AGMs and other General Meetings held by the Company. For the AGM, by electronic means (via live audio-visual webcast and live audio-only stream) in April 2021, Directors' attendance can be found on page 49 of this report.

The polling results are also announced to the SGX-ST and posted on the Company's website after the meetings.

The Board has a responsibility to present a fair assessment of the Group's position, including the prospects of the Group in all announcements (including financial performance reports) made to the public via SGXNET and the annual report to shareholders, as required by the SGX-ST.

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, operations 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 has also taken steps to ensure compliance with legislative and regulatory requirements. In line with the requirements under the rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the CEO and CFO have provided assurance to the Board on the integrity of the Group's financial statements.

The Company does not have a formal dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

CORPORATE

Governance

ENGAGEMENT WITH SHAREHOLDERS

Principle 15: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

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.

By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility. The Company's investor relations (IR) team is led by the Executive Directors who is responsible for integrating finance, accounting, corporate communications and legal compliance to enable effective communication between the Company and investors. The Company conducts briefings to present its financial results to the media and analysts. Outside of the financial announcement periods, when necessary and appropriate, the IR team will meet investors and analysts who wish to seek a better understanding of the Group's business and operations. This effort enables the Company to solicit feedback from the investment community on a range of strategic and topical issues which provide valuable insights to the Company from investors' views.

The Company does not practice selective disclosure. Price-sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. Annual reports that are prepared and issued to all shareholders within the mandatory period. The notice of AGM is also released through SGXNet and published in the newspaper within the mandatory period, the AGM of which is to be held within four months after the close of the financial year.

MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served

The Company regularly engage our stakeholders through various media and channels to ensure that our business interests are aligned with those of our stakeholders. Our stakeholders have been identified as those who are impacted by our business and operations and those who are similarly able to impact our business and operations. We have identified six stakeholder groups through an assessment of their significance to our operations. They are namely, customers, employees, suppliers, shareholders, community and government regulators.

The Company has identified key areas of focus in relation to the management of stakeholder relationships. For details on the key areas of focus, please refer to the Sustainability Report on pages 28 to 46 of this Annual Report.

The company maintains a corporate website at www.sinostar-pec.com to communicate and engage with stakeholders.

DIRECTORS’ Statement

For the financial year ended 31 December 2021

The directors present their statement to the members together with the audited consolidated financial statements of Sinostar PEC Holdings Limited (the “Company”) and its subsidiary corporations (collectively, the “Group”) for the financial year ended 31 December 2021 and the statement of financial position of the Company as at 31 December 2021.

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 2021 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements, 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	(Executive chairman and chief executive officer)
Yan Tailing	(Deputy chief executive officer and executive director, appointed on 20 May 2021)
Dr Chen Seow Phun, John	(Lead Independent non-executive director, appointed on 1 June 2021)
Jiang Xinglu	(Independent non-executive director, appointed on 13 July 2021)
Zhao Jinqing	(Independent non-executive director)
Liu Xiaoyan	(Independent non-executive director, appointed on 9 December 2021)
Li Zhi	(Non-executive director)

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of nor at any time during the financial year was the Company nor any of its subsidiary corporations was a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS'

Statement

For the financial year ended 31 December 2021

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding 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 1.1.2021	As at 31.12.2021 and 21.1.2022	As at 1.1.2021	As at 31.12.2021 and 21.1.2022
Company				
<u>Sinostar PEC Holdings Limited</u>				
(Ordinary shares with no par value)				
Li Xiang Ping	–	–	369,898,500	369,898,500
Immediate and ultimate holding company				
<u>Intelligent People Holdings Limited</u>				
(Ordinary shares of US\$1 each)				
Li Xiang Ping	10,000	10,000	–	–

Mr Li Xiang Ping, by virtue of Section 7 of the Singapore Companies Act 1967, is deemed to have an interest in the whole of the issued share capital of the wholly-owned subsidiary corporations of the Company and Intelligent People Holdings Limited.

Except as disclosed in this statement, no other director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Share options

No options were granted by the Company to take up unissued shares in the Company or its subsidiary corporations during the financial year.

No shares were issued by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations during the financial year.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

DIRECTORS’ Statement

For the financial year ended 31 December 2021

Audit committee

The members of the Audit Committee at the end of the financial year were as follows:

Jiang Xinglu (Chairman)
Dr Chen Seow Phun, John
Zhao Jinqing

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

The Audit Committee carried out its functions in accordance with section 201B(5) of the Singapore Companies Act 1967, the Listing Manual of the Singapore Exchange and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed the following:

- (a) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. The Audit Committee met with the Company's internal and independent auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- (b) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (c) 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 2021 as well as the independent auditor's report thereon; and
- (d) 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 independent auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the independent auditor and has recommended to the Board of Directors that the independent auditor, Nexia TS Public Accounting Corporation, 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 2021

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the Directors

Li Xiang Ping
Director

Yan Tailing
Director

12 April 2022

INDEPENDENT AUDITOR'S Report

For the financial year ended 31 December 2021

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sinostar PEC Holdings Limited (the "Company") and its subsidiary corporations (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial 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 Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis of 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 most significant in our audit of the financial statements for the financial year ended 31 December 2021. 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.

(a) Carrying amount of property, plant and equipment

The subsidiary corporation of the Group, Dongming Hengchang Petrochemical Co., Ltd. started the construction of a new polypropylene production plant during the first quarter of the financial year 2019. This is part of the Group's plan to improve the production capacity and the plant was completed in the first quarter of the financial year 2021.

Subsequently, the construction in progress was transferred to the respective category in property, plant and equipment. Significant level of judgement is involved to ascertain that capitalisation of property, plant and equipment meet the recognition criteria of SFRS(I) 1-16 *Property, Plant and Equipment*, specifically in relation to determination of trial run period and costs associated with trial runs for it to be ready for intended use.

Property, plant and equipment represents a significant proportion of the Group's asset base. The estimates and assumptions made to determine the carrying amounts, including when the capitalised assets are ready for management's intended use, and the determination of depreciation are material to the Group's financial position and performance. The charges in respect of periodic depreciation are derived after estimating an asset's expected useful life and the expected residual value. Changes to assets' carrying amounts, expected useful lives or residual values could result in a material impact on the financial statements and is a matter of most significance to our audit.

INDEPENDENT AUDITOR'S Report

For the financial year ended 31 December 2021

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

(a) Carrying amount of property, plant and equipment (continued)

Refer to Note 2.3 for the accounting policies for property, plant and equipment, and Note 3 for the critical accounting estimates, assumptions and judgements on the carrying amount of property, plant and equipment. The carrying amount of property, plant and equipment is presented in Note 5.

How our audit addressed the key audit matter

In obtaining sufficient audit evidence, the following procedures have been performed:

- Obtained understanding of management's assessment and estimates on the residual values and useful lives of the property, plant and equipment.
- Reviewed the management's assessment and estimates on the useful lives and residual values of property, plant and equipment with reference to:
 - the consistency with the Group's expected consumption pattern of economic benefits embodied in the respective assets.
 - the comparison to the policies adopted by other comparable companies.
 - consideration of the Group's historical experience.
- Reviewed the Group's depreciation policy for property, plant and equipment.
- Compared the useful lives of each class of asset in the current year to determine whether there were any significant changes in the useful lives or residual values.
- Performed substantive testing procedures which included testing the capitalised cost for the new polypropylene production plant on a sampling basis and ensured the recognition criteria was met.
- Physical visit to the new polypropylene production plant.
- Examined the progress report prepared by management to determine whether is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

(b) Valuation of financial asset at fair value through other comprehensive income ("FVOCI")

As at 31 December 2021, the Group's unquoted equity security amounting to RMB79 million which represents 18% of the investment in Dongming Qianhai Reli Co., Ltd. This has been recognised as FVOCI as the Group holds this equity investment for strategic investments instead of held for trading.

The Group has appointed an independent professional valuer (the "valuer") to assist in assessing the fair value of FVOCI. We focus on this matter as the valuation process is inherently subjective and involved significant judgements in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied.

Refer to Note 2.7 for the accounting policies for FVOCI, and Note 3 for the critical accounting estimates, assumptions and judgements on the valuation of FVOCI. The carrying amount of FVOCI is presented in Note 10.

INDEPENDENT AUDITOR'S Report

For the financial year ended 31 December 2021

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

(b) Valuation of financial asset at fair value through other comprehensive income ("FVOCI") (continued)

How our audit addressed the key audit matter

In obtaining sufficient audit evidence, the following procedures have been performed:

- Assessed management judgement for the classification of the financial asset at fair value through other comprehensive income.
- Assessed the competencies, capabilities and objectivity of the independent professional valuer in accordance with SSA 620 *Using the Work of an Expert*, taking into consideration their experience, qualification and reputation.
- Reviewed and discussed with management and our valuation specialist the basis of the fair value measurement and reasonableness of key assumptions used in deriving the fair values of this unquoted equity security.
- Reviewed for proper disclosure of the financial assets as at year end.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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.

Responsibility 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 SFRS(I)s, 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.

INDEPENDENT AUDITOR'S Report

For the financial year ended 31 December 2021

Report on the Audit of the Financial Statements (continued)

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:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- 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.
- 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 controls 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 financial year 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.

