



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



HARVESTING GROWTH NURTURING SUSTAINABILITY

ANNUAL REPORT 2023

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.



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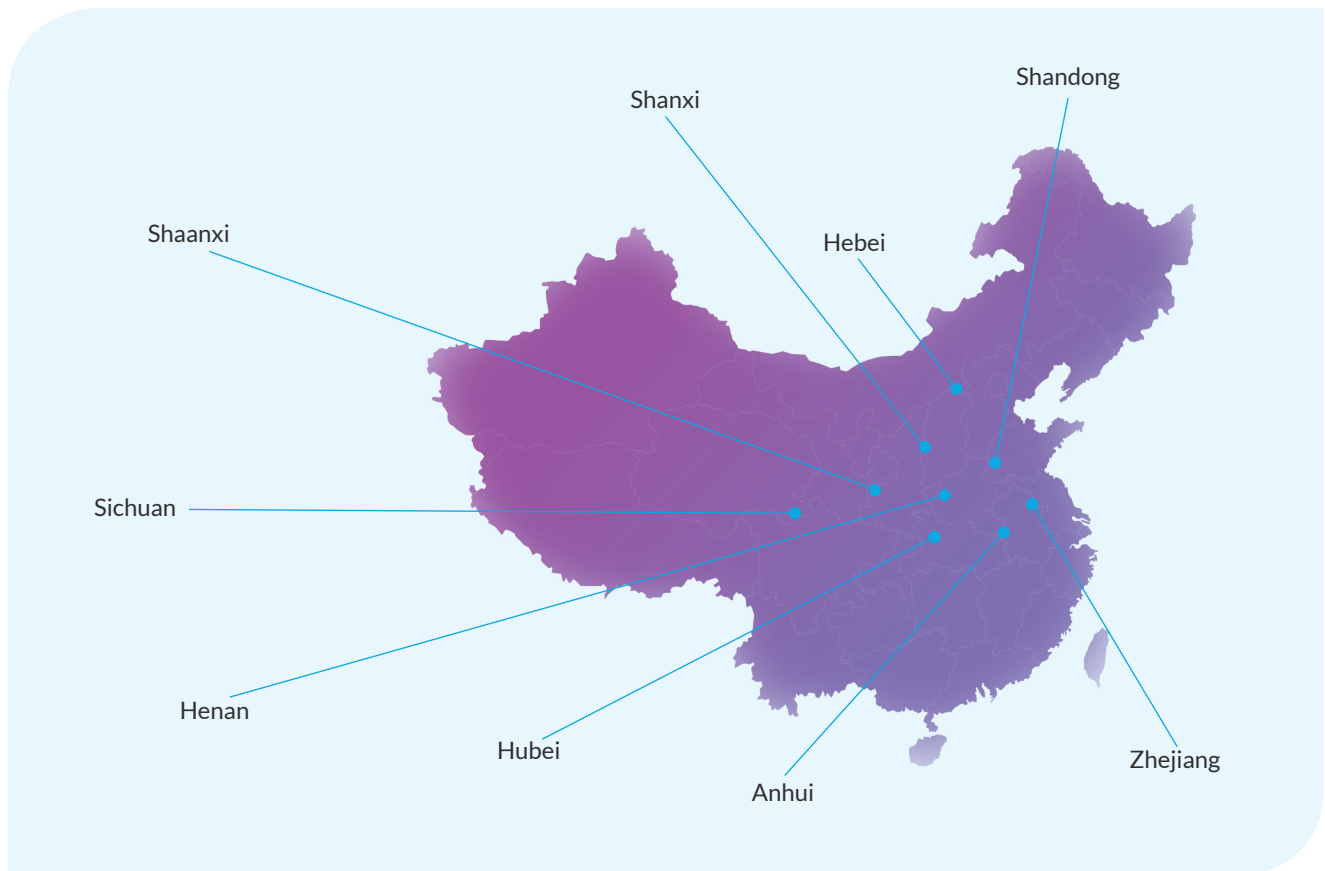
SINOSTAR PEC AT A GLANCE



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.



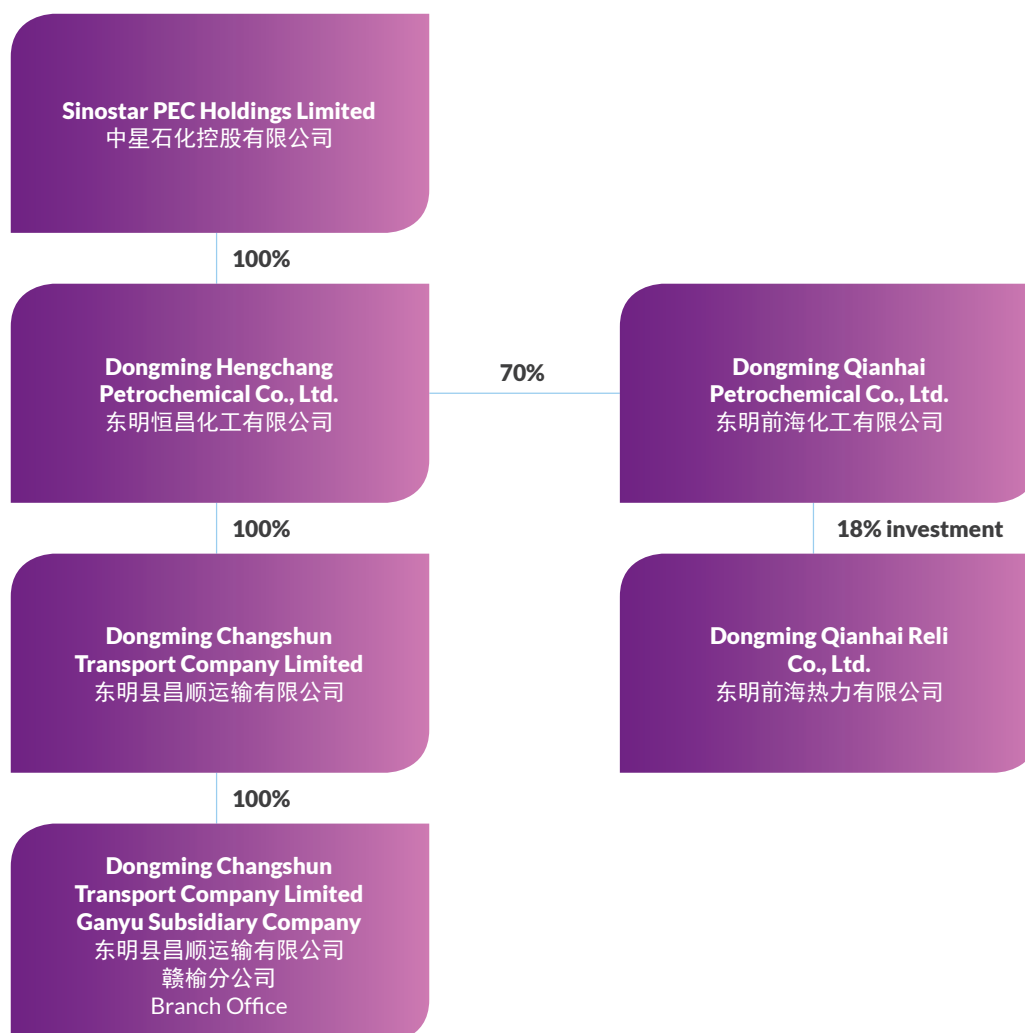
OUR CORPORATE STRUCTURE

Our Group comprises Sinostar PEC Holdings Limited and our PRC 100% wholly-owned subsidiary, Dongming Hengchang Petrochemical Co., Ltd. which runs gasfractionation production plants with an annual production capacity of 450,000 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. This device introduces the latest generation of ring-tube method chemical process technology from

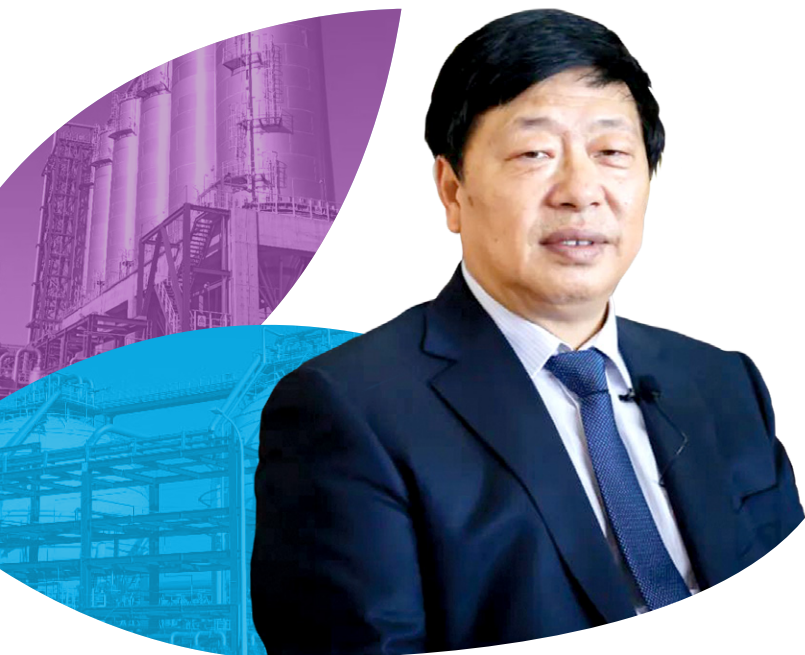
LyondellBasell, and uses high-efficiency and environmentally friendly catalysts. The device has low energy consumption and can produce 168 kinds of high-end polypropylene products with a full range of multi-purpose applications, which are used to produce raw materials for aerospace, medical devices, automobile parts, home appliances, food packaging, etc. At present, the company has developed and produced 26 kinds of high-end polypropylene products, of which five grades, HP565S\M900\M700B\HP648T-M\EP200R, have filled the domestic gap.

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.



CHAIRMAN'S STATEMENT



“Guided by technological innovation, we work together to create brilliance.”

LI XIANGPING

Executive Chairman and CEO

DEAR SHAREHOLDERS,

In 2023, Sinostar PEC navigated a challenging environment marked by various unfavorable factors. Through the decisive leadership of the Board of Directors and management team, coupled with the unwavering commitment of our entire workforce, the company seized opportunities, achieved significant progress, and delivered remarkable business performance.

PERFORMANCE REVIEW IN 2023

- **Business performance hits a new high**

Sinostar PEC Group reported a stellar performance in 2023, achieving record-breaking financial results. Sales revenue surged to RMB5.33 billion, while net profit reached RMB313.17 million, marking significant year-over-year growth. Production facilities operated at full capacity, exceeding annual targets, demonstrating exceptional operational efficiency. The Group maintained its industry-leading position in terms of comprehensive energy consumption, reflecting a commitment to sustainable practices. The Group prioritized

safety and quality throughout the year, achieving a commendable zero-accident record across safety, quality, environmental protection, and occupational health. Additionally, the company maintained a 100% ex-factory product qualification rate, signifying unwavering commitment to quality control.

- **Technological innovation leads the way, and new product development is steadily advancing**

In 2023, the Group continued to strengthen its close cooperation with strategic partner Shandong Dongming Petrochemical Co., Ltd. It made full use of the talent and technology advantages of Shandong High-end Chemical Research Institute (山东高端化工研究院), and took scientific and technological innovation and technological research and development as the driving force to increase R&D investment and inject new impetus into the company's development.

In 2023, the Group's total R&D expenditure was RMB10.26 million. It successfully developed new high-end polypropylene products with model numbers M450, RP340S, RP340N and HC8016. The launch of

these new products further met the needs of customers and the market, and enhanced the company's market competitiveness.

- **Unlocking Breakthrough Performance: Through Benchmarking & Value Chain Optimization**

The Group demonstrates a strong commitment to achieving operational excellence through continuous benchmarking and comprehensive value chain optimization initiatives. In 2023, the Group continued to benchmark against advanced enterprises, design values, and historical best performance. This comprehensive approach to benchmarking management has led to significant improvements in comprehensive energy consumption, long-term operation of the equipment, and product yield.

The Group also made significant improvements to the dehydrogenation unit in 2023. By optimizing and adjusting the production process of the methanol tower, the Group saved approximately RMB1.68 million in energy costs. Additionally, the

Group adjusted the feed ratio of C3/C4 in the dehydrogenation unit to meet market demand and product requirements. This resulted in an increase of approximately RMB8.51 million in the comprehensive income of products.

- **Successful Completion on the Overhaul of Major Equipment**

To ensure safe and stable production, the Group strictly implements the “Three-Year Overhaul” safety management principle for its major production equipment. Dongming Qianhai Petrochemical Co., Ltd successfully completed the overhaul of its major production equipment in 2023. This was achieved through careful planning and execution. The members of team in charge of the overhaul were carefully selected and appointed and subsequent an overhaul plan was developed. Overhaul materials were also stockpiled. More than 300 overhaul tasks were completed on schedule. The successful completion of the overhaul ensures the safe, long-cycle, and efficient operation of Dongming Qianhai Petrochemical's production equipment.

- **Digitalization Construction**

In 2023, the Group collaborated with international leading suppliers to implement digitalization systems, including PID, APC, RTO, and SAP ERP. This, combined with standardization construction, has enabled system control, process optimization and reengineering of production, operation, and management. This has improved the efficiency and effectiveness of all links of production, operation, and management.

- **Enhanced Social Impact**

In 2023, the Group's subsidiary, Dongming Qianhai Petrochemical Co., Ltd, was awarded the “Gazelle Enterprise” honorary title and received a government grant of RMB100,000. They also completed the technological renovation of the VOCs project and was commended by the local government for being a green and environmentally friendly

enterprise. Dongming Hengchang Petrochemical Co., Ltd and Dongming Qianhai Petrochemical Co., Ltd were both awarded the “Civilized Private Enterprise” title by the local government. These honors and awards have further enhanced the Group's social impact.

- **Continuing to Strengthen Close Cooperation with Market Participants**

The Group is committed to continuous improvement of product quality and service, and to achieving win-win or multi-win outcomes with partners, suppliers, and customers. This commitment is based on the belief that it is essential to ensure the Group's green, low-carbon, and sustainable development, maximize corporate value, and reward shareholders and society.

In 2023, the Group actively carried out various activities to strengthen its relationship with market participants, including:

- Product quality tracking;
- Customer satisfaction surveys; and
- Participation in policy promotion and service activities organized by communities and government departments

These activities have helped the Group to build closer relationships with market participants, establish a strong reputation and expand its market share.

GROUP OUTLOOK AND PROGRESS

2024 is a crucial year for China's “14th Five-Year Plan of China” and a year of great development for China's high-quality productivity. A series of favorable policies, such as new energy vehicles, consumption upgrading, rural revitalization, and integrated urban-rural development, will bring good opportunities for the company's business expansion.

At the same time, we should also be aware of the potential adverse factors, such as fluctuations in the upstream raw material market caused by geopolitical and international monetary policy

uncertainties, and market competition further intensified by factors such as green energy, new material substitution, and new market participants.

