

**SINOSTAR PEC HOLDINGS LIMITED**  
(Company Registration Number: 200609833N)  
(Incorporated in Singapore on 5 July 2006)

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**RESPONSE TO QUERIES FROM THE SGX-ST ON THE ANNOUNCEMENT CIRCULATED BY  
SINOSTAR PEC HOLDINGS LIMITED ON 28 SEPTEMBER 2023 IN RESPECT OF THE  
PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE**

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*Unless otherwise defined, all capitalised terms shall bear the same meanings ascribed to them in the Announcement (as defined below).*

The board of directors (the “**Board**” or the “**Directors**”) of Sinostar PEC Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 28 September 2023 (the “**Announcement**”) in relation to the Company’s proposed renounceable non-underwritten rights issue (the “**Rights Issue**”).

The Company had, on 29 September 2023, received queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in relation to the Announcement.

The queries posed by the SGX-ST, as well as the Company’s responses are set out below:

**Question 1**

Pursuant to Listing Rule 814, please provide the following information:

- a. The “Last Traded Price”, the market capitalization and reference date/period used for the computation of the theoretical ex-rights price.
- b. Please explain the rationale for setting the issue price at a 0% discount to the various benchmarks mentioned under section 2 “Discount” (a) and (b).

**Company’s response**

In response to Question 1(a), as mentioned in Section 2 of the Announcement, the Last Traded Price of the Company was S\$0.14 per share, which was the price of a share of the Company as at the close of market on 28 September 2023, being the full market day on which the Rights Issue is announced.

The market capitalisation of the Company was S\$89,600,000, being 640,000,000 outstanding shares multiplied by its market price per share of S\$0.14. The reference date used for the computation of the theoretical ex-rights price was 28 September 2023, being the full market day on which the Rights Issue is announced and the date that the market capitalisation of the Company was calculated using the Last Traded Price.

In response to Question 1(b), as the current average trading volume of the Company’s shares is low, shareholders who wish to obtain further equity participation in the Company may not be able to purchase the shares from the market at the current market price. The Rights Issue is hence undertaken at the current market price to allow such investors to procure further shares in the Company. Further, the Board of Directors of the Company are of the view that the shares of the Company are currently undervalued considering the current low market price. As such, the Board of Directors decided that there is no need for a discount in relation to the Rights Issue.

**Question 2**

The Company disclosed that it “intends to utilise the Net Proceeds for the following purposes: (a) expansion of business and potential acquisition(s) in the future to expand the business; (b) debt service and other contractual payments; and (c) general working capital requirements of the Group, which include funding the Group’s procurement initiatives and vendor management processes and streamlining of the Group’s operations.” Please provide the following details:

- a. Please elaborate with specific information the “expansion and potential acquisition(s)” opportunities that the company is planning to embark on.
- b. Noting that 66.18% or SGD 29,650,000 of the net proceeds will go to “debt service and other contractual payments”, please disclose and quantify whether any of the amounts will be paid to interested persons and if so, to provide a breakdown and quantify the amounts. In addition, please disclose the nature of the “other contractual payments” as well as when the payment will be due. To also quantify the Company’s current debt obligations and state the company’s “present bank facilities” in place to service the debts as they come due.
- c. Please provide a breakdown of the SGD 150,000 “costs incurred in connection with the Rights Issue” that is expected to take up 0.33% of the net proceeds, given that there is no underwriting fees involved for this non-underwritten rights issue.

Company’s response

In response to Question 2(a), the Company is currently exploring expansion of its business and the acquisition of other businesses. However, as the Company is still amid identifying its target entity/entities, it is unable to disclose specific information at this juncture. The Company will release further information in accordance with the Mainboard rules of the SGX-ST once there are substantial developments.

In response to Question 2(b), the Company intends to use the net proceeds from the Rights Issue (“**Net Proceeds**”) to contribute towards the repayment of two loans that its subsidiaries entered into in 2020.