INDEPENDENT AUDITOR'S Report

For the financial year ended 31 December 2021

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 and by those subsidiary corporations incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Lee Tze Shiong.

**Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants**

**Singapore
12 April 2022**

STATEMENTS OF Financial Position

As at 31 December 2021

	Note	Group		Company	
		2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	1,744,144	1,921,658	-	-
Right-of-use assets	6	4,002	4,427	-	-
Intangible assets	7	90,547	91,285	-	-
Goodwill on consolidation	8	10,345	10,345	-	-
Investment in subsidiary corporations	9	-	-	250,041	250,041
Financial asset, at fair value through other comprehensive income	10	79,761	79,761	-	-
		<u>1,928,799</u>	<u>2,107,476</u>	<u>250,041</u>	<u>250,041</u>
Current assets					
Intangible assets	7	1,088	1,085	-	-
Inventories	11	258,811	146,717	-	-
Trade and other receivables	12	54,335	40,907	-	-
Amount owing by a subsidiary corporation	12	-	-	7,487	7,612
Amounts owing by affiliated companies	12	12,404	2,542	-	-
Prepayments	13	2,983	5,020	-	-
Cash and cash equivalents	14	702,615	352,035	1,828	1,769
		<u>1,032,236</u>	<u>548,306</u>	<u>9,315</u>	<u>9,381</u>
Total assets		<u>2,961,035</u>	<u>2,655,782</u>	<u>259,356</u>	<u>259,422</u>
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	15	316,125	316,125	316,125	316,125
Retained profits/(accumulated losses)	16	525,368	334,224	(58,934)	(58,684)
Fair value reserve	17	34,517	34,517	-	-
Capital reserve	18	250,000	250,000	-	-
Other reserves	19	122,576	91,806	-	-
		<u>1,248,586</u>	<u>1,026,672</u>	<u>257,191</u>	<u>257,441</u>
Non-controlling interests	9	267,871	197,976	-	-
Total equity		<u>1,516,457</u>	<u>1,224,648</u>	<u>257,191</u>	<u>257,441</u>
LIABILITIES					
Non-current liabilities					
Loans from non-controlling interest	20	450,000	625,000	-	-
Bank borrowings	21	420,000	480,000	-	-
Lease liabilities	22	3,911	4,407	-	-
		<u>873,911</u>	<u>1,109,407</u>	<u>-</u>	<u>-</u>
Current liabilities					
Loans from non-controlling interest	20	175,000	80,000	-	-
Bank borrowings	21	60,000	51,250	-	-
Lease liabilities	22	497	373	-	-
Trade and other payables	23	169,833	142,032	2,165	1,981
Amounts owing to affiliated companies	23	151,819	6,948	-	-
Current tax payable		13,518	41,124	-	-
		<u>570,667</u>	<u>321,727</u>	<u>2,165</u>	<u>1,981</u>
Total equity and liabilities		<u>2,961,035</u>	<u>2,655,782</u>	<u>259,356</u>	<u>259,422</u>

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF Comprehensive Income

For the financial year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Revenue	4	4,716,209	3,182,338
Cost of sales		(4,237,518)	(2,896,460)
Gross profit		478,691	285,878
Other income	24a	13,476	57,122
Expenses			
- Distribution	24b	(269)	(325)
- Administrative	24c	(28,266)	(52,134)
- Others	24d	(353)	(76)
- Finance	24e	(49,128)	(38,407)
Profit before income tax	25	414,151	252,058
Income tax expenses	26	(106,833)	(67,484)
Net profit for the financial year		307,318	184,574
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Financial assets, at fair value through other comprehensive income			
- Fair value gains – equity investment	10	–	49,311
Total comprehensive income for the financial year		307,318	233,885
Net profit attributable to:			
Equity holders of the Company		237,423	158,552
Non-controlling interests		69,895	26,022
		307,318	184,574
Total comprehensive income attributable to:			
Equity holders of the Company		237,423	193,069
Non-controlling interests		69,895	40,816
		307,318	233,885
Earnings per share attributable to equity holders of the Company (RMB cents per share)	27		
- Basic		37.10	24.77
- Diluted		37.10	24.77

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF Changes in Equity

For the financial year ended 31 December 2021

	Note	Share capital RMB'000	Retained profits RMB'000	Fair value reserve RMB'000	Capital reserve RMB'000	Other reserves			Equity attributable to owners RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
						Statutory common reserve RMB'000	Voluntary common reserve RMB'000	Sub-total RMB'000			
2021											
Balance as at 1 January 2021		316,125	334,224	34,517	250,000	91,009	797	91,806	1,026,672	197,976	1,224,648
Net profit, representing total comprehensive income for the financial year		-	237,423	-	-	-	-	-	237,423	69,895	307,318
Dividends paid	28	-	(15,509)	-	-	-	-	-	(15,509)	-	(15,509)
Transfer to statutory common reserve	19(b)	-	(30,770)	-	-	30,770	-	30,770	-	-	-
Balance as at 31 December 2021		316,125	525,368	34,517	250,000	121,779	797	122,576	1,248,586	267,871	1,516,457
2020											
Balance as at 1 January 2020		316,125	192,355	-	250,000	74,326	797	75,123	833,603	157,160	990,763
Net profit for the financial year		-	158,552	-	-	-	-	-	158,552	26,022	184,574
Other comprehensive income for the financial year		-	-	34,517	-	-	-	-	34,517	14,794	49,311
Total comprehensive income for the financial year		-	158,552	34,517	-	-	-	-	193,069	40,816	233,885
Transfer to statutory common reserve	19(b)	-	(16,683)	-	-	16,683	-	16,683	-	-	-
Balance as at 31 December 2020		316,125	334,224	34,517	250,000	91,009	797	91,806	1,026,672	197,976	1,224,648

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF Cash Flows

For the financial year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Profit before income tax		414,151	252,058
Adjustments for:			
- Depreciation of property, plant and equipment	5	145,960	111,844
- Depreciation of right-of-use assets	6	425	425
- Amortisation of intangible assets	7	1,089	1,083
- Interest income	24a	(5,907)	(3,240)
- Loss on disposal of property, plant and equipment	24c	109	37
- Property, plant and equipment written off	24c	-	1,883
- Interest expense	24e	49,128	38,407
Operating profit before working capital changes		604,955	402,497
Change in inventories		(40,671)	(53,951)
Change in amount owing by/(to) affiliated companies		135,009	7,191
Change in operating receivables		(11,391)	5,352
Change in operating payables		27,801	44,603
Cash generated from operations		715,703	405,692
Income tax paid		(134,439)	(51,848)
Net cash provided by operating activities		581,264	353,844
Cash flows from investing activities			
Additions to property, plant and equipment		(35,575)	(383,180)
Proceeds from disposal of property, plant and equipment		1,090	508
Additions to intangible assets		(354)	-
Change in amount owing by non-controlling interest		-	137,757
Interest paid		(5,493)	(17,617)
Interest received		5,907	3,240
Net cash used in investing activities		(34,425)	(259,292)
Cash flows from financing activities			
Dividends paid	28	(15,509)	-
Repayment of loans from non-controlling interest		(80,000)	(145,000)
Payment of principal portion of lease liabilities		(372)	(357)
Proceeds from bank borrowings		-	500,000
Repayment of bank borrowings		(51,250)	(125,000)
Interest paid		(49,128)	(38,407)
Net cash (used in)/provided by financing activities		(196,259)	191,236
Net increase in cash and cash equivalents		350,580	285,788
Cash and cash equivalents			
Beginning of financial year		352,035	66,247
End of financial year	14	702,615	352,035

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF Cash Flows

For the financial year ended 31 December 2021

Reconciliation of liabilities arising from financing activities

	1 January 2021 RMB'000	Proceeds RMB'000	Principal and interest payments RMB'000	Non-cash changes		31 December 2021 RMB'000
				Borrowing costs capitalised in property, plant and equipment RMB'000	Interest expense RMB'000	
Bank borrowings	531,250	-	(73,238)	5,493	16,495	480,000
Loan from non-controlling interest	705,000	-	(112,407)	-	32,407	625,000
Lease liabilities	4,780	-	(598)	-	226	4,408
	1,241,030	-	(186,243)	5,493	49,128	1,109,408

	1 January 2020 RMB'000	Proceeds RMB'000	Principal and interest payments RMB'000	Non-cash changes		31 December 2020 RMB'000
				Borrowing costs capitalised in property, plant and equipment RMB'000	Interest expense RMB'000	
Bank borrowings	156,250	500,000	(147,483)	17,617	4,866	531,250
Loan from non-controlling interest	850,000	-	(178,298)	-	33,298	705,000
Lease liabilities	5,137	-	(600)	-	243	4,780
	1,011,387	500,000	(326,381)	17,617	38,407	1,241,030

The accompanying notes form an integral part of these financial statements

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

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, a company which is incorporated in the British Virgin Islands.

The Company's registered office is located at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712.

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiary corporations are disclosed in Note 9 to the financial statements.