In 2024, the Group will continue to focus on risk control and stable operation, with the goal of achieving value creation and improving the company's profitability. We will take scientific and technological innovation and new product development as the driving force, and lead all employees to create new brilliance.

Looking ahead, we will continue to uphold the principal of “customer first, innovation driven”. We will continuously optimize the product structure and improve the service quality to meet the diversified needs of the market and customers. We will also firmly grasp the policy advantages of Shandong Province supporting the Group as the leading enterprise of the C3 industrial chain and achieve high-quality development. We will continue to increase investment in science and technology to promote the company's development towards intellectualization, greening and high-end. At the same time, the Group will further integrate existing resources, based on the Group's high-end chemical industry, and gradually extend the industrial chain to achieve healthy and sustainable development of the company.

APPRECIATION

The Group is grateful for the support of its employees and shareholders. The Group's success is due to the hard work and dedication of its employees, as well as the trust and support of its shareholders. The Group is committed to continuing to create value for its shareholders and employees. We sincerely wish you good health, success in your career, and all the best in all your endeavors.

LI XIANGPING

Chairman and Chief Executive Officer

致股东们的一封信

“以科技创新为引领，携手共进共创辉煌”

尊敬的各位股东：

过去的2023年，中星石化在集团董事会、管理层的坚强领导下，经过全体员工共同努力，克服各种不利因素，抢抓机遇，锐意进取，取得了骄人的经营业绩，在此，我谨代表董事会向大家做年度工作报告。

2023年业绩回顾

● 经营业绩再创新高

2023年，中星集团实现销售收入53.33亿元，实现净利润3.13亿元，销售收入、净利润均创历史新高。恒昌化工、前海化工各套生产装置均满负荷生产，超额完成年度加工任务。装置综合能耗指标处于行业领先水平。安全、质量、环保、职业病全年零事故。产品出厂合格率100%。

● 科技创新引领，新产品开发稳步推进

2023年，中星集团继续加强与战略合作方东明石化的紧密合作，充分依托东明石化高端化工研究院人才及技术优势，以科技创新，技术攻关为驱动，加大研发投入，为公司发展注入新动力。本集团全年累计支出研发费用1025.78万元，成功开发出M450、RP340S、RP340N、HC8016新品号高端聚丙烯产品，新产品的市场投放，进一步满足了客户及市场需求，增强了公司市场竞争力。

● 对标管理、全价值链优化管理成绩斐然

2023年本集团持续在生产、经营、管理等环节，全范围开展对标管理工作，与先进企业对标，与装置设计值对标，与公司历史最好水平对标，奖优罚劣。通过一系列对标管理，在综合能耗、装置长周期运行、产品收率等方面均取得良好效果。2023年通过对脱氢装置甲醇塔工艺优化调整，全年节约能耗约168万元。根据市场形势及产品需要，及时调整脱氢装置C3\C4的进料比例，全年累计提升产品综合收益约851万元。

● 装置大修顺利完成

为确保公司安全稳定生产，集团主要生产装置，严格执行“三年一大修”的安全管理原则，2023年，前海化工在大修领导小组的统筹领导下，提前编制大修计划，储备大修物资，筛选大修队伍。按计划顺利完成300余项大修任务，大修计划完成率100%，为公司装置安全、长周期、高效运营奠定了基础。

● 数智化建设落地实施

围绕生产、经营、管理中的难点和痛点，2023年本集团与国际一流供应商合作，通过PID\APC\RTO\SAP ERP等数智化系统赋能，及标准化建设，实现生产、经营、管理的系统控制、流程优化及再造，提高生产、经营、管理各环节的效率和效益。

● 社会影响力进一步提升

2023年，子公司前海化工获得“瞪羚企业”荣誉称号，争取政府奖励资金10万元，前海化工完成VOCs项目的技术改造，获得当地政府绿色环保企业嘉奖。前海化工、恒昌化工被当地政府双双评选为“文明民营企业”称号，在获得荣誉、奖励的同时，公司社会影响力进一步提升。

● 继续加强与市场参与者的密切合作

持续提高产品质量与服务，致力于同合作方、供应商、客户实现双赢、多赢，确保公司绿色、低碳、可持续发展，实现企业价值最大化，回报股东，反哺社会，一直是本集团干事、创业的目标和初心。2023年本集团通过多种方式和途径，积极开展产品质量跟踪、客户满意度调查等活动，踊跃参与社区、政府等主管部门的各种政策宣传和服务。通过上述活动，与各方市场参与者拉近了关系，建立了联系，赢得了信誉，拓宽了市场。

2024年展望

尊敬的各位股东，2024年是中国“十四五规划”关键一年，也是中国高质生产力上台阶大发展的一年。新能源汽车、消费升级、乡村振兴、城镇化融合发展等一系列利好政策，将为公司业务拓展带来上好机遇。同时，我们也应当清醒的认识到的，因地缘政治、国际货币政策等不确定性因素，可能会带来的上游原材料市场波动。因绿色能源、新材料替代、新的市场参与者加入等因素，也将会导致市场竞争进一步加剧，等不利因素。2024年，本集团仍将以控制风险，稳健经营为主基调，以实现价值创造，提高公司盈利能力为主抓手，以科技创新，新产品开发为驱动力，带领全体员工再创辉煌。

尊敬的各位股东，展望未来，我们将继续秉承“客户至上，创新驱动”的发展理念。不断优化产品结构，提高服务质量，以满足市场及客户多样化需求。紧紧抓住，山东省支持本集团作为C3产业链链主企业，实现高质量发展的政策优势。持续加大科技投入，推动公司向智能化、绿色化、高端化的方向发展。同时，本集团将进一步整合现有资源，立足集团高端化工主业，逐步延伸产业链条，实现公司健康、可持续发展。

诚挚感谢

尊敬的各位股东，公司的发展即离不开全体员工的辛勤付出，也离不开全体股东的信任和支持，在此对多年来支持并关注公司发展的各位股东，表示诚挚的感谢和衷心的祝福。祝各位股东身体健康，工作顺利，万事如意。

执行主席兼CEO：李湘平



STRATEGIC AFFILIATION AND PROCESS



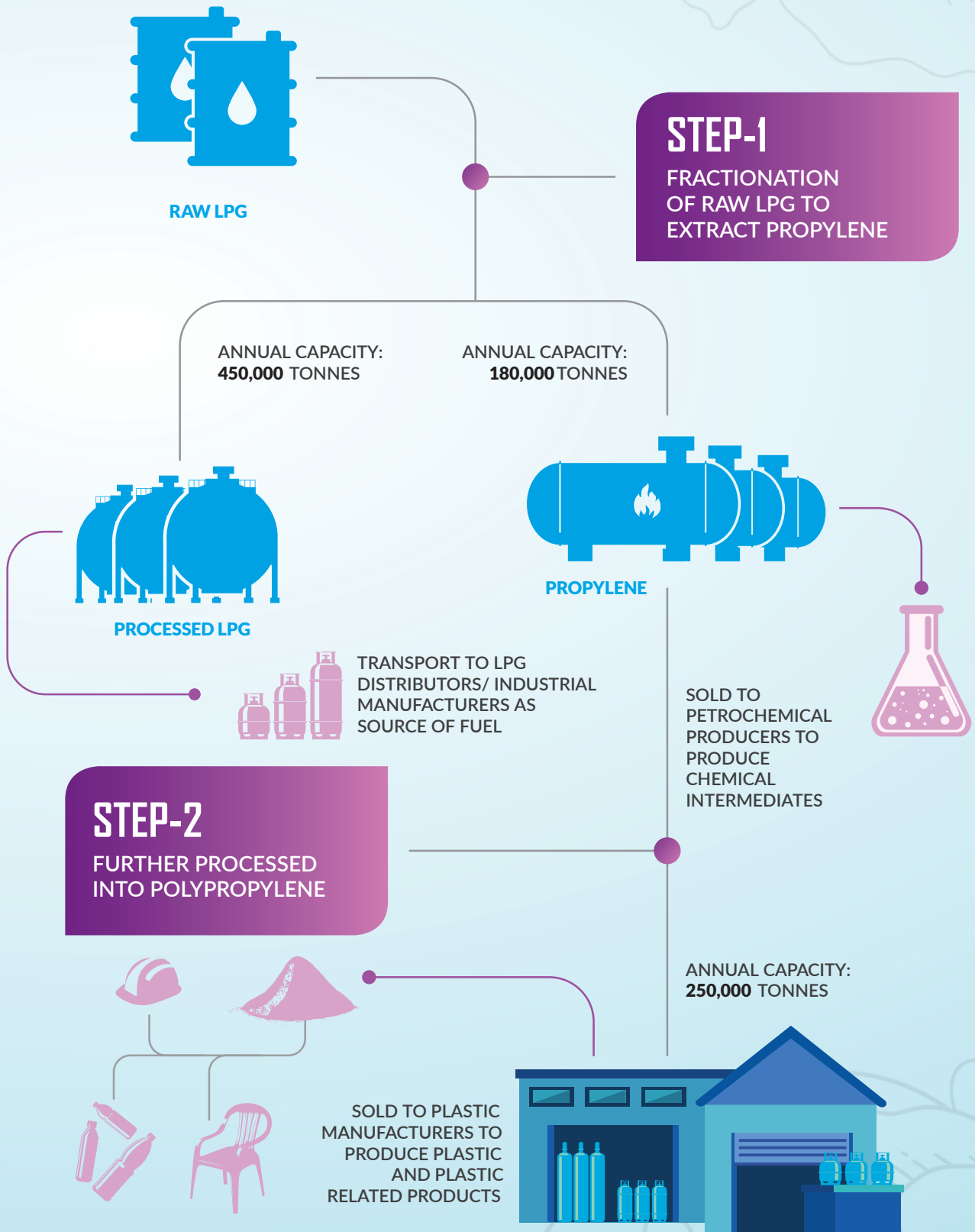
Our strategic affiliation with Shandong Dongming Petrochem Holdings Group (“Dongming Petrochem”) began in 2006 when we acquired Dongming Hengchang, where Dongming Petrochem was one of the founding shareholders. Dongming Hengchang was originally set up in 2000 as a joint venture between Dongming Petrochem 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





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/ISO 14001:2015 – 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 450,000 tonnes of raw LPG and are able to further process part of our generated propylene into 250,000 tonnes of polypropylene annually.

We have 98 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 aerospace, medical equipment, home appliance parts and other consumer goods).

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.

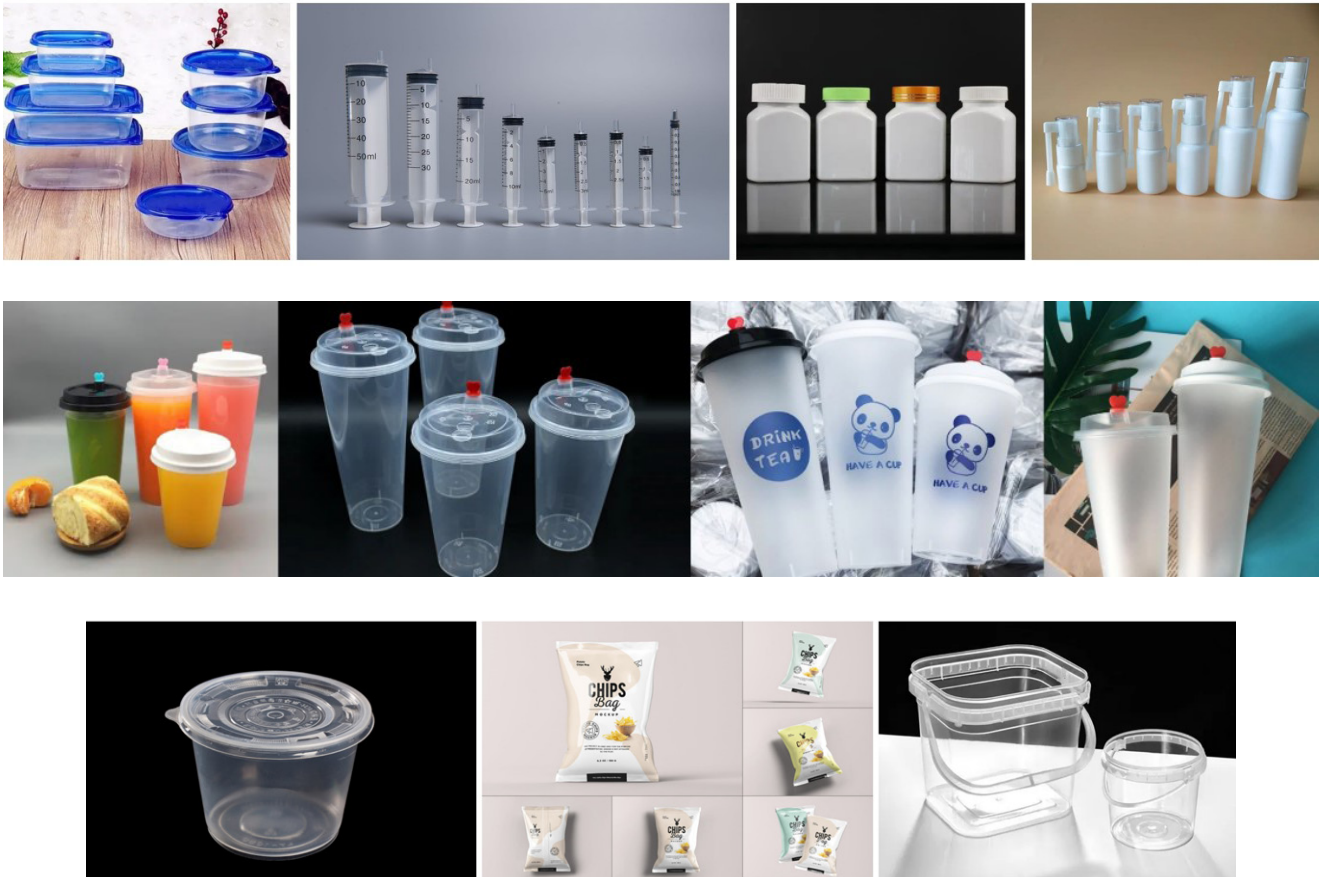
Hydrogen

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



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



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



Product: Polypropylene
Type: HCRP340R
Application: Excellent transparency, good glossiness, used in household containers, cosmetics and drug packaging, medical device tubes and small bottles and other injection products



Product: Polypropylene
Type: HCHP565S
Application: Very narrow molecular weight distribution, high-end special materials used in aviation clothing, medical and health supplies, carpets



Product: Polypropylene
Type: M700B
Application: Better transparency and toughness, mainly used in frosted milk tea cups



Product: Polypropylene
Type: M900
Application: Fast-consuming copolyester applied to thin-wall injection molding and food packaging

OPERATIONS REVIEW

Processed LPG

LPG has increased by 1.78% from RMB1,616.41 million in FY2022 to RMB1,645.18 million in FY2023, including inter-company transactions. A total of 319,293 tonnes were sold during FY2023, indicating an increase of 13.50% as compared to 281,873 tonnes in FY2022. Both the average selling prices (“ASP”) and the average cost of production (“ACP”) during the period have decreased by 10.59% and 9.82% respectively, compared to FY2022.