The first loan which the Company intends to use the Net Proceeds to service relates to a loan pursuant to a loan agreement dated 16 January 2020 between the Company’s wholly-owned subsidiary, Dongming Hengchang Petrochemical Co., Ltd. (“**Dongming Hengchang**”), and the Agricultural Bank of China (中国农业银行), which is not an interested person of the Company. The purpose of the loan was to provide funding for a project that enables Dongming Hengchang to produce polypropylene at a capacity of 200,000 tons a year. Out of a principal loan quantum of RMB 500,000,000, Dongming Hengchang has paid off RMB 110,000,000 thus far. It has also paid a total sum of RMB 72,055,600 in interest, and its remaining debt obligations are as follows:

Repayment date	Repayment sum (in RMB’000,000)	Interest sum <sup>(1)</sup> (in RMB’0,000)
20 December 2023	30	385.46
20 June 2024	30	711.62
20 December 2024	30	655.90
20 June 2025	50	593.02
20 December 2025	50	496.90
20 June 2026	50	395.34
20 December 2026	50	298.14
2 January 2027	100	14.12
<b>Total</b>	<b>390</b>	<b>3,550.50</b>

*(1) Please note that the interest rate for this loan, as agreed in the loan agreement, is a floating interest rate, which is determined based on subtracting 0.39% from the China inter-bank offered rate at the material time, with an adjustment cycle occurring once every 12 months. The current figures in this column are merely projections, based on the computation of a loan interest rate from the China inter-bank offered rate as at 16 January 2023.*

The Company presently has intention to obtain bank financing to pay off its loans. It intends to use cash flows generated from existing or future operations to pay off the remaining loan amounts that are not drawn from the Net Proceeds.

The second loan which the Company intends to use the Net Proceeds to service relates to a loan pursuant to a loan agreement dated 14 December 2020 between the Company’s subsidiary in which

the Company has a controlling interest, Dongming Qianhai Petrochemical Co., Ltd (“**Dongming Qianhai Petrochemical**”), and another controlling shareholder of Dongming Qianhai Petrochemical (as defined under the Mainboard rules of the SGX-ST), Dongming Petrochemical Group (“**Dongming Petrochemical Group**”). The Company effectively holds 70% interest in Dongming Qianhai Petrochemical, and Dongming Petrochemical Group holds the remaining 30% interest. Dongming Petrochemical Group is an interested person of the Company. The purpose of the loan was to fund the daily operating needs of Dongming Qianhai Petrochemical. Out of the principal loan quantum of RMB 705,000,000, Dongming Qianhai Petrochemical has paid off RMB 405,000,000 thus far. It has also paid a total sum of RMB 74,197,200 in interest, and its remaining debt obligations are as follows:

Repayment date	Repayment sum (in RMB'000,000)	Interest sum (in RMB'0,000)
20 December 2023	50	360.21
20 March 2024	50	296.88
20 June 2024	50	242.78
20 September 2024	50	182.08
20 December 2024	50	120.07
1 April 2025	50	65.97
<b>Total</b>	<b>300</b>	<b>1267.99</b>

Out of all the Net Proceeds, S\$18,900,000 will go towards the repayment of the loan between Dongming Qianhai Petrochemical and Dongming Petrochemical Group.

The Company presently has no intention to obtain bank financing to pay off its loans. It intends to use cash flows generated from existing or future operations to pay off the remaining loan amounts that are not drawn from the Net Proceeds.

Apart from the aforementioned two loans, the Company does not intend to use the Net Proceeds to pay off any other contractual liability.

In response to Question 2(c), the Company intends to use S\$150,000 of the Net Proceeds to contribute towards the repayment of the following costs incurred in connection with the Rights Issue:

Description of cost	Amount drawn from Net Proceeds (SGD)
Legal professional fees	81,000
Printing and courier service fees	20,000
Banking services fees	15,000
Shareholder registry service charges	5,000
Secretarial fees, CDP fees and Audit fees	29,000

**BY ORDER OF THE BOARD  
SINOSTAR PEC HOLDINGS LIMITED**

Li Xiangping  
Executive Chairman and CEO