The consolidated financial statements of the Group for the financial year ended 31 December 2021 and statement of financial position of the Company as at 31 December 2021 and statement of changes in equity of the Company for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

2. Summary of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below."

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Coronavirus (COVID-19) Impact

Since the last financial year ended 31 December 2020, the Coronavirus ("COVID-19") continued to have a significant impact on local and world economies. Set out below is the impact of COVID-19 on the Group's financial performance reflected in this set of financial statements for the year ended 31 December 2021.

- (i) The Group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.
- (ii) The Group has considered the market conditions (including the impact of COVID-19) as at the reporting date, in making estimates and judgements on the recoverability of assets as at 31 December 2021.

The Group will continue to keep a vigilant watch on the challenges that may arise from the ongoing COVID-19 pandemic and uncertainties in the wider macro environment.

Interpretations and amendments to published standards effective in 2021

On 1 January 2021, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.2 Group accounting

(a) *Subsidiary corporations*

(i) *Consolidation*

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those return through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date 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 assets transferred. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation'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 comprehensive income, statement of changes in equity, and statements of financial position. Total comprehensive income is attributed to the non-controlling interest based on their respective interest in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

The acquisition method of accounting is used to account for business combinations entered into by the Group.

(ii) *Acquisitions*

The consideration transferred for the acquisition of a subsidiary corporation 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 corporation 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 (a) 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 (b) fair value of the identifiable net assets acquired is recorded as goodwill.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.2 Group accounting (continued)

(a) *Subsidiary corporations (continued)*

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation 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.

Please refer to the paragraph "Investment in subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation 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.

2.3 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any.

(ii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost 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.

The cost of construction-in-progress comprises direct costs incurred during the periods of constructions, installation and testing. Capitalisation of those costs ceases and construction-in-progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed and the assets are available to use. Cost also includes borrowing costs (refer to Note 2.13 on borrowing costs).

The initial estimate of the cost of dismantlement, removal or restoration is recognised as part of the cost of property, plant and equipment if such obligation is incurred either when the item is acquired or as a consequence of using the asset during a particular period for purposes other than to produce inventories during that period.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

(b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts after deducting the residual value over the estimated useful lives as follows:

	<u>Useful lives</u>
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	3 and 5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use. Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

(c) Subsequent expenditure

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.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other losses".

2.4 Leases

When the Group is the lessee:

At inception of a contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

(a) Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.4 Leases (continued)

(b) Lease liabilities

The initial measurement of a lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments included in the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantees
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For a contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(c) Short-term and low-value leases

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.5 Intangible assets

(a) Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. Refer to Note 2.18 for the impairment of non-financial assets. The land use rights are amortised on a straight-line basis over the lease term of 50 years.

(b) Softwares

Softwares are initially measured at cost. Following initial recognition, softwares are measured at cost less accumulated amortisation and accumulated impairment losses. Refer to Note 2.18 for the impairment of non-financial assets. The softwares are amortised on a straight-line basis over the lease term of 5 years.

2.6 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 as 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.

Write down 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.

2.7 Financial assets

(a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through other comprehensive income (FVOCI).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.7 Financial assets (continued)

(a) *Classification and measurement (continued)*

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

At subsequent measurement

(i) *Debt instruments*

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, amount owing by a subsidiary corporation and amounts owing by affiliated companies.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset:

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(ii) *Equity investments*

The Group subsequently measures all its equity investments at their fair values. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

(b) *Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of changes in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.10 Investment in subsidiary corporations

Investment in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.11 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.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.13 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the assets under construction. This includes those costs on borrowings acquired specifically for the assets under construction, as well as those in relation to general borrowings used to finance the assets under construction.

Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2.14 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

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

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised in the profit or loss as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.17 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 reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.17 Income taxes (continued)

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 nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, 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 reporting date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

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 directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.18 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.18 Impairment of non-financial assets (continued)

- (b) *Property, plant and equipment*
Intangible assets
Right-of-use assets
Investment in subsidiary corporations

Property, plant and equipment, intangible assets, right-of-use assets, and investment in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.19 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

- (a) *Gas separation*

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

- (b) *Transport and logistic services*

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 usually not more than two to three weeks.

- (c) *Interest income*

Interest income is recognised using the effective interest method.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.20 Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Pension obligations

The Group and the Company 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 subsidiary corporations 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 subsidiary corporations.

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.

(b) Employee leave entitlements

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

(c) 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.

2.21 Currency translation

(a) 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 are presented in Chinese Renminbi, which is the functional currency of the Company and have been rounded to the nearest thousand ("RMB'000").

(b) 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 exchange differences resulting 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 reporting date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments), and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.21 Currency translation (continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "Finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the statement of comprehensive income within "Other (losses)/gains - net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.22 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.

2.23 Government grant

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Carrying amount of property, plant and equipment

The construction in progress was transferred to the respective category in property, plant and equipment. Significant level of judgement is involved to ascertain that capitalisation of property, plant and equipment meet the recognition criteria of SFRS(I) 1-16 *Property, Plant and Equipment*, specifically in relation to determination of trial run period and costs associated with trial runs for it to be ready for intended use.

The costs of property, plant and equipment are depreciated using the straight-line to allocate the depreciable amount over the estimated useful live. The useful lives of these assets estimated by the management are disclosed under Note 2.3. These are common life expectancies applied in the industry and country of operations. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets. The carrying amount of the Group's property, plant and equipment at the end of the reporting date is disclosed in Note 5 to the financial statements. Depreciation for the financial year ended 31 December 2021 amounted to RMB145,960,000 (2020: RMB111,844,000).

If the estimated useful lives of these assets were to increase or decrease by 1 year, the depreciation expenses for the financial year ended 31 December 2021 would be lower by about RMB10,685,000 (2020: RMB11,642,000) or higher by about RMB13,720,000 (2020: RMB15,604,000).

(b) Valuation of financial asset at fair value through other comprehensive income ("FVOCI")

The Group classified unquoted equity security as financial asset at FVOCI and recognises changes in its fair value in other comprehensive income. The fair value is determined based on estimates using present values. This is significantly affected by the assumptions used, including discount rate and estimate of future cash flows. The valuation of financial instrument is described in more detail in Note 31(g).

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

4. Revenue

The Group derives revenue from the transfer of goods and services at a point in time for the following types of services.

	Gas Separation RMB'000	Group Transport and Logistic Services RMB'000	Total RMB'000
2021			
<u>People's Republic of China</u>			
Liquefied petroleum gas	540,296	–	540,296
Propylene	219,685	–	219,685
Polypropylene	1,457,041	–	1,457,041
methyl tert-butyl ether ("MTBE")	1,843,059	–	1,843,059
Hydrogen	209,609	–	209,609
Isobutylene	166,649	–	166,649
Other gas	25,814	–	25,814
Transport and logistic services	–	254,056	254,056
	<u>4,462,153</u>	<u>254,056</u>	<u>4,716,209</u>
2020			
<u>People's Republic of China</u>			
Liquefied petroleum gas	355,751	–	355,751
Propylene	895,677	–	895,677
Polypropylene	280,012	–	280,012
methyl tert-butyl ether ("MTBE")	1,105,863	–	1,105,863
Hydrogen	189,049	–	189,049
Isobutylene	127,060	–	127,060
Other gas	15,848	–	15,848
Transport and logistic services	–	213,078	213,078
	<u>2,969,260</u>	<u>213,078</u>	<u>3,182,338</u>

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

5. Property, plant and equipment

	Buildings on leasehold land	Plant and machinery	Electronic system and equipment	Motor vehicles	Office equipment	Construction- in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
31 December 2021							
<i>Cost</i>							
Beginning of financial year	711,157	739,512	113,939	48,237	778	672,968	2,286,591
Additions	5,529	7,898	3,689	21	506	23,425	41,068
Disposals	-	(1,091)	(2,713)	(476)	-	-	(4,280)
Transferred	367,183	244,735	54,996	2,147	1,143	(670,204)	-
Reclassified to inventories (Note 11)	-	(178,530)	-	-	-	-	(178,530)
End of financial year	<u>1,083,869</u>	<u>812,524</u>	<u>169,911</u>	<u>49,929</u>	<u>2,427</u>	<u>26,189</u>	<u>2,144,849</u>
<i>Accumulated depreciation</i>							
Beginning of financial year	78,609	188,084	52,104	45,661	475	-	364,933
Depreciation charge	47,186	70,145	27,742	535	352	-	145,960
Disposals	-	(507)	(2,122)	(452)	-	-	(3,081)
Reclassified to inventories (Note 11)	-	(107,107)	-	-	-	-	(107,107)
End of financial year	<u>125,795</u>	<u>150,615</u>	<u>77,724</u>	<u>45,744</u>	<u>827</u>	<u>-</u>	<u>400,705</u>
Net book value							
End of financial year	<u>958,074</u>	<u>661,909</u>	<u>92,187</u>	<u>4,185</u>	<u>1,600</u>	<u>26,189</u>	<u>1,744,144</u>

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

5. Property, plant and equipment (continued)

During the financial year ended 31 December 2021, the Group capitalised borrowing costs of RMB5,493,000 (2020: RMB17,617,000) (Note 24e) as cost of property, plant and equipment. The interest rate is 4.41% (2020: 4.41%) per annum.