Propylene

Propylene is used to be further processed into premium grade polypropylene in FY2023.

Polypropylene

Polypropylene has increased by 6.63% from RMB155.00 million in FY2022 to RMB165.28 million in FY2023, including inter-company transactions. The total sales volume has also increased by 25.43% from 20,856 tonnes in FY2022 to 26,160 tonnes in FY2023. Both ASP and ACP have decreased by 14.99% and 11.95% respectively, compared to FY2022.

Premium grade polypropylene

Premium grade polypropylene has increased by 13.6% from RMB1,384.77 million in FY2022 to RMB1,572.96 million in FY2023, including inter-company transactions. The total sales volume has also increased by 23.54% from 188,766 tonnes in FY2022 to 233,202 tonnes in FY2023. Both ASP and ACP have decreased by 7.23% and 10.25% respectively, compared to FY2022.

MTBE

The sale of MTBE has decreased by 5.73% from RMB2,174.00 million in FY2022 to RMB2,049.46 million in FY2023. Sales volume decreased 5.11% from 339,703 tonnes in FY2022 to 322,338 tonnes in FY2023. Both ASP and ACP during FY2023 decreased by 0.65% and 12.28% respectively, compared to FY2022. This also resulted in a significant increase in gross profit.

Hydrogen

In FY2023, hydrogen sales volume has increased by 8.06% to 13,567 tonnes in FY2023, compared to 12,555 tonnes in FY2022. Revenue has also increased 7.99%, from RMB184.56 million in FY2022 to RMB199.31 million in FY2023, including

inter-company transactions. ASP has decreased 0.06% and ACP has increased by 14.12% in FY2023, compared to FY2022.

Isobutylene

Isobutylene has increased 14.63% from RMB143.54 million in FY2022 to RMB164.54 million in FY2023 as total sales volume has also increased by 13.88% to 16,512 tonnes in FY2023, compared with 14,500 tonnes in FY2022. ASP has increased 0.66% and ACP has decreased by 13.717% for FY2023, compared to FY2022.

Other Gases

The sale of other gases has increased by 11.19%, rising from RMB28.49 million in FY2022 to RMB31.68 million in FY2023. Total sales volume has also increased 22.55% from 4,529 tonnes in FY2022 to 5,550 tonnes in FY2023. ASP has decreased 9.27% and ACP has increased 1.06%, compared to FY2022.

Utilities

The sale of utilities has increased by 100% to RMB137.34 in FY2023 compared to FY2022, including inter-company transactions. Since the fourth quarter, the Group has changed its financial accounting method from the previous method of offsetting the cost of purchasing utilities to the current method of including it in its sales revenue.

Logistics & transport related service

Revenue from this business has increased by 39.30% from RMB267.68 million in FY2022 to RMB372.82 million in FY2023, including inter-company transactions.

Gross profit

The gross profit has increased from RMB196.98 million in FY2022 to RMB400.06 million in FY2023. The reasons for the increase are mainly due to the increase in the gross margin of the Group’s main products MTBE and high-end polypropylene, as well as the increase in the volume of logistics and transportation business.

Other income

In the twelve months ended 31 December 2023, an interest income of RMB6.42 million was received. Furthermore, other sources of income comprised RMB54.78 million from the gain on disposal of

catalyzers and other scrap materials, RMB38.86 million of dividends received from Dongming Qianhai Reli Co., Ltd, RMB1.62 million from a government subsidy, and other miscellaneous income of RMB0.63 million.

Administrative costs

Administrative costs have increased from RMB33.93 million in FY2022 to RMB36.69 million in FY2023. This increase was primarily driven by an increase in research and development expenses, partially offset by a RMB5.33 million decrease in other administrative spending compared to FY2022.

Distribution costs

Distribution costs have increased from RMB0.25 million in FY2022 to RMB6.23 million. This was mainly due to the increase in providing of door-to-door transportation services to meet some customers’ demand in FY2023.

Other expenses

Other expenses have increased from RMB0.27 million in FY2022 to RMB5.66 million in FY2023. The main reasons for the increase include:

- During the overhaul of the subsidiary Qianhai Petrochemical in May 2023, the cleaning of storage tanks, system pipelines and other public utilities resulted in a loss of RMB4.22 million in raw materials and inventory goods; and
- Other non-operating expenses increased by RMB0.23 million compared to FY2022.

Finance costs

The finance costs have decreased from RMB47.68 million in FY2022 to RMB34.72 million in FY2023 as a total of RMB260 million of borrowings has been repaid.

Taxation

Entities make quarterly tax provisions based on their respective profitability.

Net Profit

The Group recorded a net profit of RMB313.17 million in FY2023, compared to RMB79.06 million in FY2022. The increase in net profit mainly comes from the increase in operating profit and the dividends received from Dongming Qianhai Reli Co., Ltd.



MR LI XIANGPING

Executive Chairman and CEO

Mr Li Xiangping 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 representative of the 11th, 12th, 13th and 14th National People’s Congress and the vice president of the National Private Chamber of Commerce.

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 (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 and Mr Li elected as a deputy to the Shandong Provincial People’s Congress in 2023.



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 a number of listed companies in China.

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 and independent director of Zhongxin Fruit and Juice Limited.

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.



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 QIANSHENG

General Manager (Dongming Qianhai Petrochemical Co., 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.



LI TAO

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

Mr Li Tao oversees the general operations of Dongming Hengchang Petrochemical Co., Ltd. and is the Group's General Manager. Mr Li joined Dongming Zhongyou Fuel & Petrochemical Co., Ltd after graduating with a Bachelor's degree in Environmental Engineering in 2005, taking on various roles within the Group in production technology, manufacturing, procurement and many more.

FINANCIAL HIGHLIGHTS

(IN RMB'000)	2018	2019	2020	2021	2022	2023
REVENUE & PROFITABILITY						
Sales	2,259,480	3,660,048	3,182,338	4,716,209	4,848,203	5,333,091
Gross Profit	128,011	270,338	285,878	478,691	196,976	400,063
Net Profit	82,703	138,014	184,574	307,318	79,064	313,170
Net Profit to Equity holders of the Group	82,703	113,692	158,552	237,423	39,442	217,610
Interest Coverage ratio	-	4.59	7.56	9.43	3.68	13.07
FINANCIAL STRENGTH						
Cash & bank balances	426,215	66,247	352,035	702,615	521,064	562,886
Bank borrowings	(281,250)	(156,250)	(531,250)	(480,000)	(420,000)	(360,000)
Loan from non-controlling interest*	(1,000,000)	(850,000)	(705,000)	(625,000)	(450,000)	(250,000)
Net Debt/Equity	98.4%	94.9%	72.2%	26.5%	22.7%	2.77%
Current assets	803,941	351,944	548,306	1,032,236	804,344	915,603
Current liabilities	(1,410,696)	(1,098,298)	(321,727)^	(570,667)	(421,080)	(471,413)
(Net current liabilities)/net current assets	(606,755)	(746,354)	226,579	461,569	383,264	444,190
Shareholders' equity	736,030	833,603	1,026,672	1,248,586	1,243,794	1,465,591
CASH FLOW						
Net cash provided by operating activities	61,076	205,900	353,844	581,264	154,397	463,546
Net cash (used in)/provided by investing activities	(57,856)	(223,351)	(259,292)	(34,425)	(34,397)	32,342
Net cash (used in)/provided by financing activities	(15,354)	(342,517)	191,236	(196,259)	(301,551)	(454,066)
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)	12.92	17.76	24.77	37.10	6.16	34.00
Net asset value per share (RMB cents)	135.76	154.81	191.35	236.95	240.66	265.70
Net cash value per share (RMB cents)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Dividend yield	2.6%	Nil	3.3%	2.0%	Nil	3.67%
TOTAL MARKET CAPITALISATION (IN S\$)						
	\$119,680	\$120,320	\$96,000	\$188,800	\$115,200	\$87,040
MARKET PRICE (IN S\$)						
High	\$0.235	\$0.220	\$0.191	\$0.490	\$0.299	\$0.205
Low	\$0.150	\$0.145	\$0.135	\$0.147	\$0.166	\$0.075
Closing	\$0.187	\$0.188	\$0.150	\$0.295	\$0.180	\$0.136

* Arising from the acquisition of Dongming Qianhai Petrochemical Co., Ltd, loan was for working capital use and from strategic affiliation, Shandong Dongming Petrochemical Co., Ltd.
A portion of the loan from non-controlling interest has been reclassified from current liabilities to non-current liabilities.

BOARD OF DIRECTORS

Li Xiangping

*Executive Chairman and
Chief Executive Officer*

Yan Tailing

*Executive Director and
Deputy Chief Executive Officer
And Chief Financial 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 Xiangping

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

AUDITOR

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

**LEGAL ADVISERS TO THE
COMPANY ON PRC LAW**

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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
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PRC 274500

**Oversea-Chinese Banking
Corporation Limited**

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INVESTOR RELATIONS

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Telephone: +65 9759 3996



SUSTAINABILITY REPORT

BOARD STATEMENT

We are pleased to present Sinostar PEC Holdings Limited (“**Sinostar Pec**” and its subsidiaries, collectively as the “**Group**” or “**we**”)’s annual sustainability report (the “**Report**”), for the financial year ended 31 December 2023 (“**FY2023**”).

The key material environmental, social and governance factors for Sinostar Pec have been identified and reviewed by our executive chairman (the “**Executive Chairman**”) and chief executive officer (the “**CEO**”). The board of directors of Sinostar Pec (the “**Board**”) determines the material sustainability factors, oversees the management and monitoring of these factors and takes them into consideration in the determination of the Group’s strategic direction and policies. The Board also has the ultimate responsibility for the Group’s sustainability reporting. The management of the Group assists the Board in its oversight of the Group’s sustainability issues. Their duties include executing ESG-related policies and practices, monitoring and reviewing the Group’s sustainability performance, and reporting to the Board on their findings and suggestions on the Group’s sustainable development. Sustainability is a part of its wider strategy to create long-term value for all its stakeholders.

With the availability of economic, environmental, 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 Group and play an important part in the competition for talent and investment. The Group is committed to quickly adapting 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**”) standards’ reporting principles by considering our activities, impact and substantive expectations and interests of our stakeholders. We observed the principles of accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness and verifiability.

This Report has undergone the internal review process of the Group, and was reviewed by the Board. We have engaged internal auditors to perform an internal review of our sustainability report process. We have not sought external assurance for this Report. We acknowledge the importance of external assurance on a sustainability report and plan to seek assistance in the future.

REPORTING PERIOD AND SCOPE

This Report is set out on a “comply or explain” basis in accordance with Listing Rule 711A and 711B and Practice Note 7.6 of the Singapore Exchange Securities Trading Ltd (“**SGX-ST**”). Corresponding to GRI’s emphasis on materiality, the Report highlights the key EESG-related performance and initiatives carried out during FY2023 covering the following entities of the Group: Dongming Hengchang Petrochemical Co., Ltd. (“**Dongming Hengchang**”), Dongming Qianhai Petrochemical Co., Ltd. (“**Dongming Qianhai**”), Dongming Changshun Transport Company Limited (“**Dongming Changshun**”) and Dongming Changshun Transport Company Limited Ganyu Branch (“**Ganyu Branch**”).

REPORTING FRAMEWORK

The Group has chosen the GRI standards as it is the most established international sustainability reporting standard. In respect of the extent to which such framework is applied, this Report has been prepared with reference to the GRI Standards 2021. In terms of climate-related disclosures, this Report adopts the recommendations of the Taskforce on Climate-related Financial Disclosures (“**TCFD**”) as required by SGX-ST. Please refer to pages 47 to 50 on the GRI Content Index and TCFD Content Index for details.

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 info@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 are not limited to, customers and consumers, employees, communities, government and regulators, suppliers and service providers, investors or shareholders, and trade associations. 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 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 Sinostar Pec 	<ul style="list-style-type: none"> Protection of employee lawful rights and interests Create a good working environment Organise 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 Email queries 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's environmental constructions

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 reporting • Participation in discussions • Relevant information disclosure 	<ul style="list-style-type: none"> • Abide by laws and regulations • Serve 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 works regularly • Realise prudent operation • Strengthen safety management • Cooperate with environmental protection departments to conduct inspections • Promote cleaner production • Research and develop green products • Organise 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"> • Realise fair and transparent procurement • Promote joint development • Fulfil the contracts timely 	<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"> • Annual report • Annual general meeting • Quarterly result briefings • Sinostar Pec website • Email queries 	<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-ST rules and regulations • Realise healthy growth • Establish shareholder communication mechanism • Issue annual report on a regular basis
Trade associations	<ul style="list-style-type: none"> • 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"> • Participate in trade associations actively • Promote industry optimisation

SUSTAINABILITY APPROACH

MATERIAL ASPECTS ASSESSMENT

To determine if an aspect is material, we apply the guidance from GRI Standard and SGX-ST Practice Note 7.6, the result of peer review, and global and local emerging sustainability trends. The following material aspects are identified:



After these material aspects were identified, we assessed its potential impact on the economy, environment and people (including impacts on their human rights) as well as the influence on the stakeholders. Stakeholders, such as our management, general employees and customers, took part in the assessment. Aspects were identified and prioritised through questionnaires. The results of the materiality assessment are reviewed by the Group’s management and validated by the Board.

A materiality assessment is conducted every year, incorporating inputs from the stakeholder engagements. We conducted a materiality assessment during FY2023 and considered stakeholders’ feedback obtained. The result of the materiality assessment is as shown as below:

Material Factors	Level of Materiality
Economic Performance	Medium
Environmental Compliance	Medium
Energy	High
Climate Change Mitigation and Adaptation	High
Diversity and Equal Opportunity	Medium
Occupational Health and Safety	High
Product Quality	Medium
Customer Satisfaction	Medium
Socioeconomic Compliance	High
Local Communities	Medium
Business Ethics and Compliance	High
Anti-corruption	Medium
ERM	High

ECONOMIC PERFORMANCE

We are committed to growing our customers and exceeding our customers' expectations and providing them with competitive edge products by enhancing operational efficiency. We constantly upgrade our production capabilities via new techniques, technologies and automation of processes, extend range of inventory of quality, brand-name products, and provide personal service and competitive pricing and dependable and on-time delivery. For detailed financial results, please refer to the following sections:

- Operations Review, page 12
- Financial Highlights, page 18
- Financial Contents, pages 86 to 135

In FY2023, Sinostar Pec achieved sales revenue of around RMB5.33 billion and a net profit of around RMB313.17 million, both reaching the highest historical records. Dongming Hengchang and Dongming Qianhai operated their production facilities at full capacity and exceeded the annual processing tasks, completing a total of 109% of the budgeted processing volume, equal to a total of 1,018,165.43 tonnes of product sales volume. The comprehensive energy consumption index was lower than the design value, which is at a leading position in the industry. There were zero accidents throughout the year in terms of safety, quality, environmental protection, and occupational diseases, with 100% of products passing the end-product quality test.