	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	Construction- in-progress RMB'000	Total RMB'000
Group							
31 December 2020							
<i>Cost</i>							
Beginning of financial year	705,747	711,560	115,088	51,581	714	320,257	1,904,947
Additions	5,807	40,814	1,341	18	106	352,711	400,797
Disposals	-	-	(521)	(3,362)	(37)	-	(3,920)
Write-offs	(397)	(12,862)	(1,969)	-	(5)	-	(15,233)
End of financial year	711,157	739,512	113,939	48,237	778	672,968	2,286,591
<i>Accumulated depreciation</i>							
Beginning of financial year	43,456	148,595	33,809	43,473	481	-	269,814
Depreciation charge	35,510	50,864	20,134	5,303	33	-	111,844
Disposals	-	-	(226)	(3,115)	(34)	-	(3,375)
Write-offs	(357)	(11,375)	(1,613)	-	(5)	-	(13,350)
End of financial year	78,609	188,084	52,104	45,661	475	-	364,933
Net book value							
End of financial year	632,548	551,428	61,835	2,576	303	672,968	1,921,658

	Group	
	2021	2020
	RMB'000	RMB'000
Depreciation expense charged to:		
Cost of sales	144,629	110,500
Distribution costs (Note 24b)	-	1
Administrative expenses (Note 24c)	1,331	1,343
	145,960	111,844

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

6. Right-of-use assets

	Leasehold land RMB'000	Buildings on leasehold land RMB'000	Motor vehicle RMB'000	Total RMB'000
Group				
31 December 2021				
<i>Cost</i>				
Beginning and end of financial year	3,906	153	1,591	5,650
<i>Accumulated depreciation</i>				
Beginning of financial year	472	115	636	1,223
Depreciation charge (Note 24c)	99	8	318	425
End of financial year	571	123	954	1,648
Net book value				
End of financial year	3,335	30	637	4,002
31 December 2020				
<i>Cost</i>				
Beginning and end of financial year	3,906	153	1,591	5,650
<i>Accumulated depreciation</i>				
Beginning of financial year	373	107	318	798
Depreciation charge (Note 24c)	99	8	318	425
End of financial year	472	115	636	1,223
Net book value				
End of financial year	3,434	38	955	4,427

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

7. Intangible assets

	Land use rights RMB'000	Softwares RMB'000	Total RMB'000
Group			
31 December 2021			
<i>Cost</i>			
Beginning of financial year	94,437	–	94,437
Additions	144	210	354
End of financial year	94,581	210	94,791
<i>Accumulated amortisation</i>			
Beginning of financial year	2,067	–	2,067
Amortisation charge (Note 24c)	1,089	–	1,089
End of financial year	3,156	–	3,156
Carrying amount			
End of financial year	91,425	210	91,635
31 December 2020			
<i>Cost</i>			
Beginning and end of financial year	94,437	–	94,437
<i>Accumulated amortisation</i>			
Beginning of financial year	984	–	984
Amortisation charge (Note 24c)	1,083	–	1,083
End of financial year	2,067	–	2,067
Carrying amount			
End of financial year	92,370	–	92,370
	2021	2020	
	RMB'000	RMB'000	
Amount to be amortised:			
- Not later than one year	1,088	1,085	
- Later than one year but less than five years	4,519	4,340	
- Later than five years	86,028	86,945	
	91,635	92,370	
	2021	2020	
	RMB'000	RMB'000	
Analysed as:			
- Current	1,088	1,085	
- Non-current	90,547	91,285	
	91,635	92,370	

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

7. Intangible assets (continued)

The land use rights relate to the following parcels of land:

Location	Lease period	Land area
东明县菜园集李屯行政村	50 years (commenced on March 2016 to February 2066)	123,873 square meters
	50 years (commenced on April 2018 to March 2068)	189,863 square meters
东明县菜园集镇西台集行政村	50 years (commenced on December 2019 to December 2069)	129,548 square meters

As at 31 December 2021, the land use rights have remaining tenures from 44 to 48 years.

8. Goodwill arising on consolidation

	Group	
	2021 RMB'000	2020 RMB'000
Cost and carrying amount		
Beginning and end of financial year	10,345	10,345

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs as follows:

	Group	
	2021 RMB'000	2020 RMB'000
Dongming Changshun Transport Company Limited (东明县昌顺运输有限公司) ("Changshun Transport")	2,501	2,501
Dongming Qianhai Petrochemical Co., Ltd. (东明前海化工有限公司) ("Dongming Qianhai")	7,844	7,844
	10,345	10,345

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using terminal growth rate of 3% (2020: 3%). These cash flows were discounted using a pre-tax discount rate of 10% (2020: 10%) that reflected current market assessment of the time value of money and the risks specific to the CGUs. The growth rate is based on past performance and expectations on market development.

Management determines that the recoverable amount is higher than the carrying amount. Accordingly, no impairment for allowance is provided. The Group believes that any reasonable possible changes on the above key assumptions are not likely to cause the recoverable amount to be materiality lower than the related carrying amount.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

9. Investment in subsidiary corporations

	Company	
	2021 RMB'000	2020 RMB'000
<i>Equity investment at cost</i>		
Beginning and end of financial year	250,041	250,041

The Group has the following subsidiary corporations as at 31 December 2021 and 2020:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent %	Proportion of ordinary shares held by the Group %	Proportion of ordinary shares held by non- controlling interests %
<i>Held by the Company</i>					
Dongming Hengchang Petrochemical Co., Ltd. ⁽¹⁾ (东明恒昌化工有限公司) ("Dongming Hengchang")	Manufacture and sale of propylene, polypropylene and LPG products	The People's Republic of China	100%	100%	-
<i>Subsidiary corporations of Dongming Hengchang</i>					
Dongming Changshun Transport Company Limited ⁽¹⁾ (东明县昌顺运输有限公司)	Provide logistics and transportation for petroleum products	The People's Republic of China	100%	100%	-
Dongming Qianhai Petrochemical Co., Ltd. ⁽¹⁾ (东明前海化工有限公司)	Manufacture and sale of propylene, purified isobutylene, methyl tert-butyl ether, commonly known as MTBE, hydrogen and mixed gas	The People's Republic of China	70%	70%	30%

(1) For the purpose of expressing an opinion on the consolidated financial statements for the financial year ended 31 December 2021, these financial statements have been audited/reviewed by Shanghai Nexia TS Certified Public Accountants, PRC.

Carrying value of non-controlling interests

	Group	
	2021 RMB'000	2020 RMB'000
Dongming Qianhai Petrochemical Co., Ltd	267,871	197,976

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

9. Investment in subsidiary corporations (continued)

Summarised statement of financial position

	Dongming Qianhai Petrochemical Co., Ltd.	
	2021	2020
	RMB'000	RMB'000
Current		
Assets	399,056	106,616
Liabilities	(244,584)	(84,901)
Total current net assets	154,472	21,715
Non-current		
Assets	1,188,797	1,405,587
Liabilities	(450,364)	(736,932)
Total non-current net assets	738,433	668,655
Net assets	892,905	690,370

Summarised statement of comprehensive income

	Dongming Qianhai Petrochemical Co., Ltd.	
	2021	2020
	RMB'000	RMB'000
Revenue	2,910,342	1,998,357
Profit before income tax	313,071	124,682
Income tax expenses	(80,087)	(37,941)
Profit for the financial year	232,984	86,741
Other comprehensive income	–	49,311
Total comprehensive income	232,984	136,052
Total comprehensive income allocated to non-controlling interests	69,895	40,816

Summarised statement of cash flows

	Dongming Qianhai Petrochemical Co., Ltd.	
	2021	2020
	RMB'000	RMB'000
Net cash provided by operating activities	289,693	157,353
Net cash provided by investing activities	13,671	121,941
Net cash used in financing activities	(111,615)	(270,379)

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

10. Financial assets, at fair value through other comprehensive income ("FVOCI")

	Group	
	2021 RMB'000	2020 RMB'000
Equity security (Unquoted) - Dongming Qianhai Reli Co., Ltd. (东明前海热力有限公司)		
Beginning of financial year	79,761	30,450
Fair value gains recognised in other comprehensive income (Note 17)	-	49,311
End of financial year	79,761	79,761

Represents 18% of equity interest in Dongming Qianhai Reli Co., Ltd. The Group has elected to measure these equity security at FVOCI due to the Group's intention not to hold these equity instruments for trading but for long-term appreciation. As at 31 December 2021 and 2020, the fair value is determined based on valuation techniques as disclosed in Note 31(g).

11. Inventories

	Group	
	2021 RMB'000	2020 RMB'000
<u>At cost</u>		
Raw materials	84,213	78,938
Reclassified from property, plant and equipment (Note 5)	71,423	-
	155,636	78,938
Finished goods	103,175	67,779
	258,811	146,717
Inventories charged to cost of sales	4,690,260	2,706,612

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

12. Trade and other receivables

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Trade receivables				
- Non-related parties	26,053	1,787	-	-
Other receivables				
- Non-related parties	9,868	10,266	-	-
Accrued revenue	16,878	5,970	-	-
VAT receivable	-	21,885	-	-
Advances made to staff	1,395	858	-	-
Refundable deposits	141	141	-	-
	<u>54,335</u>	<u>40,907</u>	<u>-</u>	<u>-</u>

Accrued revenue relates to revenue recognised based on goods delivered or services rendered that were not billed. These will be billed in the next billing cycle.

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Amount owing by a subsidiary corporation				
Loans to subsidiary corporation	-	-	7,487	7,612

Loans to subsidiary corporation are unsecured, interest-bearing at 3% (2020: 3%) per annum and are repayable by November 2022 (2020: November 2021).

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Amount owing by affiliated companies	<u>12,404</u>	<u>2,542</u>	<u>-</u>	<u>-</u>

Affiliated companies refer to companies which a director of the Company has an indirect equity interest, trade in nature and repayable on demand.

13. Prepayments

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Prepayments	<u>2,983</u>	<u>5,020</u>	<u>-</u>	<u>-</u>

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

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

14. Cash and cash equivalents

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Cash on hand	47	61	23	57
Cash at bank	702,568	344,974	1,805	1,712
Fixed deposit	-	7,000	-	-
	<u>702,615</u>	<u>352,035</u>	<u>1,828</u>	<u>1,769</u>

As at 31 December 2020, the fixed deposit earned interest at 1.56% per annum with maturity period of half yearly and unfixed period.

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

Cash and cash equivalents of RMB700,787,000 (2020: RMB350,266,000) 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.

15. Share capital

	No. of shares		Amount	
	2021 '000	2020 '000	2021 RMB'000	2020 RMB'000
Group and Company				
Issued and fully paid, with no par value				
Beginning and end of financial year	640,000	640,000	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.

16. Retained profits/(accumulated losses)

- (a) Retained profits of the Group are distributable.
- (b) Movement in retained profits/(accumulated losses) for the Company is as follows:

	Company	
	2021 RMB'000	2020 RMB'000
Beginning of financial year	(58,684)	(52,907)
Net profit / (loss)	15,259	(5,777)
Dividends paid (Note 28)	(15,509)	-
End of financial year	<u>(58,934)</u>	<u>(58,684)</u>

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

17. Fair value reserve

	Group	
	2021 RMB'000	2020 RMB'000
Beginning of financial year	34,517	-
Financial assets, at FVOCI		
- Fair value gains (Note 10)	-	49,311
Less: Non-controlling interests' share	-	(14,794)
End of financial year	34,517	34,517

This fair value reserve is a non-distributable reserve.

18. Capital reserve

As requested by the Board, the capital reserve arises from the transfer of a PRC subsidiary corporation's retained earnings to the PRC subsidiary corporation's own share capital account for the purpose of enlarging its share capital without any cash outlay as permitted under the PRC regulations.

This capital reserve is a non-distributable reserve.

19. Other reserves

(a) Compositions

	Group	
	2021 RMB'000	2020 RMB'000
Statutory common reserve	121,779	91,009
Voluntary common reserve	797	797
	122,576	91,806

(b) Movements

	Group	
	2021 RMB'000	2020 RMB'000
(i) Statutory common reserve		
Beginning of financial year	91,009	74,326
Transfer from retained earnings	30,770	16,683
End of financial year	121,779	91,009
(ii) Voluntary common reserve		
Beginning and end of financial year	797	797
	122,576	91,806

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

19. Other reserves (continued)

(b) Movements (continued)

In accordance with the relevant laws and regulations of the PRC, the subsidiary corporations 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.

20. Loans from non-controlling interest ("NCI")

	Group	
	2021 RMB'000	2020 RMB'000
<i>Current</i>		
- Not later than one year	175,000	80,000
<i>Non-current</i>		
- Later than one year but less than five years	450,000	625,000
	625,000	705,000

These loans from NCI, Shandong Dongming Petrochem Group Co., Ltd were previously drawdown by Dongming Qianhai for its working capital purposes prior to financial year 2018 and was subsequently renewed in financial years 2018 and 2019. These loans were previously interest bearing at 4.57% and due by 6 October 2020.

On 7 October 2020, Dongming Qianhai entered into a supplementary interim loan agreement with the NCI to reduce the interest rate to 4.35% per annum and extend the term of the loans to 31 December 2020, in order to provide interim financing for Dongming Qianhai while Dongming Qianhai seeks shareholders' approval to converting the loan from a short-term to long-term loans until 1 April 2025.

On 14 December 2020, Dongming Qianhai entered into a supplemental agreement with the NCI to supplement and vary certain terms of the loans. The terms of the repayment of the loans are from 1 January 2021 to 1 April 2025 with the repayments due in instalments on a quarterly basis. The loans are interest bearing at 4.75% per annum.

These loans do not have any covenants.

The fair value of non-current loans from NCI approximate their carrying amount.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

21. Bank borrowings

	Group	
	2021 RMB'000	2020 RMB'000
<i>Secured:</i>		
Current	60,000	51,250
Non-current	420,000	480,000
	480,000	531,250

The exposure of borrowings of the Group to interest rate changes on their contractual repricing dates at the reporting dates are as follows:

	Group	
	2021 RMB'000	2020 RMB'000
- Not later than one year	480,000	500,000

The fair value of the borrowings is a reasonable approximation of the carrying amount due to that they are floating rate instruments that are frequently re-priced to market interest rates.

Security granted

- (i) As at 31 December 2020, the bank borrowings of RMB31,250,000 was mortgaged over the property, plant and equipment of an affiliated company, Dongming Runze Petrochemical Co.,Ltd (东明润泽化工有限公司) and was fully repaid during the financial year ended 31 December 2021.
- (ii) The bank borrowings of RMB480,000,000 (2020: RMB500,000,000) is secured by a corporate guarantee from an affiliated company, Dongming Zhongyou Fuel and Petrochemical Co., Ltd (东明中油燃料石化有限公司).

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

22. Lease liabilities

	Group	
	2021 RMB'000	2020 RMB'000
Maturity analysis:		
Less than 1 year	599	599
Between 2 to 5 years	1,290	1,667
More than 5 years	6,619	6,841
	8,508	9,107
Less: Unearned interest	(4,100)	(4,327)
	4,408	4,780
Analysed as:		
Current	497	373
Non-current	3,911	4,407
	4,408	4,780

The Group leases leasehold land, buildings and motor vehicle for the purpose of operations.

Interest expense on lease liabilities is disclosed in Note 24e.

Lease expense not capitalised in lease liabilities in relations to short-term leases amounted to RMB157,000 (2020: RMB201,000).

Total cash outflow for all leases was RMB752,000 (2020: RMB801,000).

23. Trade and other payables

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Trade payables				
- Non-related parties	69,796	55,335	-	-
Other payables				
- Non-related parties	51,378	45,152	850	123
- Staff	221	347	-	-
	121,395	100,834	850	123
Accruals	8,228	9,272	1,315	1,858
VAT payables	14,028	16,832	-	-
Other governmental taxes payable	2,375	2,695	-	-
Contract liabilities	23,807	12,399	-	-
	169,833	142,032	2,165	1,981

Other payables to staff are unsecured, interest-free and repayable on demand.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

23. Trade and other payables (continued)

Contract liabilities are advances received from customers which represent down-payment for sales orders placed. Revenue recognised in current period that was included in the contract liabilities balance at the beginning of the financial year 2021 amounted to RMB12,399,000 (2020: RMB9,378,000).

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Amount owing to affiliated companies				
- Trade	151,819	6,018	-	-
- Non-trade	-	930	-	-
	<u>151,819</u>	<u>6,948</u>	<u>-</u>	<u>-</u>

Affiliated companies refer to companies which a director of the Company has an indirect equity interest. Amounts owing to affiliated companies are unsecured, non-interest bearing and payable on demand.

24a. Other income

	Group	
	2021 RMB'000	2020 RMB'000
Interest income - bank	5,907	3,240
Warranty income	2,173	-
Subsidies from PRC Government	4,742	6,386
Gain on disposal of catalyzers and other scrap materials	218	45,791
Others	436	1,705
	<u>13,476</u>	<u>57,122</u>

Subsidies from PRC Government in 2021 related to grant (重大技术改造贷款补贴) received by Dongming Hengchang Petrochemical Co., Ltd. from the local authority.