Through optimisation adjustments in the methanol tower process of the dehydrogenation unit, we improved the energy efficiency and energy cost was reduced by RMB1.68 million in FY2023. Based on market demand and product requirements, the feed ratio of the dehydrogenation unit C3/C4 was also adjusted, resulting in an increase of approximately RMB8.51 million in the comprehensive income of products.

In FY2023, the Group continued to strengthen its close cooperation with strategic partner Shandong Dongming Petrochemical Group Co., LTD ("**Dongming Petrochemical**"), taking the advantage of talents and technology of Dongming Petrochemical's high-end chemical research institute. With scientific and technological innovation and technical public relations as the starting point, the Group increased research and development investment to give new impetus to the Group's development. The Group's cumulative expenditure on research and development reached RMB10.26 million, and it successfully developed new high-end polypropylene products such as M450, RP340S, RP340N, and HC8016, further enhancing the Group's market competitiveness.

Pursuing the principle of striving for multi-win situations with business partners, suppliers, and customers, Sinostar Pec focuses on continuously improving product quality and service, ensuring green, low-carbon, and sustainable development, and returning to shareholders while giving back to society. We will continue to operate responsibly to stakeholders and the environment while maximising our enterprise value. Our target for FY2024 is to establish ourselves to be a market leader in our core and diversified businesses by providing quality products and services at competitive prices.



ENVIRONMENT

ENVIRONMENT

The Group is aware of the environmental impact of manufacturing activities and is dedicated to ensuring that its operations and business activities comply with environmental protection regulations and safety regulations.

The Group strives to reduce, reuse and recycle materials wherever possible. We reduce our demand on the environment through designing our processes and incorporating environmental considerations at all stages of our production and operation. We complied with international guidelines on pollution management.

The Group focuses on creating value through our offering of products and services that minimally impact the environment and reduce environmental impact.

Demonstrating its commitment to environmental management, energy management, occupational health and safety, as well as product quality, the Group is proud to report that it has obtained the following certifications:

- GB/T45001-2020/ISO45001: 2018
- GB/T23331-2020/ISO50001: 2018
- GB/T24001-2016/ISO14001: 2015
- GB/T19001-2016/ISO9001: 2015



ENVIRONMENTAL COMPLIANCE

The Group complies with all applicable environmental regulations and requirements, adheres to the environmental protection concept of “Green Operation and Sustainable Development”, comprehensively enhances the level of environmental protection management and strengthens measures to improve standards for the establishment and implementation of a resource-saving and environment-friendly society. We have achieved the target we set in the financial year ended 31 December 2022 (“FY2022”), which is to fully comply with all environmental rules and regulations. There was zero (FY2022: Nil) incident of non-compliance with laws and regulations resulting in significant fines or sanctions in FY2023.

To enhance production efficiency, quality and profitability, the Group adopted lean management to improve business process that eliminates waste, this could result in significant time and cost saving for the businesses. The Group works on the control valve vibration setting to achieve zero emission during production. Thereby, this can reduce wastage of raw materials by up to 30 tonnes/production which amounts to around RMB225,000. The Group also actively promotes product customisation based on customers’ requirements. Customisation can reduce waste due to excess or unwanted production, while expanding market share of the customisation market.

In accordance with regulatory requirements, the Group delegated a qualified sewage treatment service provider to process its sewage. Our aim is to improve social and economic benefits, effectively improve 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 FY2023, there was an increase in the spending of around RMB1.38 million on sewage treatment as compared to FY2022. The increase in sewage treatment was due to the increase in production of Dongming Hengchang during FY2023. In FY2023, the operation of powdering machine which was not operated in FY2022 was resumed and the production line of polypropylene was operated for a longer period than in FY2022.

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”. All sewage is treated on-site before discharge. After treatment, the third-party inspections were conducted.

We understand the importance of water-saving and have adopted the following water-saving measures:

1. Regularly inspect the cooling tower fillings and water collectors, minimise the water drift rate of the circulating water to reduce the need for water recharge and save fresh water.
2. Prohibit the excessive use of fresh water for equipment and ground flushing at the equipment site.
3. Maintain strict control over circulating water quality, concentration factors, and water recharge rates to reduce overall freshwater consumption, while ensuring compliance with the water quality standard of discharging sewage.
4. Optimise water allocation among different systems to meet production requirements while reducing specific water consumption and improving cooling efficiency.
5. Ensure proper functioning of the flowmeter for accurate monitoring of circulating water usage.
6. Control process parameters to minimise the circulation volume of water and minimise evaporation losses.
7. Discharge wastewater before recharging circulating water to minimise the need of using freshwater to dilute wastewater.
8. Set the circulating water quality standard based on equipment requirements to reduce unnecessary wastewater discharge and water recharge frequency, thus saving fresh water.

During FY2023, the Group has organised water conservation activities and posted notices about water-saving, and strengthened the water conservation awareness of our employees to emphasise the importance of water conservation.

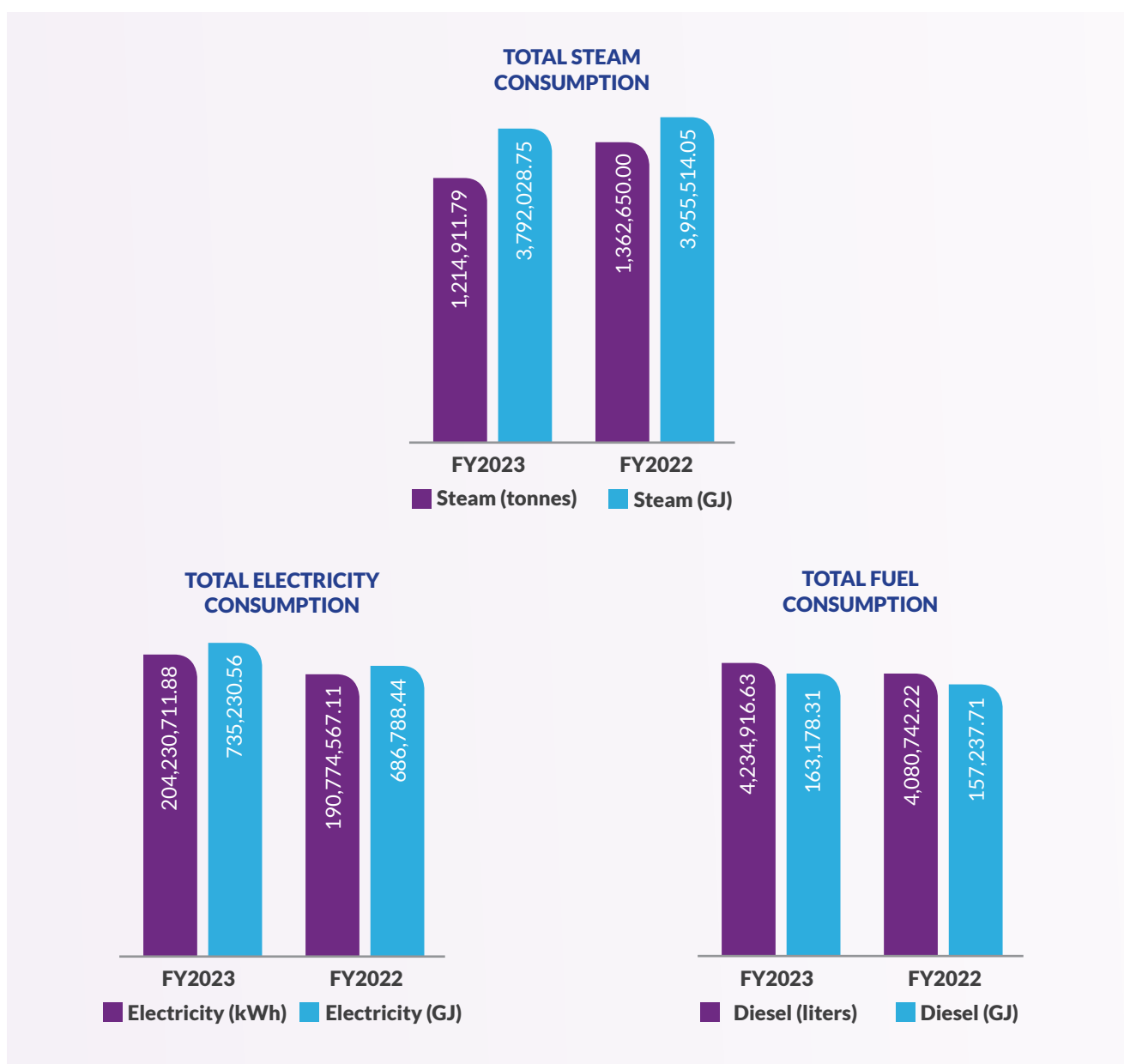
In FY2023, the total water consumption of the Group decreased by approximately 3% from approximately 706,373.00 tonnes in FY2022 to approximately 687,583.55 tonnes. The total water consumption remains at the similar level as FY2022. All the water consumed by the Group comes from Yellow River surface water supplied by related parties, the Group did not withdraw water directly from water body. The Group will continue to participate in water-saving activities to maintain the water-saving work on a regular basis, and to create a good atmosphere for water-saving in its operation place.

ENVIRONMENT

Safety, quality, and environmental protection are the three major aspects that the Group cannot compromise on, therefore, it is the Group's fundamental obligation to fully abide by all national environmental policies and regulations. In the financial year ending 31 December 2024 ("FY2024"), we aim to fully comply with all environmental rules and regulations.

ENERGY

The total energy consumption, including steam consumption¹, electricity consumption¹ and fuel consumption¹ performance of the Group is shown as follows:



Note(s):

1. The calculation of unit conversion is based on, but not limited to, the Energy Statistics Manual issued by the International Energy Agency and the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions for Industrial Enterprises in Other Industries by the Ministry of Ecology and Environment of the PRC.

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 Group'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 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 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 this equipment. Areas of emphasis are:
 - Strengthening the control over the 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.

In FY2023, the total energy consumption of the Group was approximately 1,302,899.34 MWh (4,690,437.62 GJ) (FY2022: approximately 1,333,205.61 MWh), which is equivalent to the intensity of approximately 1.28 MWh/product sales volume (tonnes) (4.61 GJ/product sales volume (tonnes)). The energy consumption intensity (kWh/product sales volume) has decreased by approximately 9% compared with FY2022 (FY2022: approximately 1.41 MWh/product sales volume (tonnes)). The decrease was mainly attributed to the equipment maintenance of Dongming Hengchang in March 2023 which reduced the steam consumption by improving energy efficiency. We have achieved the target of maintaining or reducing the level of energy consumption intensity that we set in FY2022 for FY2023. In FY2024, we aim to maintain or reduce the level of energy consumption intensity.



ENVIRONMENT

CLIMATE CHANGE MITIGATION AND ADAPTATION

The Group acknowledges that TCFD provides recommendations regarding the disclosure of climate-related financial information. We recognised that climate change would have a significant impact on our business operations and the community. We assessed the impact of key climate-related risks and opportunities and disclosed the adopted strategies under four overarching elements, including governance, strategy, risk management and metrics and targets.

GOVERNANCE

The Board oversees the management and governance of the Group's sustainability efforts. The Board oversees the formulation of its strategy with consideration of sustainability issues, including climate change. Its responsibilities includes reviewing climate-related disclosure, assessing the Group's actions to enhance climate resilience, including measures implemented to mitigate climate-related risks and capitalise on climate-related opportunities, approving relevant objectives and targets, and reviewing the Group's performance towards the targets set.

Under the Board's delegations, the management of the Group is responsible for identifying and assessing the climate-related risks and opportunities, developing and implementing mitigation plans, developing relevant objectives and targets, and collecting and reviewing performance metrics against the objectives. The management of the Group will report to the Board at least annually regarding the identified climate-related risks and opportunities and the corresponding targets, performances and initiatives for the Board's review, discussion and approval.

STRATEGY

Under the assistance of an external sustainability consultant, the management of the Group has carried out a scenario analysis to identify and evaluate the climate-related risk material to the Group based on the available information. Details of the scenario analysis are as follows:

Scope:	The Group's business of manufacturing and sales petrochemical products	
Time horizon:	Short-term (1-3 year(s)) Medium-term (3-10 years) Long-term (10-30 years)	
Scenario explored:	Physical risk: Intergovernmental Panel on Climate Change ("IPCC") Representative Concentration Pathway ("RCP") 8.5	Transition risk: IEA Net Zero Emissions by 2050 Scenario ("NZE Scenario")

The management of the Group evaluates the risk level (high, medium and low) of the identified climate-related risk based on the result of the scenario analysis. The risk level of the climate-related risks is comprised of the two factors:

- (1) Likelihood: the probability of the risk to materialise in a certain time horizon
- (2) Consequence: the level of impact of the risk on the Group

The table below shows our understanding of our most significant climate-related risks and opportunities over the short-, medium- and long-term based on the result of scenario analysis:

Risk Category		Description of Risk and Financial Impact	Time Horizon	Risk Level	Risk Mitigation and Opportunities
Physical	Acute	<p><u>Disruption to operations from extreme weather condition</u></p> <p>The increased frequency and severity of extreme weather, such as extreme heat, extreme precipitation, river flooding and typhoons, can damage the Group's assets, disrupt supply chains, and hamper and injury our employees on the way to work or during their work. Damage to the Group's assets can cause direct loss of assets. With the Group's operation being disrupted, it may affect the Group's availability to produce and deliver goods, resulting in a loss of revenue. Moreover, adopting plans to mitigate the impact, can result in higher operational costs e.g. repairing and maintenance cost of assets.</p>	Short-to-medium-term	Low to medium	The Group has purchased insurance for its production equipment and developed emergency response plans under extreme weather. We will take necessary protective measures before the arrival of the disaster, keep monitoring of the condition and suspend production partially or entirely if necessary. After the disaster, emergency response team will be mobilised for disaster recovery in order to resume normal business operation promptly.
	Chronic	<p><u>Water stress under water scarcity</u></p> <p>Under climate change, water supply may be affected by changes in rainfall patterns and glacier melting, leading to a decrease in the availability of water resources required for production. This can adversely impact the production of chemical products and reduce the Group's profitability, which may end up with a decrease in revenue.</p>	Short-term	Medium	The Group has implemented different water-saving measures to reduce its water demand and risk of water scarcity on the Group. For details on the water-saving measures, please refer to the section headed "Environmental Compliance".
Transition	Policy and Law	<p><u>Carbon pricing risk</u></p> <p>The PRC government may set carbon quotas for the petrochemical industry and launch a carbon emissions trading market to promote emissions reduction by corporations. If the Group fails to reduce emissions below the quota within the specified timeframe, it may need to pay extra money for carbon emissions. Its operational cost may increase and profitability may be affected.</p>	Short-to-medium-term	Medium	The Group has implemented carbon reduction measures to minimise carbon emissions. Additionally, we have established a Green Research and Development Department (the "Green R&D Department") to monitor current and emerging trends in carbon taxation and provide suggestions for effectively responding to carbon taxes, including identifying the opportunities for tax deduction by reducing carbon emissions.