24b. Distribution costs

	Group	
	2021 RMB'000	2020 RMB'000
Employee benefits expense (Note 24f)	65	119
Depreciation of property, plant and equipment (Note 5)	-	1
Short-term lease expenses	200	200
Others	4	5
	<u>269</u>	<u>325</u>

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

24c. Administrative expenses

	Group	
	2021 RMB'000	2020 RMB'000
Amortisation of intangible assets (Note 7)	1,089	1,083
Cleaning expense	180	216
Depreciation of property, plant and equipment (Note 5)	1,331	1,343
Depreciation of right-of-use assets (Note 6)	425	425
Directors' fees	829	1,241
Employee benefits expense (Note 24f)	16,659	27,415
Entertainment expenses	399	769
Environment fee	714	609
Exchange loss	71	540
Loss on disposal of property, plant and equipment (Note 25)	109	37
Non-claimable value added tax	-	10,898
Others	4,356	2,304
Professional fee	1,498	2,110
Property, plant and equipment written off (Note 25)	-	1,883
Repair and maintenance	295	526
Short-term lease expenses	(43)	1
Travelling and accommodation	354	734
	<u>28,266</u>	<u>52,134</u>

24d. Other operating expenses

	Group	
	2021 RMB'000	2020 RMB'000
Bank charges	5	76
Fines	128	-
Others	220	-
	<u>353</u>	<u>76</u>

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

24e. Finance expenses

	Group	
	2021 RMB'000	2020 RMB'000
<i>Interest expense</i>		
Bank borrowings	21,988	22,483
Less: Borrowing costs capitalised in property, plant and equipment (Note 5)	(5,493)	(17,617)
	16,495	4,866
Loans from non-controlling interest	32,407	33,298
Lease liabilities	226	243
	49,128	38,407

24f. Employee benefits expense

	Group	
	2021 RMB'000	2020 RMB'000
Directors' remuneration		
- salaries and related costs	615	911
Key management personnel (other than directors)		
- salaries and related costs	1,514	2,192
- defined contributions	136	151
Other than directors and key management personnel		
- salaries and related costs	80,347	83,022
- defined contributions	14,191	11,969
	96,803	98,245
As disclosed in:		
Cost of sales	80,079	70,711
Distribution costs (Note 24b)	65	119
Administrative expenses (Note 24c)	16,659	27,415
	96,803	98,245

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

25. Profit before income tax

	Group	
	2021 RMB'000	2020 RMB'000
Profit before income tax has been arrived at after charging and (crediting):		
Amortisation of intangible assets (Note 7)	1,089	1,083
Depreciation of property, plant and equipment (Note 5)	145,960	111,844
Depreciation of right-of-use assets (Note 6)	425	425
Gain on disposal of catalyzers and other scrap materials (Note 24a)	218	45,791
Property, plant and equipment written off (Note 24c and 24d)	-	1,883
Loss on disposal of property, plant and equipment (Note 24c)	109	37
Short-term lease expenses	157	201

26. Income tax expenses

	Group	
	2021 RMB'000	2020 RMB'000
Current income tax		
- Profit for the financial year	106,003	63,222
- Under provision in prior financial years	830	4,262
	106,833	67,484

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:

	Group	
	2021 RMB'000	2020 RMB'000
Profit before income tax	414,151	252,058
Tax at statutory rate of 25% (2020: 25%)	103,537	63,015
Effects:		
- Differential of tax rates in foreign countries	(1,234)	419
- Income not subject to tax	(1,043)	(2,582)
- Expenses non-deductible for tax purposes	5,088	4,890
- Utilisation of previously unrecognised tax losses	(345)	(2,520)
- Under provision in prior financial years	830	4,262
	106,833	67,484

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

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

26. Income tax expenses (continued)

The applicable tax rates of the Group's subsidiary corporations in the PRC, Dongming Hengchang, Dongming Qianhai and Changshun Transport for the financial year ended 31 December 2021 are 25% (2020: 25%).

At the end of the financial year, the aggregate amount of temporary differences associated with undistributed earnings of subsidiary corporations for which deferred tax liabilities have not been recognised is RMB634,140,000 (2020: RMB441,138,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. Accordingly, withholding tax amounting to RMB63,414,000 (2020: RMB44,114,000) relating to the undistributed earnings has not been recognised.

27. Earnings per share

The calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

There were no dilutive earnings per share for the financial years ended 31 December 2021 and 2020 as there were no dilutive potential ordinary shares outstanding.

	2021	2020
Group		
Net profit attributable to equity holders of the Company (RMB'000)	237,423	158,552
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	640,000	640,000
Basic and diluted (RMB cents)	37.10	24.77

28. Dividends

	Group and Company	
	2021	2020
	RMB'000	RMB'000
Ordinary dividends paid		
- final tax-exempt (one-tier) dividend paid in respect of previous financial year of S\$0.005 (equivalent to RMB0.0242) per share	15,509	-

At forthcoming Annual General Meeting on 28 April 2022, a first and final exempt (one-tier) dividend of S\$0.6 cents per share amounting to a total of S\$3,840,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2022.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

29. Commitments

(a) Purchase commitments

At the end of reporting date, 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 2016 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.

(b) Capital commitments

Capital expenditure contracted for as at the end of reporting date but not recognised in the financial statements are as follow:

	Group	
	2021	2020
	RMB'000	RMB'000
Capital commitments in respect of property, plant and equipment and land use rights	14,355	66,996

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

30. 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:

	Group	
	2021	2020
	RMB'000	RMB'000
Sales to affiliated companies		
- 山东东明石化集团有限公司	27,380	59,219
- 东明石油经销有限公司	52,264	3,808
- 东明恒润化工有限公司	-	17
- 山东东明梨树化学有限公司	381,716	247,058
- 东明中油燃料石化有限公司	27,449	-
- 山东润泽化工有限公司	448,161	210,081
- 东明万海氯碱化工有限公司	14,360	-
Purchase from affiliated companies		
- 东明石油经销有限公司	-	795
- 山东润泽化工有限公司	46,674	161,626
- 东明中油燃料石化有限公司	2,365,514	1,641,617
- 山东东明石化集团有限公司	43,755	13,189
- 山东东明梨树化学有限公司	203,500	151,349
- 山东炼化能源集团有限公司	9,546	-
- 东明润明油品销售有限公司	9,333	-
Interest expenses on loan charged by affiliated company		
- 山东东明石化集团有限公司	32,407	33,298
Other individually immaterial transactions		
	20,711	22,855

Affiliated companies refer to companies in which a director of the Company has an indirect equity interest.

31. Financial risk management

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 Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits. 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.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

31. Financial risk management (continued)

(a) Market risk

(i) 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.

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-earning assets, the Group's income is substantially independent of changes in market interest rates. The Group is not exposed to changes in interest rates for fixed rate financial liabilities, the impact of the exposure is not significant.

The Group's exposure to cash flow interest rate risk arises mainly from variable-rate borrowings. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

For the borrowings at variable rate, if the interest rates had increased/decreased by 0.5% with all other variables including tax rates being held constant, the Group's net profit would have been lower/higher by RMB8,461,000 (2020: RMB12,960,000).

The Company does not have exposure to interest rate risk as it does not hold variable financial assets and liabilities.

(b) Credit risks

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

The Group's and the Company'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 (including investment securities and cash and cash equivalents), the Group and the Company minimise credit risk by dealing only with reputable and/or high credit quality counterparties.

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

As the Group and the Company 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.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

31. Financial risk management (continued)

(b) Credit risks (continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has a practice to collect advances from its customers. Typically, the Group offers 30 days credit terms to its customers and seeks to maintain a strict control over its outstanding receivables. The management will perform regular reviews on overdue balances.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition.

Trade receivables have been grouped based on shared credit risk characteristics and the days past due to measure the ECL by reference to the Group's historical observed default rates, customers' ability to pay and adjusted with forward-looking information.

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

As at 31 December 2021 and 2020, the trade receivables are not subject to any material credit losses.

As at 31 December 2021, the trade receivables of sale of propylene business comprise 1 debtor that collectively contributed 100% of the Group's trade receivables.

As at 31 December 2020, the trade receivables of transport and logistic business comprise 4 debtors that collectively contributed 89% of the Group's trade receivables. These 4 individually represented between 16% - 49% of the Group's trade receivables. There is no significant trade receivables arising from transport and logistics business as at 31 December 2021.

For the purpose of impairment assessment for other financial assets, at amortised cost, loss allowance is generally measured at an amount equal to 12-month ECL as there is low risk of default and strong capability to meet contractual cash flows. When the credit quality deteriorates and the resulting credit risk of other financial assets increase significantly since its initial recognition, the 12-month ECL would be replaced by lifetime ECL.

Other financial assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of other receivables to engage in a repayment plan with the group, and a failure to make contractual payments.

As at 31 December 2021 and 2020, the Group's and the Company's cash and cash equivalents are held with bank and financial institution counterparties with sound credit ratings. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and bank balances was negligible.

The other receivables of the Group as at 31 December 2021 and 2020 are due from counterparties with sound credit ratings. The Group considers that these receivables have low credit risk based on the internal credit ratings of the counterparties. The amount of the allowance on other receivables was negligible. The Company has assessed that its subsidiary corporation has strong financial capacity to meet the loan repayments and considered to have a low credit risk and subject to immaterial credit loss.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

31. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Group's and the Company's financial liabilities based on contractual undiscounted cash flows is disclosed in the notes to the financial statements.

The Group and the Company manage its liquidity risk by ensuring the availability of adequate funds to meet all its obligations in a timely and cost-effective manner and to maintain a balance between continuity of funding and flexibility through the use of borrowing facilities. The Group and the Company finances its working capital requirements through a combination of funds generated from operations and bank borrowings. The directors are satisfied that funds are available to finance the operations of the Company.