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Risk Category	Description of Risk and Financial Impact	Time Horizon	Risk Level	Risk Mitigation and Opportunities
Policy and Law	<p>Disclosure and compliance risk</p> <p>Stricter climate legislation and regulations are implemented worldwide to support the vision of global carbon neutrality. For example, the SGX-ST has imposed more stringent disclosure requirements on listed companies regarding climate-related information, and the PRC government has implemented carbon verification and emission reduction requirements for high-emitting companies. The compliance cost may increase to comply with stringent climate laws and regulations, thus the Group's operational cost may increase. On the other hand, if the Group fails to comply with related laws and regulations, it may be fined for non-compliance and suffer extra expenditure.</p>	Short-to-medium-term	Medium	The Group equipped its employees with carbon emission knowledge to prepare for climate-related disclosure. The Green R&D Department also keep monitoring the trend of climate-related laws and regulations to avoid risks due to late response.
Market	<p>Raw material supply and cost risk</p> <p>Due to the transition to low carbon economy, the supply of liquefied petroleum gas ("LPG") may be constrained. This could pose difficulties for the Group in obtaining an adequate supply of LPG. Additionally, changes in carbon pricing and climate policies can lead to instability and fluctuations in energy prices. The unstable supply of LPG may disrupt the Group's operations and affect the Group's profitability, which may result in lower revenue. Also, the Group is exposed to the risk of increase in operational cost due to higher energy cost.</p>	Long-term	Medium	The Group continues monitoring fluctuations in fossil fuel prices and considers hedging strategies to reduce price volatility. We also focus on improving production efficiency by replacing equipment with higher energy efficiency and implementing stricter resource management to reduce raw material and energy consumption. This helps to reduce our reliance on fossil fuel as raw material and energy.
Market	<p>Market demand risk</p> <p>With the development of low carbon economy, the market demand for clean energy and sustainable products may increase, while the demand for high-carbon products may decrease. If the Group fails to adjust its product portfolio in a timely manner or develop low-carbon products, it may face risks arising from changes in market demand and even lose market competitiveness. The sales of the Group's products may decrease and affect its profitability and revenue.</p>	Long-term	Low	The Group strives to accelerate the low-carbon transition by developing carbon emissions management standards, energy management programs, and other initiatives to reduce product carbon emissions. We also explore the business opportunities for renewable energy and low-carbon alternative energy sources to meet the market demand for low-carbon products. The Group strives to catch the business opportunities of expanding low-carbon business and products and increase profitability.

RISK MANAGEMENT

To manage the identified risks, the Group has adopted the Climate Change Policy and has integrated climate change into its internal control procedures and environmental risk management system.

The Board is responsible for risk governance and ensuring that the management of the Group maintains a comprehensive system of risk management and internal controls. According to the Group's risk management system, different risks should be managed by the corresponding professional department by its risk category. As the same as other environmental risks, climate-related risks and opportunities are managed by our Green Research and Development Office (the "Green R&D Office"). Staffed by environmental management experts, the Green R&D Office identifies, assesses, and prioritises climate-related risks alongside other environmental risks based on their risk levels. The Green R&D Office reports its findings to the management, who then determines the appropriate response to these risks. This structured approach ensures that climate-related risks are given due consideration and are managed in line with the Group's broader risk management strategy.

The Green R&D Office reviews climate risks and opportunities that are material to the Group regularly. It also regularly monitors existing and emerging trends, policies and regulations related to climate change, reviews the emergency plan against extreme weather events, and reminds the management of the Group when necessary to avoid potential loss due to delayed response. In addition, the Group has set a target to reduce GHG emissions. The Group will continue to monitor and review current and emerging trends regarding climate-related risk and opportunities to relevant standards and fine-tune its management framework.

METRICS AND TARGETS

We have measured the direct (Scope 1) and energy indirect (Scope 2) GHG emissions in this Report. The major sources of GHG emissions of the Group were from fuel consumed by heavy goods vehicles (Scope 1) as well as purchased electricity and steam (Scope 2). We collected the amount of fuel consumed by the Group's vehicles, electricity and steam consumption by the Group and the product sales volume in tonnes to calculate our GHG emissions and GHG emissions intensity per product sales volume. We are committed to collecting more information, including assets and business operations vulnerable to climate risks and aligning with climate opportunities and other indirect GHG emissions (Scope 3), to better understand our resilience against climate risks and opportunities.



ENVIRONMENT

The GHG emission performances of the Group in FY2023 are as follows:

Indicator	Unit	FY2023	FY2022
Direct GHG emissions (Scope 1)	tonnes of carbon dioxide equivalent (“tCO ₂ e”)	11,170.45	10,761.49
Energy indirect GHG emissions (Scope 2)	tCO ₂ e	533,595.94	543,905.28
Total GHG emissions (Scope 1 and 2)	tCO ₂ e	544,766.39	554,666.77
Intensity	tCO ₂ e/product sales volume (tonnes)	0.54	0.58

The total GHG emission intensity has decreased by approximately 7% compared with FY2022, mainly attribute to the to the equipment maintenance of Dongming Hengchang in March 2023 which reduced the steam consumption and associated GHG emissions by improving energy efficiency. The Group has achieved the target of maintaining the current level of GHG emissions intensity it set in FY2022 for FY2023. In FY2024, the Group will continue striving to achieve the target of maintaining the current level of GHG emissions intensity. To achieve the target, the Group will continue to adopt energy-saving measures to reduce GHG emissions from fuel consumption and purchase electricity. For the details of the energy-saving measure, please refer to the section headed “Energy”. Meanwhile, the Group will keep monitoring its GHG emissions, review and adjust the strategies regularly in order to enhance its GHG performance, achieve the target and manage the climate-related risks and opportunities.

The data on GHG emissions are calculated based on widely recognised standards, including but not limited to, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards issued by the World Resources Institute and the World Business Council for Sustainable Development, How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs issued by of the Stock Exchange of Hong Kong Limited, the Notice on the Management of GHG Emissions Reporting for Power Generation Sector from 2023 to 2025 published by the Ministry of Ecology and Environment of the PRC, the Fifth and the Sixth Assessment Report of IPCC.

To raise awareness among employees on energy conservation and climate change, the Group has organised training on carbon emission for employees in FY2023. The Group has achieved the target of organising at least one activity to raise awareness among employees on energy conservation and climate change it set in FY2022 for FY2023. We will organise at least one activity in FY2024 to raise awareness among employees on energy conservation and climate change.



SOCIAL

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.

The Group believes in employee training and continual career development. In FY2023, we provided the following training to our employees:

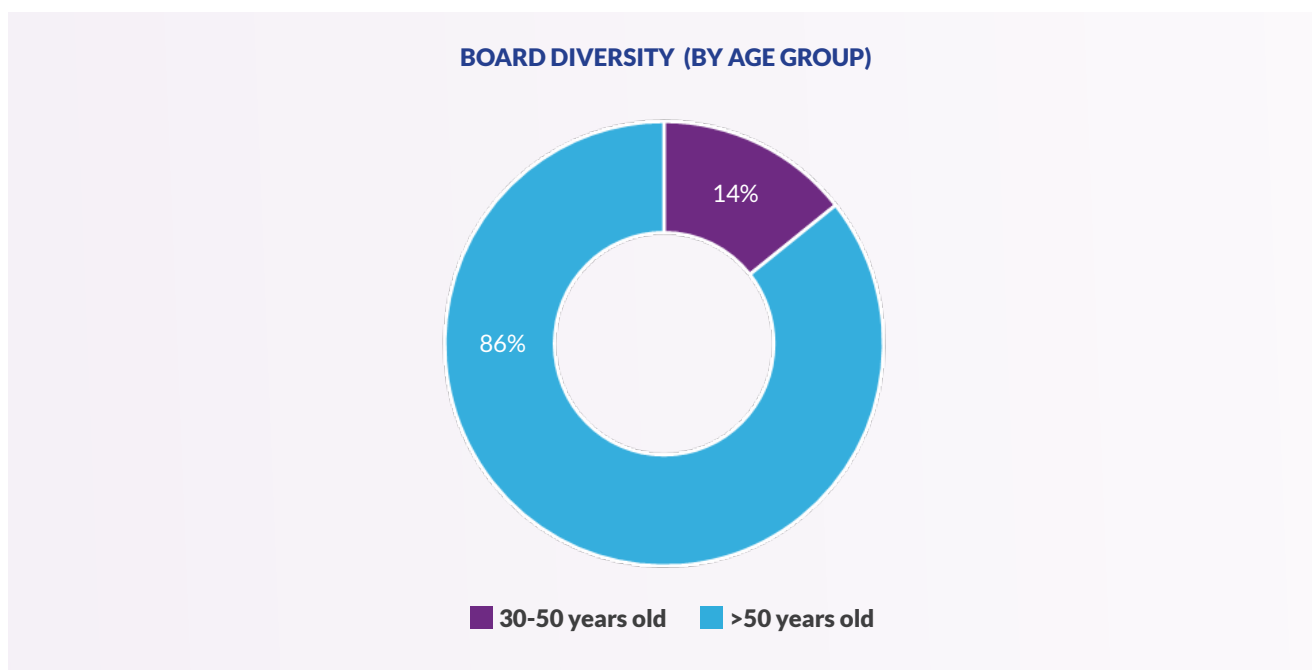
- New employee onboarding
- Professionalism
- Leadership training for head of department
- Job transfer training
- Sale and production management
- Equipment management
- Safety knowledge and skills training
- Quality, safety and occupational health, environment and energy management

The Group provides competitive remuneration based on merit to all its employees. Our employees are covered by collective bargaining agreements, and are given the right to exercise freedom of association.



DIVERSITY AND EQUAL OPPORTUNITY

The Group recognises the benefits of having an effective and diverse Board in supporting the attainment of its strategic objectives and sustainable development. The current Board consists of seven directors, all are male. One director is between the ages of 30 and 50 and other six directors are above the age of 50, the percentage of directors by age group is as follow:



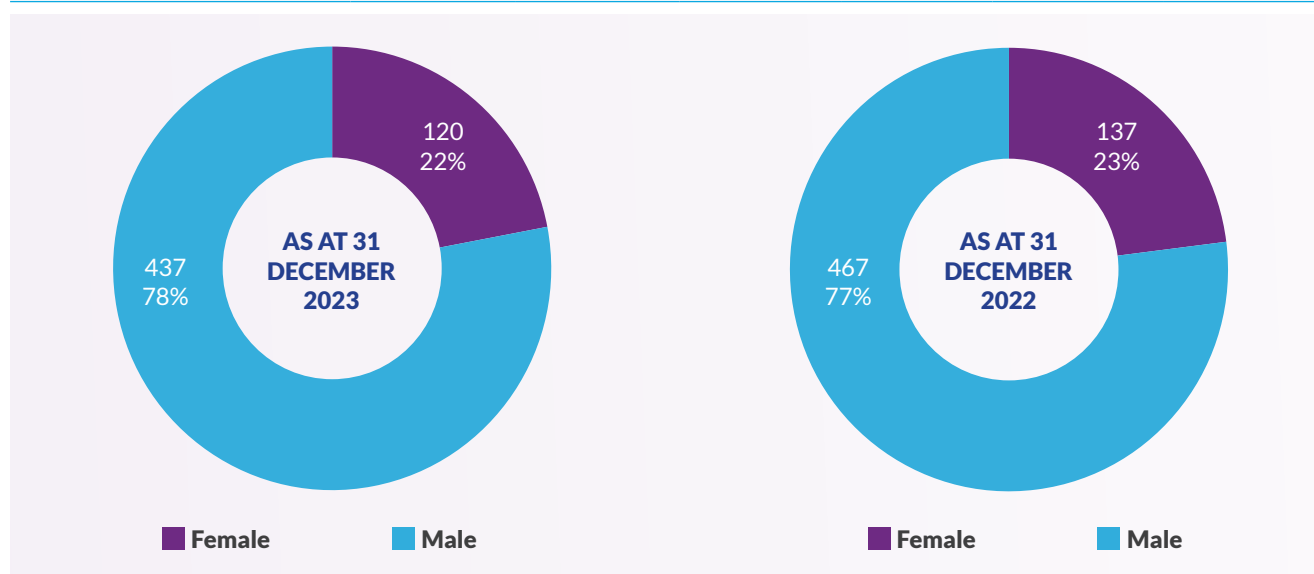
The Board includes two executive directors, four independent non-executive directors, and one non-executive director. An independent director has been appointed as the chief independent director. Five directors are based in the PRC and two directors are based in Singapore. The Board has diverse management experience, with sufficient experience in finance, capital operations, legal affairs, and chemical industry management. While the Board does not comprise any female director at the moment, taking into account the nature and scope of the Group's operations, our nominating committee (the "NC") reviews the composition of the Board annually and believes that the current composition with appropriate mix of expertise and experience possesses the necessary competencies to provide the management with a diverse and objective perspective on issues so as to lead and govern us effectively.

However, the NC will continue to review the composition of the Board annually in accordance with the Group's Board Diversity Policy, and may recommend revisions to the policy or appropriate targets to the Board, where necessary. The details of the Board Diversity Policy have been set out in the "Corporate Governance" section of this annual report.

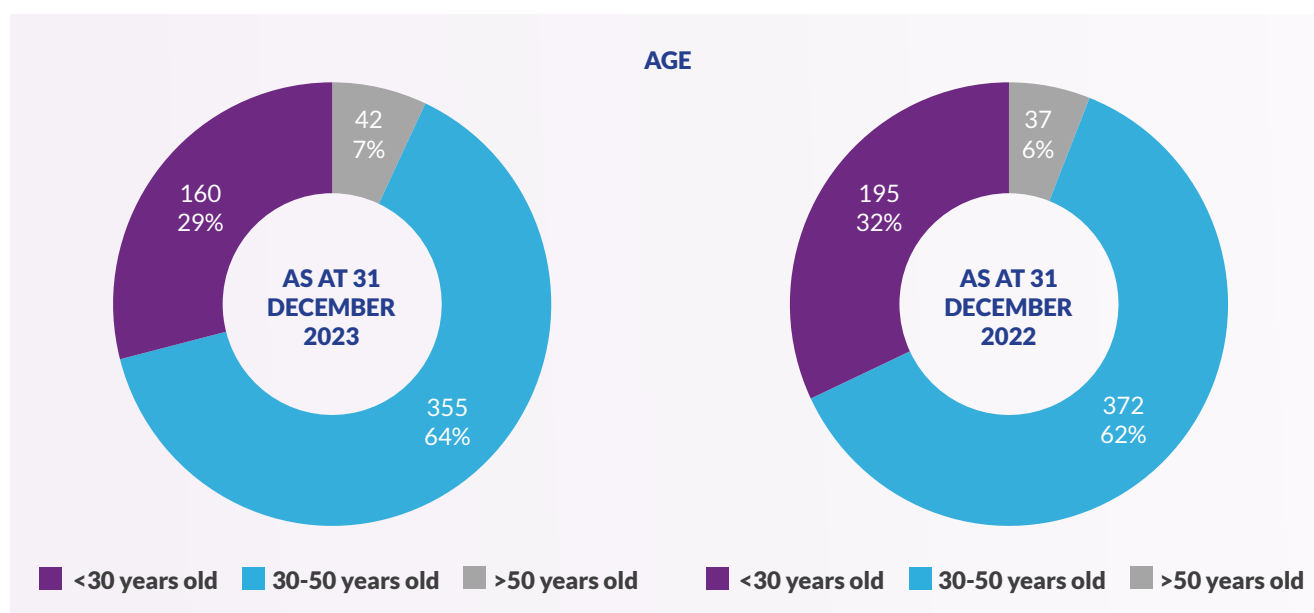
A diverse workforce is an asset in today's ever-changing global marketplace. We cultivate an inclusive culture where employees with wide-ranging backgrounds and qualities are highly motivated, engaged and connected. As at 31 December 2023, the Group had a total of 557 employees (as at 31 December 2022: 604 employees). All employees currently work in the PRC. The breakdown of the number of employees of the Group is shown as follows:

GENDER

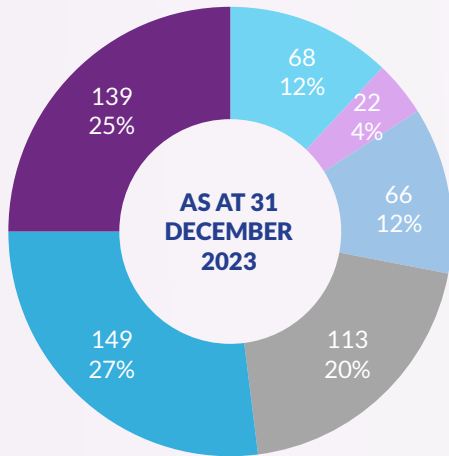
Number of employees	As at 31 December 2023			As at 31 December 2022		
	Female	Male	Total	Female	Male	Total
Permanent employees	81	259	340	82	159	241
Temporary employees	39	178	217	55	308	363
Full-time employees	119	432	551	137	466	603
Part-time employees	1	5	6	-	1	1



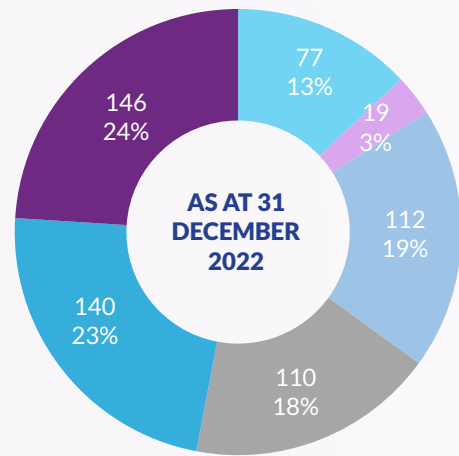
AGE



LENGTH OF SERVICE



■ <3 years ■ 11-20 years
■ 3-5 years ■ 21-30 years
■ 6-10 years ■ >30 years



■ <3 years ■ 11-20 years
■ 3-5 years ■ 21-30 years
■ 6-10 years ■ >30 years

Every employee plays an essential role in the Group. 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. In FY2023, we have spent around RMB2.3657 million in total to boost employee wellbeing. During Chinese New Year and Mid-Autumn Festival, we distributed gift cards and gifts, like fruits, to our employees. In addition, we also spent around RMB178.5 thousand 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 around RMB1.37 thousand in organising the events and activities for our employees.

Apart from that, we also place great importance on our employees by providing them with a competitive remuneration package. Remuneration packages consist of employee retirement scheme, paid annual leave, sick leave, and marriage leave and different festival allowance and gift. All these benefits are provided to both full-time and part-time employees.



Our recruitment of staff is based solely on merit and qualifications, without discrimination of race, age, gender, religion or ethnicity. Similar to FY2022, we have no reported discrimination in FY2023. We have achieved the target of having zero complaint on discrimination we set in FY2022 for FY2023. We will continue to target to have zero complaint on discrimination in FY2024.

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 the Group 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 conducting rigorous safety training, we are committed to providing a hazard-free workplace to ensure the well-being of both our employees and environment. Our occupational health and safety system covers all employees of the Group.

The Group employs a variety of measures to ensure the health and safety of all its 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 Group 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 familiarise 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 by using our Plant Safety and Health Audit Checklist to ensure that the training on new employees is 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 no obstruction in the event of a fire and health precautions are taken. All Plant Safety and Health Audit Checklists are reviewed and followed up by the production manager and reviewed by the safety and health officer. The safety and health chairman also signs off. This is to ensure that 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 (FY2022: Nil) industrial accident as well as zero (FY2022: Nil) man-day losses for FY2023. The target of maintaining zero work-related fatalities and injuries we set in FY2022 for FY2023 has been achieved. We target to maintain zero work-related fatalities and injuries for FY2024.

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 for 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%.
7. Engage hospital to provide non-occupational health check to our employees every year. Special medical examination is provided to radiation workers.

In FY2023, the Group carried out a comprehensive investigation of safety hazards in the entire system, and a total of 127 safety hazards were identified and eliminated to ensure long-term operation of the plant. The Group actively conducted safety and fire emergency drills, and completed 1 municipal-level emergency drill, 38 workshop-level drills, and 352 team-level drills in FY2023.

To ensure the company's safe and stable production, Dongming Qianhai strictly implemented the "one major overhaul per three years" safety basic principle. Under the oversight of the major overhaul leading group, Dongming Qianhai kick-started the overhaul with well-developed plan and sufficient materials and qualified maintenance team available. More than 300

major overhaul tasks were completed smoothly according to the plan, with a completion rate of 100%, laying a foundation for the company's safe long-term operation.

In FY2023, the Group made significant improvement to its safety policy to comply with regulatory requirements. 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), Law of the PRC on Prevention and Control of Occupational Diseases (2018 Revision), the Regulations on Labor Protection in Workplaces where Toxic Substances are Used, and Shandong Province Safety Production Regulations.

In relation to the Group's plants, new safety measures have been implemented in the following areas:

- Established safe production informatisation system to monitor the procedure of special operations and personnel position. The system is connected to the early warning platform of Shandong Province to ensure prompt response to emergencies.
- Appointed on-site examining team to examine the safety of construction work during the overhaul of the plants.
- Established a reward system for reporting on safety risk to encourage the employees to pay attention to and report on potential safety risks actively.

We will continue to stress workplace safety at all times and strive for zero accident frequency rate in the future.



PRODUCT QUALITY

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

1. Pay close attention to the feedback on the quality of the raw materials of the upstream companies in time, and cooperate with the production professional to carry out targeted adjustment and control measures according to the quality of the upstream raw materials. Actively coordinate the quality inspection centre to strengthen the timely comparison and analysis of the product quality.
2. With the overhaul and technical improvement of the device, some supervision and inspection plans were optimised and adjusted. At the same time, the quality of some external raw materials was investigated and analysed in advance of conjunction with the distribution company, which fully prepared for the start of preparation of materials.
3. Carry out preventive control in advance to prevent the problem of high water content in product due to hydrocarbon tank inspection and top-line operation in the water tank area. We also carry out random quality inspection and analysis of each loaded car of product 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, can be eliminated. At present, each raw material and the MTBE product tank is used effectively. The water content in propylene products has been reduced from about 300 ppm to less than 20 ppm, meeting superior product quality standards. Similarly, the water content in isobutylene products has been reduced from about 300 ppm to within 50 ppm, also meeting superior product quality standards.
4. To enhance quality control, particular attention is given to chemical excipients. Given the limited number of manufacturers and the utilisation of chemical auxiliary equipment during installation, we proactively conduct research and analysis on the quality of these materials. We also gather information on the utilisation of similar domestic equipment and obtain samples for laboratory analysis. This enables us to ensure the quality and reliability of chemical excipients used in our processes.
5. Accelerate the speed of unloading, improve the efficiency of logistics operations, and optimise management efficiency.

6. A scientific research group was set up to enhance the research and development of high value-added products in hybrid dehydrogenation units. It serves as a robust support to provide strong organisational, financial and personnel protection for technology development and applied research.
7. To enhance process innovation and process optimisation, the Research Group on Optimisation of Process Flow for the Processing of Hetero-butene Heterogeneous Raw Materials was established. The research group worked out many experimental research operations to optimise the analysis of data to find out the optimal operating parameters and verify the actual production. The project has won the first prize of Heze Science and Technology Innovation.

In FY2023, we had zero incidents of non-compliance resulting in regulatory breaches related to relevant health and safety legislation, and no complaints were received due to product quality issues. We have assessed 100% of our products and services on their health and safety impacts, and no health and safety issues are assessed for improvement. The target of maintaining zero incidents of non-compliance resulting in regulatory breaches related to relevant health and safety legislation, and no complaints received due to product quality issues we set in FY2022 for FY2023 has been achieved. We target to maintain zero incidents of non-compliance resulting in regulatory breaches related to relevant health and safety legislation, and no complaints received due to product quality issues in FY2024.

CUSTOMER SATISFACTION

At the beginning of each year, the Group conducts with its key customers a monthly customer satisfaction survey. This survey is led by its 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 Group such as the Enterprise Management Department and the Production Operations Department for management review and for the continuous improvement of the quality system. In FY2023, we received 100% feedback on the customer satisfaction

SOCIAL

survey (FY2022: 100%). The satisfaction rate was 96.41% (FY2022: 97.15%) on average throughout the year. We have achieved the target we set in FY2022 to maintain the customer satisfaction rate of not less than 90%. For FY2024, we aim to maintain the customer satisfaction rate of not less than 90%.

The Group also has procedure to handle customers' complaints. After the Group's Customer Service Department received a complaint from its customer, the complaint will be passed to related department for investigation and handling. The Customer Service Department will return to the customer with the result of investigation on and proposed solution. If the customer is not satisfied with the result, their complaints will be handed further by the Group's Human Resources Centre, which will further investigate and govern the related departments for correction.

The Group recognises the importance of protecting customer privacy. Its Customer Management Standard has standardised that the customer data should be collect and manage by the sales offices and oversee by the Sales and Marketing Department. Any unauthorised use, copy and disclosure of data, delayed or no response to the data leakage risk, and mismanagement of confidential data will face punishment. During FY2023, the Group did not receive any substantiated complaint concerning breaches of customer privacy, nor any case of identified leaks, thefts or losses of customer data.

SOCIOECONOMIC COMPLIANCE

We pride ourselves in having good corporate governance and observing compliance with applicable laws and regulations. The Group is committed to conducting the business with integrity and to safeguarding the interest of all its stakeholders, both internal and external. We recognise that our success is closely tied to the well-being and satisfaction of our stakeholders. The Group pays strict attention to enforcing good labour practices in all our operations. We provide 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. We strongly believe that in the long run, these efforts will have a positive impact on our economic performance.

Any non-compliance against socioeconomic laws is not acceptable. The Group has assigned the representatives in charge of discipline of the Group to inspect the discipline, including business ethics, integrity and laws compliance, in the Group. Disciplinary disorder will be handled accordingly to avoid recurrence.

We have achieved the target we set in FY2022, with no incidents of non-compliance with socioeconomic laws and regulations noted in FY2023 (FY2022: Nil). Our objective is to maintain zero incidents of non-compliance in FY2024.





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 its traditions of poverty alleviation and charity. In FY2023, Dongming Hengchang organised “Voluntary Working Day” for its employees to conduct site cleaning and snow removal. 16 employees volunteered for this event, contributing a total of around 32 hours work. We actively participated in charitable events to make contributions to the communities. We have achieved the target of encouraging employees to support the local communities through donations or other charitable work, as well as participating in at least one charitable event we set in FY2022 for FY2023.

We are also dedicated to protecting the rights and well-being of different stakeholders, including our employees, customers, suppliers and local communities. The Group has set up a safety committee and labour union to address employee’s concerns, including career development, occupational health and safety and their rights and interests. We also formalised different stakeholder engagement plan based on the result of stakeholder mapping, including customer survey, procurement method and compliance communication methodology, to better understand their needs. Please refer the sections headed “Diversity and Equal Opportunity”, “Occupational Health and Safety”, “Customer Satisfaction” and “Socioeconomic Compliance” for more details.

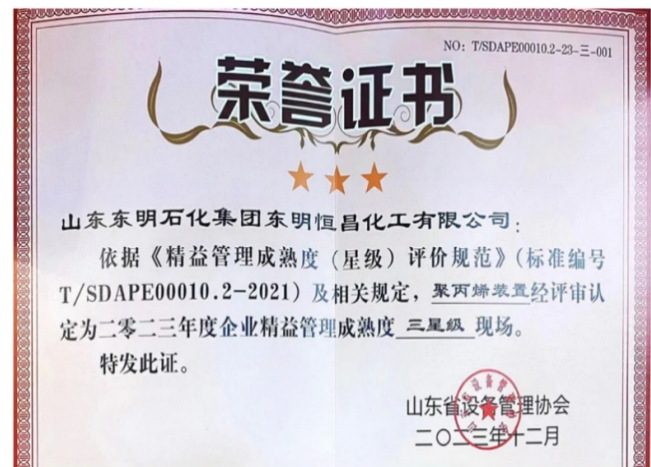
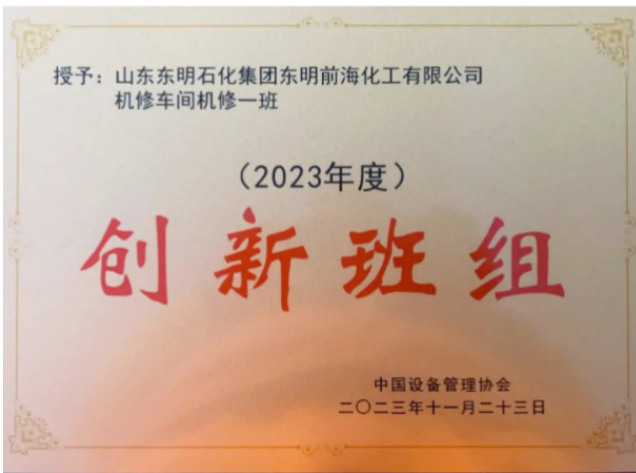


Apart from stakeholder engagement, we also engaged qualified third-party to measure and verify the GHG emissions from our factory. GHG emissions verification provides us with a more comprehensive, acute picture of our impact on the environment.