The table below analyses the non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 2 to 5 years RMB'000	More than 5 years RMB'000
Group			
At 31 December 2021			
Loan from non-controlling interest	202,085	476,877	–
Bank borrowings	80,082	472,005	–
Lease liabilities	599	1,290	6,619
Trade and other payables	153,429	–	–
Amount owing to affiliated companies	151,819	–	–
	588,014	950,172	6,619
At 31 December 2020			
Loan from non-controlling interest	111,124	678,962	–
Bank borrowings	89,828	344,390	207,698
Lease liabilities	599	1,667	6,841
Trade and other payables	110,106	–	–
Amount owing to affiliated companies	6,948	–	–
	318,605	1,025,019	214,539
	Less than 1 year RMB'000	Between 2 to 5 years RMB'000	More than 5 years RMB'000
Company			
At 31 December 2021			
Trade and other payables	2,165	–	–
	2,165	–	–
At 31 December 2020			
Trade and other payables	1,981	–	–
	1,981	–	–

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

31. Financial risk management (continued)

(d) Price risk

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

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

(e) Financial instruments by category

The carrying amount of the different categories of financial instruments is as follows:

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Financial assets, at FVOCI	79,761	79,761	–	–
Financial assets, at amortised cost	767,959	372,741	9,315	9,381
Financial liabilities, at amortised cost	1,390,850	1,358,084	2,165	1,981

(f) Commodity price risk

Unlike the sales and purchase of gasoline and diesel in PRC which is subjected to price regulatory control by the authorities, the petrochemical business in PRC is not subjected to any regulatory control by the authorities. The Group is able to secure stable supplies of its raw materials from its suppliers at reasonable price. Accordingly, the Group does not engage in hedging for commodity price risk as it deems that the cost of hedging is too high.

(g) Fair value measurements

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the assets measured at fair value at each reporting date:

	Level 3 RMB'000
31 December 2021	
Financial assets, at FVOCI	79,761
31 December 2020	
Financial assets, at FVOCI	79,761

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

31. Financial risk management (continued)

(g) Fair value measurements (continued)

Investments classified within Level 3 have significant unobservable inputs as they trade infrequently. Level 3 instruments include investment in unquoted shares. As observable prices are not available, management has used valuation techniques to derive the fair value.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts. The fair value of financial liabilities for disclosures purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amounts of current borrowings approximate their fair values.

Fair value measurement disclosure of other non-current asset and liabilities can be found at Note 20 and 21.

Investment in unquoted shares classified as FVOCI is determined using valuation technique, using discounted cash flow analysis. The models used to determine fair value are validated and periodically reviewed by management. Within the discounted cash flow models, unobservable inputs includes the projected cash flows and the risk premium for liquidity and credit risk that are incorporated into the discount rate. However, the discount rates used for valuing equity securities are determined based on historical equity returns for other entities operating in the same industry for which market returns are observable. Management uses models to adjust, when necessary, the observed equity returns to reflect the actual debt/equity financing structure of the valued equity investments. Models are calibrated by back-testing to actual results to ensure that outputs are reliable.

There were no changes in valuation techniques and no transfers into or out of fair value hierarchy levels during the financial year ended 31 December 2021 and 2020.

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Group			
Financial asset			
- 18% equity interest in Dongming Qianhai Reli Co., Ltd.	Discounted cash flows	Discount rate	The higher the discount rate, the lower the fair value

32. 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, polypropylene, MTBE, hydrogen, isobutylene and other gas.
2. The transport and logistic services segment is the provision of logistics and transportation for petroleum products.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

32. Segment information (continued)

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.

Allocation basis and transfer pricing

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.

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

(a) Reportable segments

	Gas Separation		Transport and Logistic Services		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Revenue						
External customers	4,462,153	2,969,260	254,056	213,078	4,716,209	3,182,338
Inter-segment sales	1,383,783	569,607	40	53	1,383,823	569,660
Total revenue	5,845,936	3,538,867	254,096	213,131	6,100,032	3,751,998
Segment assets	2,210,935	2,555,891	23,200	84,236	2,234,135	2,640,127
Segment liabilities	23,664	40,719	17,426	19,396	41,090	60,115
Results						
Segment results	446,534	293,034	23,974	21,014	470,508	314,048
Unallocated expenses						
Unallocated corporate expenses					(13,136)	(26,823)
Profit from operations					457,372	287,225
Finance income					5,907	3,240
Finance cost					(49,128)	(38,407)
Profit before tax					414,151	252,058
Tax expense					(106,833)	(67,484)
Profit after tax					307,318	184,574

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

32. Segment information (continued)

(a) Reportable segments (continued)

	2021	2020
	RMB'000	RMB'000
Segments' assets for reportable segments	2,234,135	2,640,127
Other assets		
Unallocated		
Amounts owing by affiliated companies	12,404	2,542
Cash and cash equivalents	702,615	1,769
Other receivables	1,536	999
Goodwill on consolidation	10,345	10,345
	<u>2,961,035</u>	<u>2,655,782</u>
Segments' liabilities for reportable segments	41,090	60,115
Other liabilities		
Unallocated		
Other payables	133,151	86,697
Amounts owing to affiliated companies	151,819	6,948
Bank borrowings	480,000	531,250
Loan from non-controlling interest	625,000	705,000
Current tax payable	13,518	41,124
	<u>1,444,578</u>	<u>1,431,134</u>
	2021	2020
	RMB'000	RMB'000
Customer 1	<u>224,386</u>	<u>400,506</u>

Both the above customer individually contributed 5% (2020: 13%) of the Group revenue and this are attributable to the Gas Separation segment.

(b) Geographical information

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

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

33. 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 19, the subsidiary corporations 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 subsidiary corporations for the financial years ended 31 December 2021 and 2020.

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 2021 and 2020.

34. New accounting standards and interpretation

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2022 and which the Group has not early adopted.

Amendments to SFRS(I) 1-1 Presentation of Financial Statements:

Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023)

The narrow-scope amendments to SFRS(I) 1-1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

The Group does not expect any significant impact arising from applying these amendments.

NOTES TO THE Financial Statements

For the financial year ended 31 December 2021

34. New accounting standards and interpretation (continued)

Amendments to SFRS(I) 1-16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022)

The amendment to SFRS(I) 1-16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022)

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. The amendment to SFRS(I) 1-37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

The Group does not expect any significant impact arising from applying these amendments.

SHAREHOLDINGS

Statistics

As at 30 March 2022

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.05	50	0.00
100 - 1,000	110	4.95	102,200	0.02
1,001 - 10,000	1,000	45.00	7,001,050	1.09
10,001 - 1,000,000	1,096	49.32	59,922,100	9.36
1,000,001 AND ABOVE	15	0.68	572,974,600	89.53
TOTAL	2,222	100.00	640,000,000	100.00

SHAREHOLDINGS HELD IN HAND OF PUBLIC

Based on the information available to the Company as at 30 March 2022, approximately 33.41% of the issued ordinary share of the Company is held by the public and therefore Rule 723 of the Listing Manual by SGX-ST is complied with

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	INTELLIGENT PEOPLE HOLDINGS LIMITED	329,996,000	51.56
2	PHILLIP SECURITIES PTE LTD	103,318,400	16.14
3	CITIBANK NOMINEES SINGAPORE PTE LTD	56,660,600	8.85
4	UOB KAY HIAN PRIVATE LIMITED	40,000,500	6.25
5	RAFFLES NOMINEES (PTE.) LIMITED	20,306,800	3.17
6	DBS NOMINEES (PRIVATE) LIMITED	5,071,000	0.79
7	IFAST FINANCIAL PTE. LTD.	2,819,500	0.44
8	ENG KOON HOCK	2,615,800	0.41
9	SEE GIM TEE OR SEI KIM HOE	2,451,500	0.38
10	MAYBANK SECURITIES PTE. LTD.	2,323,000	0.36
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,870,200	0.29
12	MOK TIAN SOON	1,727,800	0.27
13	OCBC SECURITIES PRIVATE LIMITED	1,441,100	0.23
14	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,272,200	0.20
15	ATMA SINGH S/O NAND SINGH	1,100,200	0.17
16	AW YONG SAI CHIN	1,000,000	0.16
17	TIGER BROKERS (SINGAPORE) PTE. LTD.	967,300	0.15
18	SEI KIM HOE	961,200	0.15
19	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	918,800	0.14
20	GOH JUI HOO	780,000	0.12
	TOTAL	577,601,900	90.23

SHAREHOLDINGS

Statistics

As at 30 March 2022

SUBSTANTIAL SHAREHOLDERS

	Direct Interests		Deemed Interest		Total	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Substantial Shareholders						
Intelligent People Holdings Limited	329,996,000	51.56	39,902,500 ⁽¹⁾	6.23	369,898,500	57.79
Li Xiang Ping			369,898,500 ⁽²⁾	57.79	369,898,500	57.79
UBS Group AG			56,320,400 ⁽³⁾	8.8	56,320,400	8.8

Notes:

- (1) Intelligent People Holdings limited is deemed to be interested in 39,902,500 ordinary shares held under the name of Phillip Securities Pte Ltd.
- (2) Li Xiang Ping is deemed to be interested in 369,898,500 shares held by Intelligent People Holdings Limited and Phillip Securities Pte Ltd. by virtue of Section 7 of the Companies Act, Cap. 50.
- (3) Deemed interests arising by virtue of (a) UBS Group AG having an interest, or (b) Section 7(4) or 7(4A) of the Companies Act in units over which subsidiaries/affiliates of UBS Group AG have an interest, by reason of the ability to exercise voting discretion and to acquire/dispose of shares.