We aim to promote harmonious development of society by actively participating in public welfare undertakings. 100% of our operations have implemented local community engagement, impact assessment and development programmes. For FY2024, we aim to encourage employees to support the local communities through donations or other charitable work, as well as participate in at least one charitable event, such as one-day donation activities, flood prevention and community donations.

AWARDS

Our products and services are well received by our customers and formally recognised. In FY2023, Dongming Qianhai was awarded Shandong Province Gazelle Enterprise by Shandong Provincial Department of Industry and Information Technology, “Innovative Team” from China Equipment Management Association and “Shandong Province Youth Safety Production Demonstration Post” from Shandong Provincial Department of Emergency Management. Dongming Qianhai also received green reward from the government for enhancing the volatile organic compounds technology. In addition, Dongming Hengchang was certificated with “3-stars Excellence Enterprises Management Site” from Shandong Provincial Equipment Management Association. Dongming Qianhai and Dongming Hengchang were both selected by the local government as “Civilised Private Enterprises”. Along with the honours, the Group recognised its social influence was further enhanced.



SUSTAINABILITY GOVERNANCE

The Group believes that strong governance is the key to a sustainable business. Throughout FY2023, we continue to comply with the Code of Corporate Governance 2018 of SGX-ST (the “Code”). Please refer to the pages 51 to 78 on the details of corporate governance.

It is a continual challenge to successfully manage environmental and social issues. The Group has incorporated this into its 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.

The Group has set a management standard to demonstrate the supervision and governance on the Group’s business operations. A Supervisory Department was set up to ensure all employees fulfil their duties responsibly, act with integrity, and carry out their responsibilities correctly. The Supervisory Department conducts ongoing monitoring of production, operations, development, and other management activities to ensure high efficiency and orderly progress while safeguarding the interests of the Group and its shareholders. Should the Supervisory Department identify any problems, the relevant department should carry out investigation and resolve the problems. The handling processes will be overseen by the Supervisory Department to ensure the reasonableness of the actions taken, in compliance with legal regulations and the Group’s policies. These corporate governance practices emphasise transparency, accountability, and integrity within the Group, aiming to protect the interests of stakeholders and maintain a strong organisational structure.

We will continue to comply with the Code and meet all requirements that are expected of us by our stakeholders.

ANTI-CORRUPTION

We prohibit corruption in any form, including extortion and bribery. This has been made clear to all directors, employees, suppliers and business partners. We have established the Code of Discipline Supervision Management to govern the supervision of discipline. Stakeholders can raise report any possible misconduct including corruption, bribery, embezzlement, or abuse of power to the Group in means of phone, mail, email and WeChat. Any report of corruption is escalated to the attention of the Executive Chairman. All cases that are proven to be violating laws practices will be reported to legal authorities. The Group strongly opposes any corrupt practices and adopts a zero-tolerance attitude towards corruption, fraud and malpractice.

In FY2023, the Group has provided anti-corruption training to all employees and members of governance body, including the directors. The Group also carried out corruption risk assessments for 4 operations. The percentage of operations assessed for risk related to corruption is 100%. No significant risk related to corruption was identified for FY2023.

We have achieved the target of maintaining zero incidents of corruption, fraud or malpractice we set during FY2022 for FY2023. There have also been zero (FY2022: Nil) reported incidents of corruption during FY2023. The Group has not received any reported incidents of corruption, fraud and malpractice and no employee has been investigated and disciplined for these aspects. Our goal for the FY2024 is to maintain zero incident of corruption, fraud or malpractice.

BUSINESS ETHICS

We take seriously any possibility of conflict of interest. Our Code of Conduct clearly spells out Sinostar Pec’s expectations of our staff and the consequences if any of the rules are violated or standards are not met. We also have clear and fair grievance procedures. During FY2023, 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 Group regularly updates key staff with development in international and local regulations. We fully comply 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. The Group takes measures to guard against cyber risks for both its internal and external stakeholders by complying with the Personal Data Protection Act Policy. This policy also applies to the Group’s employment process where the privacy of all applicants are safeguarded and accessing to personal data is restricted to authorised persons, such as senior management on a need-to-know basis.

GOVERNANCE

The Group's commitment on business ethics was embodied in our comprehensive policies, including Code of Conduct, Personal Data Protection Act Policy, System of Fault Liability Investigation and Accountability and Quality Accountability System. By emphasising the importance of respecting human rights and applying precautionary principles, we uphold responsible business practices that we expect all employees to adhere to in their daily operations. This policy commitment extends to all areas of our operations and is effectively communicated to our valued stakeholders.

For FY2023, we have achieved the target we set in FY2022 that there were zero (FY2022: Nil) significant fines or non-monetary sanctions for non-compliance with laws and regulations.

We will continue to target to ensure that all allegation received are promptly addressed and to maintain zero incidents of non-compliance with rules, laws and regulations related to business ethics in FY2024.

ENTERPRISE RISK MANAGEMENT

As the Group does not have a risk management committee, the Board, the audit committee (the "AC") and the management of the Group assume the responsibility for 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 understands that no control system can eliminate the risk of errors and irregularities in a cost-effective manner. They understand that the purpose of the system is to manage, rather than eradicate, the potential for failure in achieving business objectives. While recognising the inherent limitations, the Board remains committed to minimising material losses to a reasonable level. They strive to implement measures that provide reasonable assurance against material misstatements or losses while acknowledging that absolute certainty cannot be guaranteed.

For detailed disclosure on ERM, please refer to pages 68 to 75.

We have achieved the target we set in FY2022 of hiring an external organisation to review the ERM policies to ensure that all relevant risks are identified, communicated and addressed timely. We target to hire an external organisation for monitoring and reviewing ERM in FY2024.



Statement of use Sinostar PEC Holdings Limited has reported the information cited in this GRI content index for the period from 1 January 2023 to 31 December 2023 with reference to the GRI Standards.

GRI 1 used GRI 1: Foundation 2021

GRI Standard	Disclosure	Location / Explanation
GRI 2: General Disclosures 2021	2-1 Organizational details	<ul style="list-style-type: none"> • Legal name: Sinostar PEC Holdings Limited • Nature of ownership and legal form: publicly owned incorporated entity • Location of headquarters and country of operation: PRC
	2-2 Entities included in the organization's sustainability reporting	Page 21
	2-3 Reporting period, frequency and contact point	<ul style="list-style-type: none"> • Reporting period: 1 January 2023 to 31 December 2023 • Reporting frequency: annually • Publication date: 8 April 2024 • Contact point: info@sinostar-pec.com
	2-4 Restatements of information	No restatement has been made in this Report
	2-5 External assurance	Page 21
	2-6 Activities, value chain and other business relationships	Pages 10-12
	2-7 Employees	Pages 37-38
	2-9 Governance structure and composition	Pages 13-17, Page 36
	2-12 Role of the highest governance body in overseeing the management of impacts	Page 21
	2-13 Delegation of responsibility for managing impacts	Page 21
	2-14 Role of the highest governance body in sustainability reporting	Page 21
	2-22 Statement on sustainable development strategy	Page 21
	2-23 Policy commitments	Page 46
	2-27 Compliance with laws and regulations	Page 46
	2-29 Approach to stakeholder engagement	Pages 22-23
	2-30 Collective bargaining agreements	Page 35
	GRI 3: Material Topics 2021	3-1 Process to determine material topics
3-2 List of material topics		Page 24
3-3 Management of material topics		Page 24

GRI

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GRI Standard	Disclosure	Location / Explanation
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed Page 25
	201-2	Financial implications and other risks and opportunities due to climate change Pages 31-32
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption Page 45
	205-2	Communication and training about anti-corruption policies and procedures Page 45
	205-3	Confirmed incidents of corruption and actions taken Page 45
GRI 302: Energy 2016	302-1	Energy consumption within the organization Pages 28-29
	302-3	Energy intensity Page 29
GRI 303: Water and Effluents 2018	303-2	Management of water discharge related impacts Page 27
	303-3	Water withdrawal Page 27
	303-5	Water consumption Page 27
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions Page 34
	305-2	Energy indirect (Scope 2) GHG emissions Page 34
	305-4	GHG emissions intensity Page 34
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system Pages 39-40
	403-2	Hazard identification, risk assessment, and incident investigation Pages 39-40
	403-4	Worker participation, consultation, and communication on occupational health and safety Pages 39-40
	403-5	Worker training on occupational health and safety Pages 39-40
	403-6	Promotion of worker health Pages 39-40
	403-8	Workers covered by an occupational health and safety management system Pages 39-40
	403-9	Work-related injuries Pages 39-40
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees Page 36
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken Page 39

GRI Standard	Disclosure	Location / Explanation
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Page 43
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Page 41
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Page 41
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Pages 41-42

TCFD

CONTENT INDEX

TCFD Pillar	Recommended Disclosure	Location/ Explanation
Governance	Operations with local community engagement, impact assessments, and development programs	Page 30
	Describe management's role in assessing and managing climate-related risks and opportunities	Page 30
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Pages 30-32
	Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning	Pages 30-32
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Pages 30-32
Risk Management	Describe the organization's processes for identifying and assessing climate-related risk	Page 33
	Describe the organization's processes for managing climate-related risks	Page 33
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Page 33
Metrics and Target	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Pages 33-34
	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Pages 33-34
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Pages 33-34

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 FY2023 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 2023, 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;
- 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; and
- 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 excuses 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 1967, 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 Risk and 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.

The attendance of the Directors at Board meetings, committees meetings, Extraordinary General Meeting 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 Xiangping	5	5	-	-	-	-	-	-	1	1
Li Zhi	5	3	-	-	-	-	-	-	1	1
Zhao Jinqing	5	5	4	4	1	1	1	1	-	-
Yan Tailing	5	5	-	-	-	-	-	-	1	1
Dr Chen Seow Phun, John	5	5	4	4	1	1	1	1	-	-
Jiang Xinglu	5	5	4	4	1	1	1	1	-	-
Liu Xiaoyan	5	5	-	-	-	-	-	-	-	-

Directors	AGM on 26 April 2023	
Name of Directors	Number of Meetings Held	Number of Meetings Attended
Li Xiangping	1	1
Li Zhi	1	1
Zhao Jinqing	1	1
Yan Tailing	1	1
Dr Chen Seow Phun, John	1	1
Jiang Xinglu	1	1
Liu Xiaoyan	1	1

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 Director and four Independent Non-Executive Directors. 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 Xiangping	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 2023, 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 Xiangping (“Mr Li”) 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 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.

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 Xiangping Age: 63	Executive Chairman and CEO	6 July 2006	26 April 2023	None	None
Yan Tailing Age: 55	Deputy Chief Executive Officer and Executive Director	20 May 2021	26 April 2023	None	None
Dr Chen Seow Phun, John Age: 70	Lead Independent Non-Executive Director	1 June 2021	28 April 2022	Pavilion Holdings Ltd OKP Holdings Limited PSC Corporation Ltd (Fka Hanwell Holdings Limited) Matex International Limited Tat Seng Packaging Group Ltd Cosco Shipping International (Singapore) Co. Ltd	Fu Yu Corporation Limited Hong Lai Huat Group Limited Hiap Seng Engineering Ltd
Zhao Jinqing Age: 65	Independent Non-Executive Director	7 March 2015	26 April 2023	None	None
Li Zhi Age: 38	Non-Executive Director	29 April 2019	28 April 2022	None	None
Jiang Xinglu Age: 53	Independent Non-Executive Director	13 July 2021	28 April 2022	Liquan Commercial Group Co., Ltd., Tsingtao Brewery Co., Ltd., Bank of Qingdao Company Limited (member of supervisory Board)	Qingdao Copton Technology Co., Ltd., Qingdao Qinghe Artificial Turf Co., Ltd., Qingdao Eastsoft Communication Technology Co., Ltd., Hailir Pesticides and Chemicals Group Co., Ltd.,
Liu Xiaoyan Age: 55	Independent Non-Executive Director	9 December 2021	28 April 2022	Zhongxin Fruit and Juice Limited	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 2023.

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 four 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, Dr Chen Seow Phun, John, Mr Jiang Xinglu and Mr Liu Xiaoyan will be retiring by rotation pursuant to the Article 104 of the Articles and Association. 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 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 720(6) 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	Dr Chen Seow Phun, John	Jiang Xinglu	Liu Xiaoyan
Date of appointment	1 June 2021	13 July 2021	9 December 2021
Date of last re-appointment	28 April 2022	28 April 2022	28 April 2022
Age	70	53	55
Country of principal residence	Singapore	PRC	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 Dr Chen Seow Phun, John's requisite knowledge and experiences to assume the responsibilities as Independent Director of the Company.	The Board, having considered the recommendation of the Nominating Committee and having assessed Mr Jiang Xinglu's requisite knowledge and experiences to assume the responsibilities as Independent Director of the Company.	The Board, having considered the recommendation of the Nominating Committee and having assessed Mr Liu Xiaoyan's requisite knowledge and experiences to assume the responsibilities as Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive Lead Independent Director, Chairman of RC, member of NC and AC	Non-Executive Independent Director, Chairman of AC, member of NC and RC	Non-Executive Independent Director
Job title (e.g. Lead ID, AC Chairman, AC Member, etc.)	Non-Executive Lead Independent Director, Chairman of RC, member of NC and AC	Non-Executive Independent Director, Chairman of AC and member of RC and NC	Non-Executive Independent Director
Professional qualifications	B. Eng (Electrical Engineering) M. Applied Sc Ph.D. (Electrical Engineering)	Bachelor of Law, Shandong University Professional qualification of lawyer	Postgraduate Diploma (Finance research) - Beijing University China (2004) Postgraduate Diploma (International Law) - Tianjin Nankai University China (2000) Bachelor Degree - Tianjin Nankai University China (1991)
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	None
Conflict of interest (including any competing business)	None	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.

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Name of Director	Dr Chen Seow Phun, John	Jiang Xinglu	Liu Xiaoyan
Working experience and occupation(s) during the past 10 years	Executive Chairman of Pavillon Holdings Ltd, Chairman of SAC Capital Private Limited, Independent Directors of a number of publicly listed companies.	2010-January 2015 partner King & Wood Mallesons Beijing January 2015 to current , General Manager of Shandong Blue Economic Industry Fund Management Co., Ltd. and executive partner of Qingdao Yulink fund management center (limited partnership)	January 2013 - February 2016 - Asia Petroleum Technology Pte Ltd - Managing Director March 2016 - January 2017: Zana Capital Pte Ltd – Partner April 2017 - October 2018: Haitong International Securities Singapore - Executive Director September 2019 - February 2021: Morgan Stanley Bank Asia Limited – Consultant April 2021 - Present: Lance Capital Pte Ltd - General Manager
Shareholding interest in the listed issuer and its subsidiaries	Yes	None	None
Shareholding details	N.A	N.A	N.A
Other Principal Commitments Including Directorships			
Past (for the last five years)	Fu Yu Corporation Limited Hong Lai Huat Group Limited Hiap Seng Engineering Ltd Exeterstar Holdings Pte Ltd MHC Asia Holdings Pte Ltd Tianjin Lanting Leasing Co., Ltd. (fka Pavillon Financial Leasing Co., Ltd.) Pavillon Business Development (Shanghai) Co. Ltd. Fengchi IOT Management Co., Ltd.	Qingdao Copton Technology Co., Ltd., Qingdao Qinghe Artificial Turf Co., Ltd., Qingdao Eastsoft Communication Technology Co., Ltd., Hailir Pesticides and Chemicals Group Co., Ltd.,	October 2021 - August 2022: Volatility Smile Technology Pte. Ltd.