NOTICE OF Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sinostar PEC Holdings Limited (the “**Company**”) will be held by way of electronic means on Thursday, 28 April 2022 at 10.00 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 2021 and the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final exempt (one-tier) dividend of SGD 0.6 cents per share for the financial year ended 31 December 2021. **(Resolution 2)**
3. To re-elect the following Directors who are retiring by rotation pursuant to Article 104 of the Company’s Articles of Association :-

Li Zhi **(See Explanatory Note 1)** **(Resolution 3)**
4. To re-elect the following Directors who are retiring pursuant to Article 114 of the Company’s Articles of Association:-

Yan Tailing **(See Explanatory Note 1)** **(Resolution 4)**
Dr Chen Seow Phun, John **(See Explanatory Note 2)** **(Resolution 5)**
Jiang Xinglu **(See Explanatory Note 3)** **(Resolution 6)**
Liu Xiaoyan **(See Explanatory Note 4)** **(Resolution 7)**
5. To approve the payment of additional Directors’ Fees of S\$25,417 for the financial year ended 31 December 2021. **(See Explanatory Note 5)** **(Resolution 8)**
6. To approve the payment of Directors’ Fees of S\$262,000 (2021: S\$179,417) for the financial year ending 31 December 2022, to be paid quarterly in arrears. **(Resolution 9)**
7. To re-appoint Nexia TS Public Accounting Corporation as independent auditor of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. **(Resolution 10)**
8. To transact any other ordinary business which may properly be transacted at an annual general meeting.

As Special Business:

9. Renewal of shareholders’ mandate for interested person transactions

“That:

approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), for the renewal of the mandate for interested person transactions (the “**IPT General Mandate**”) which has been amended to incorporate certain changes including the revised individual and aggregate thresholds, particulars of which are set out in the Circular or any of them to enter into any of the transactions falling within the types of the interested person transactions described in the Circular; the IPT General Mandate shall, unless revoked or varied by the Company in general meeting, continue to be in force until the next Annual General Meeting of the Company; and the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to this Resolution.”

(Resolution 11)

NOTICE OF Annual General Meeting

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

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 and Rule 806 of the Listing Manual (the "**Listing Manual**") of the SGX-ST, the Directors of the Company be authorised 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 6)

(Resolution 12)

By Order of the Board

Tan Chee How
Company Secretary
Singapore, 13 April 2022

NOTICE OF Annual General Meeting

Explanatory Notes:

1. Detailed Information pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Mr Li Zhi and Mr Yan Tailing can be found under the section entitled 'Board of Directors' in the Annual Report.
2. Dr Chen Seow Phun, John is the Lead Independent Non-Executive Director of the Company. He also serves as the Chairman of the Remuneration Committee, a member of Nomination committee and Audit Committee. Upon his re-election, Dr Chen will continue to serve as Chairman of the Remuneration Committee, a member of Nomination committee and Audit Committee. Dr Chen will be considered as an Independent Director of the Company for the purposes of Rule 704(8), The detailed information Pursuant to Rule 720(6) of the Listing Manual of Dr Chen Seow Phun, John can be found under the section entitled 'Board of Directors' in the Annual Report.
3. Mr Jiang Xinglu is a Independent Non-Executive Director of the Company. He also serves as the Chairman of the Audit Committee, a member of Nomination committee and Remuneration Committee. Upon his re-election, Mr Jiang will continue to serve as Chairman of the Audit Committee, a member of Nomination committee and Remuneration Committee. Mr Jiang will be considered as an Independent Director of the Company. for the purposes of Rule 704(8), The detailed information Pursuant to Rule 720(6) of the Listing Manual of Mr Jiang Xinglu can be found under the section entitled 'Board of Directors' in the Annual Report.
4. Mr Liu Xiaoyan is a Independent Non-Executive Director of the Company. Mr Liu will be considered as an Independent Director of the Company. for the purposes of Rule 704(8), The detailed information Pursuant to Rule 720(6) of the Listing Manual of Mr Liu Xiaoyan can be found under the section entitled 'Board of Directors' in the Annual Report.
5. The Director's Fees of S\$25,417, if approved, will be paid to the Directors appointed during the financial year ended 31 December 2021.
6. The Ordinary Resolution 12 proposed in item 10 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.

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 the Company at the time the Ordinary Resolution 12 is passed.

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.

NOTICE OF Annual General Meeting

Notes:

1. Due to the current COVID-19 restriction orders in Singapore, members will not be able to attend the AGM in person. Members will be able to watch the proceedings of the AGM through a “live” webcast via their mobile phones, tablets or computers or listen to these proceedings through a “live” audio feed. In order to do so, members who wish to watch the “live” webcast or listen to the “live” audio feed must pre-register by 9.30 a.m. on 26 April 2022, at <https://conveneagm.com/sg/sinostarpec2022>. Members may begin pre-registration at 10.00 a.m. on 13 April 2022. Following authentication of their status as members, authenticated members will receive an email verifying their status as a shareholder. Shareholders should use the log-on credential created during the registration process to access the webcast and audio feed of the proceedings of the AGM by 10.00 a.m. on 28 April 2022.
2. Members who pre-register to watch the “live” webcast or listen to the “live” audio feed may also submit questions relating to the resolutions to be tabled for approval at the AGM. Please note that members will not be able to ask questions at the AGM “live” during the webcast and the audio feed.

All questions must be submitted by 10.00 a.m. on 22 April 2022 (“**Questions Cut-Off Date**”):

1. (a) via the pre-registration website at <https://conveneagm.com/sg/sinostarpec2022>; or
2. (b) in hard copy by post to 30 Cecil Street, #19-08 Prudential Tower Singapore 049712.

The Company will address substantial questions relevant to the resolutions to be tabled for approval at the AGM as received from Shareholders before the Questions Cut-Off Date, on or prior to 22 April 2022. The Company will, within one (1) month after the date of the AGM, publish the minutes of the AGM, together with responses to subsequent clarifications sought or follow-up questions raised by shareholders in respect of substantial and relevant matters on SGXNet and the Company’s website.

**PROXY FORM
ANNUAL GENERAL MEETING**

SINOSTAR PEC HOLDINGS LIMITED

Company No. 200609833N

(Incorporated in Singapore with limited liabilities)

IMPORTANT:

1. The Annual General Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the Annual General Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the Annual General Meeting, addressing of substantial and relevant questions on or before the Annual General Meeting and voting by appointing the Chairman of the AGM as proxy at the Annual General Meeting, are set out in the accompanying Company's announcement dated 13 April 2022. This announcement may be accessed via the SGX website at the URL: <https://www.sgx.com/securities/company-announcements>.
3. Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (including a Relevant Intermediary*) must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting.
4. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM in order to allow sufficient time for their respective CPF Agent Banks or SRS Operators to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.
5. This Proxy Form is not valid for use by CPF and SRS 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 the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting ("**Meeting**") of the Company to be held on Thursday, 28 April 2022, at 10.00 a.m. by way of electronic means and at any adjournment thereof. I/We direct my/our proxy to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the appointment of Chairman of the Annual General Meeting as your proxy for that resolution will be treated as invalid.

No.	Resolutions relating to:	For	Against	Abstain
1.	Directors' Report and Audited Accounts for the Financial year ended 31 December 2021.			
2.	To declare a first and final exempt (one-tier) dividend of SGD 0.6 cents per share for the financial year ended 31 December 2021			
3.	Re-election of Mr Li Zhi as a Director			
4.	Re-election of Mr Yan Tailing as a Director			
5.	Re-election of Dr Chen Seow Phun, John as a Director			
6.	Re-election of Mr Jiang Xinglu as a Director			
7.	Re-election of Mr Liu Xiaoyan as a Director			
8.	Approval of the payment of additional Directors' Fees of S\$25,417 for the financial year ended 31 December 2021.			
9.	Approval of the payment of Directors' Fees of S\$262,000 for the financial year ending 31 December 2022.			
10.	Re-appointment of Nexia TS PAC as Auditors			
11.	Renewal of shareholders' mandate for interested person transactions			
12.	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 _____ 2022

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:

1. 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 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares registered in your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.
2. **Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person.** If a member of the Company (including a Relevant Intermediary*) wishes to exercise his/her/their voting rights at the AGM, he/she/they must appoint the Chairman of the AGM as his/her/their proxy to vote on his/her/their behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate and including a Relevant Intermediary*) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

*“**Relevant Intermediary**” has the same meaning ascribed to it in section 181 of the Companies Act, Chapter 50.
3. The instrument appointing the Chairman of the AGM as proxy must be, if submitted by post, be lodged with the Company's Share Registrar at **30 Cecil Street, #19-08 Prudential Tower, Singapore 049712**, or submitted by way of email to rhtcaoscar@rhtcorporate.com not less than 48 hours before the time set for the AGM.
4. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman as proxy 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.
5. Where an instrument appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.
6. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM in order to allow sufficient time for their respective CPF Agent Banks or SRS Operators to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.
7. The Company shall be entitled to reject a proxy form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form lodged if the member, being the appointor, is not shown to have shares entered against his/her/their name in the Depository Register as at 72 hours before the time appointed for holding the AGM (or at any adjournment thereof), as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Protection:

By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.



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

27 Huanghe Road, Dongming County
Shandong Province, PRC 274500

30 Cecil Street, #19-08
Prudential Tower Singapore 049712

www.sinostar-pec.com