Name of Director	Dr Chen Seow Phun, John	Jiang Xinglu	Liu Xiaoyan
Present	JCL Business Development Pte Ltd Unigold Asia Limited OKP Holdings Limited Pavillon Holdings Ltd PSC Corporation Ltd (fka Hanwell Holdings Ltd) Matex International Limited SAC Capital Private Limited Tat Seng Packaging Group Ltd JLM Foundation Ltd SAC Advisors Pte Ltd Cosco Shipping International (Singapore) Co. Ltd	Liqun Commercial Group Co., Ltd., Tsingtao Brewery Co., Ltd., Bank of Qingdao Company Limited (member of Supervisory Board)	Zhongxin Fruit and Juice Limited
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.

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Name of Director	Dr Chen Seow Phun, John	Jiang Xinglu	Liu Xiaoyan
(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.
(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.

Name of Director	Dr Chen Seow Phun, John	Jiang Xinglu	Liu Xiaoyan
(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.
(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.

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Name of Director	Dr Chen Seow Phun, John	Jiang Xinglu	Liu Xiaoyan
(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 • 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.

Key Information on Directors

Key information on each Director is set out on pages 13 to 16 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 2023, individual assessment of directors had been conducted at the NC meeting held on 27 February 2024. 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.

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

CORPORATE GOVERNANCE

- 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 incomparable 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 2024, 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 24 April 2024.

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 Directors of the Company and top three key management personnel of the Group for the financial year ended 31 December 2023 are set out below:

Remuneration bands	Salary ⁽¹⁾ S\$	Variable or performance related income/ bonuses S\$	Directors' fees S\$	Total S\$
Directors				
Li Xiangping	-	-	-	-
Li Zhi	-	-	-	-
Zhao Jinqing	-	-	72,000	72,000
Yan Tailing	156,000	13,000	-	169,000
Dr Chen Seow Phun, John	-	-	70,000	70,000
Jiang Xinglu	-	-	60,000	60,000
Liu Xiaoyan	-	-	60,000	60,000
Executive Officers				
Li Dan	21,330	-	-	21,330
Huang Qiansheng	21,567	-	-	21,567
Li Tao	23,706	-	-	23,706

Notes:

(1) Salary is inclusive of salary, allowances, Central Provident Fund contributions and pension funds.

In aggregate, the total remuneration paid to the top three key management personnel in financial year ended 31 December 2023 is S\$66,603.

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 2023.

The Company has not implemented any employee share scheme during the financial year ended 31 December 2023.

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 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

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.

Except for the non-compliant past recurrence IPT details mentioned in the Circular to Shareholders dated 1 March 2024 and the subsequent ratification of the same in the EGM dated 18 March 2024, 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 2023. This is in turn supported by assurance from the CEO and the Executive Director 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.

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 FY2023 is as follows:

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

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
<p>For period from January to December 2023:-</p> <p>Transactions between Dongming Hengchang Petrochemical Co., Ltd (东明恒昌化工有限公司) and its subsidiary</p> <p>Dongming Qianhai Petrochemical Co., Ltd (东明前海化工有限公司) (transactions are subject to consolidation group eliminations)</p> <ul style="list-style-type: none"> - Logistics & Transport Related Services - Purchase of Utilities - Sale of Utilities - Sale of Processed LPG - Purchase of Propylene - Sale of Recycled Propylene - Purchase of Hydrogen 		<p>9,404,077</p> <p>10,293,228</p> <p>5,012,780</p> <p>976,152,770</p> <p>483,081,871</p> <p>2,309,443</p> <p>1,309,540</p>
<p>Dongming Qianhai Reli Co., Ltd (东明前海热力有限公司)</p> <ul style="list-style-type: none"> - Logistics & Transport Related Services - Purchase of Utilities - Sale of Utilities - Purchase parts and components 		<p>18,502,352</p> <p>455,967,178</p> <p>107,844,240</p> <p>72,135</p>

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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 Co., Ltd (东明中油燃料石化有限公司) - Logistics & Transport Related Services - Purchase of Utilities - Sale of Utilities# - Purchase of LPG - Sale of Processed LPG - Purchase of Propylene - Sale of recycled Propylene# - Sale of Hydrogen# - Purchase parts and components - Maintenance of parts and machineries# - Sale of Waste Materials^	11,396,196	138,421,961 48,539,266 986,167 2,793,556,953 149,381,134 386,798,320 560,792 197,996,445 2,552,031 2,714,593
Shandong Dongming Petrochem Group Co., Ltd (山东东明石化集团有限公司) - Logistics & Transport Related Services - Purchase of Utilities		5,305,384 56,370,692
Dongming Crude Oil Distribution Co., Ltd (东明石油经销有限公司) - Logistics & Transport Related Services - Sale of Polypropylene^ - Purchase parts and components - Consignment Fee	52,389	2,144,496 1,777,462 1,137,997
Shandong Dongming Lishu Petroleum Co (山东东明梨树化学有限公司) - Logistics & Transport Related Services - Purchase of Utilities - Purchase of LPG - Sale of Processed LPG		974,354 14,020 35,206,542 35,708,349
Dongming Runming Oil Products Distribution Co., Ltd (东明润明油品销售有限公司) - Logistics & Transport Related Services		330,513
Dongming WanHaiLuijiang Petrochemical Co., Ltd (东明万海氯碱化工有限公司) - Logistics & Transport Related Services - Purchase parts and components		16,233,332 668,324

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)
Jiangsu Xinghai Petrochem Co., Ltd (江苏新海石化有限公司) - Logistics & Transport Related Services - Purchase of Utilities		74,679,471 6,151
Jiangsu Runhai Oil Products Distribution Co., Ltd (江苏润海油品销售有限公司) - Logistics & Transport Related Services		6,857,588
Shandong Jin-hai Petrochemical Pte Ltd (山东劲海化工有限公司) - Logistics & Transport Related Services		15,256
Dongming Jie-Yuan Environmental Technology Pte Ltd (东明洁源环保科技有限公司) - Logistics & Transport Related Services - Sewage Charge [#]		4,919 3,473,003
Shandong Dongming Petrochem Group Lu Ban Construction Pte Ltd (山东东明石化集团鲁班建筑有限公司) - Logistics & Transport Related Services - Purchase parts and components - Maintenance of parts and machineries [#] - Sale of obsolete assets [^]	303,240	8,444,871 88,452 5,717,792
Jiangsu Xinghai New Energy Co., Ltd (江苏新海新能源有限公司) - Logistics & Transport Related Services		702,431
Dongming Qingyuan Co., Ltd (东明清源水务有限公司) - Logistics & Transport Related Services - Purchase of Utilities		9,729 996,963
Shandong Huawang Reli Co., Ltd (山东华旺热力有限公司) - Logistics & Transport Related Services		8,788,048

[^] These interested parties transactions are not covered under existing IPT mandate approved by shareholders.

[#] The company has convened an EGM on 18 March 2024 and has gained shareholders' approval for the proposed ratification of the Past Recurrent IPTs and the adoption of the proposed new IPT General mandate with the above-mentioned companies. This resulted in the increase of IPTs disclosed under the IPT mandate.

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 2023, 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.

CORPORATE GOVERNANCE

The IC comprising the following members:

Li Zhi (Chairman)
Yan Tailing
Li Xiangping

Mr Li Zhi is a Non-Executive Director, Mr Yan Tailing is an Executive Director, whilst Mr Li Xiangping 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 2023, the amount of audit fees paid or payable to independent auditors of the Group amounted to S\$201,500, including audit fee of S\$198,000 and non-audit fee of S\$3,500. 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 Advisory Pte Ltd, 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 Advisory Pte Ltd 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 FY2023.

The Company has engaged BDO Advisory Pte Ltd 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 their internal audits based on the BDO Global Internal Audit Methodology which consistent with the International Professional Practices Framework established 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 (1) 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.

CORPORATE GOVERNANCE

- (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.

(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 notices of general meetings by post within the mandatory period. Annual Reports, Circulars and Notices of general meetings are announced through SGXNET.

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. 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. Directors' attendance for the AGM held in April 2023 can be found on page 53 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 20 to 50 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 2023

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 2023 and the statement of financial position of the Company as at 31 December 2023.

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 2023 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 Xiangping	(Executive chairman and chief executive officer)
Yan Tailing	(Deputy chief executive officer and executive director)
Chen Seow Phun, John	(Lead Independent non-executive director)
Jiang Xinglu	(Independent non-executive director)
Zhao Jinqing	(Independent non-executive director)
Liu Xiaoyan	(Independent non-executive director)
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' 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 a director is deemed to have an interest	
	At 31.12.2023	At 1.1.2023	At 31.12.2023	At 1.1.2023
Company				
<u>Sinostar PEC Holdings Limited</u> (Ordinary shares with no par value)				
Li Xiangping	-	-	372,048,500	369,898,500
Immediate and ultimate holding company				
<u>Intelligent People Holdings Limited</u> (Ordinary shares of US\$1 each)				
Li Xiangping	10,000	10,000	-	-

DIRECTORS' STATEMENT

For the financial year ended 31 December 2023

Directors' interests in shares or debentures (continued)

Mr Li Xiangping, 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.

The directors' interests in the ordinary shares of the Company as at 21 January 2024 were the same as those as at 31 December 2023.

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.

Audit committee

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

Jiang Xinglu (Chairman)
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 2023 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 of Directors, 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.

Audit committee (continued)

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, CLA Global 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.

Independent auditor

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

On behalf of the Directors

Li Xiangping
Director

Yan Tailing
Director

8 April 2024

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2023

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 2023, 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 material accounting policy information, as set out on pages 86 to 135.

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 2023 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 Applicable to 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 2023. 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) Valuation of financial asset at fair value through other comprehensive income ("FVOCI")

As at 31 December 2023, the Group's unquoted equity security amounting to RMB49 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 and the valuation technique and assumptions are disclosed in Note 31(g) to the financial statements.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

(a) 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's judgement for the classification of the financial asset at fair value through other comprehensive income.
- Assessed the competencies, capabilities and objectivity of the independent external valuer and our valuation specialist 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.

(b) Accounting for and disclosure of related party transactions

The Group had transactions with related parties during the financial year ended 31 December 2023 and there are balances with related parties outstanding as at the end of the current financial year.

We identified related party transactions as a key audit matter due to the risk with respect to the accounting for related party transactions and completeness of disclosures made in the consolidated financial statements, high volume of such transactions and the requirement for compliance with SGX Listing Manual.

Management constantly monitors related party transactions to ensure they are at arm's length and terms agreed between the parties in the Group. Management has ensured completeness of accounting and proper disclosure in the consolidated financial statements for all related party transactions which are presented in Note 30 to the financial statements.

How our audit addressed the key audit matter

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

- Inquired management about the process of identifying the Group's related parties, including changes from prior financial year, nature of relationships between the Group entities and these related parties and whether the Group entered into any transactions with these related parties during the financial year and, if so, the type and purpose of the transaction.
- Analysed accounting records for completeness of identifying transactions with related parties.
- Verified if the transactions have been appropriately accounted for and disclosed.
- Reviewed and tested management's control in relation to the assessment and approval of related party transactions.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2023

Report on the Audit of the Financial Statements (continued)

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.

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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2023

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- 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.

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.

**CLA Global TS Public Accounting Corporation
Public Accountants and Chartered Accountants**

**Singapore
8 April 2024**

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

	Note	Group		Company	
		2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	1,459,008	1,624,213	6	9
Right-of-use assets	6	3,150	3,575	-	-
Intangible assets	7	88,248	89,488	-	-
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	48,953	42,972	-	-
		<u>1,609,704</u>	<u>1,770,593</u>	<u>250,047</u>	<u>250,050</u>
Current assets					
Intangible assets	7	1,088	1,088	-	-
Inventories	11	334,916	242,335	-	-
Trade and other receivables	12	9,889	19,987	-	-
Amount owing by a subsidiary corporation	12	-	-	-	5,833
Amounts owing by affiliated companies	12	5,464	11,098	-	-
Prepayments	13	1,360	8,772	-	28
Cash and cash equivalents	14	562,886	521,064	514	1,906
		<u>915,603</u>	<u>804,344</u>	<u>514</u>	<u>7,767</u>
Total assets		<u>2,525,307</u>	<u>2,574,937</u>	<u>250,561</u>	<u>257,817</u>
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	15	316,125	316,125	316,125	316,125
Retained profits/(accumulated losses)	16	705,892	532,552	(67,119)	(60,390)
Fair value reserve	17	12,952	8,765	-	-
Capital reserve	18	250,000	250,000	-	-
Other reserves	19	180,622	136,352	-	-
		<u>1,465,591</u>	<u>1,243,794</u>	<u>249,006</u>	<u>255,735</u>
Non-controlling interests	9	234,875	296,456	-	-
Total equity		<u>1,700,466</u>	<u>1,540,250</u>	<u>249,006</u>	<u>255,735</u>
LIABILITIES					
Non-current liabilities					
Loans from non-controlling interest	20	50,000	250,000	-	-
Bank borrowings	21	300,000	360,000	-	-
Lease liabilities	22	3,428	3,607	-	-
		<u>353,428</u>	<u>613,607</u>	<u>-</u>	<u>-</u>
Current liabilities					
Loans from non-controlling interest	20	200,000	200,000	-	-
Bank borrowings	21	60,000	60,000	-	-
Lease liabilities	22	179	410	-	-
Trade and other payables	23	98,448	138,137	1,555	2,082
Amounts owing to affiliated companies	23	42,887	13,538	-	-
Current tax payable		69,899	8,995	-	-
		<u>471,413</u>	<u>421,080</u>	<u>1,555</u>	<u>2,082</u>
Total equity and liabilities		<u>2,525,307</u>	<u>2,574,937</u>	<u>250,561</u>	<u>257,817</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Revenue	4	5,333,091	4,848,203
Cost of sales		(4,933,028)	(4,651,227)
Gross profit		400,063	196,976
Other income	24a	102,303	12,815
Expenses			
- Distribution	24b	(6,233)	(253)
- Administrative	24c	(36,684)	(33,928)
- Others	24d	(5,656)	(273)
- Finance	24e	(34,721)	(47,678)
Profit before income tax	25	419,072	127,659
Income tax expenses	26	(105,902)	(48,595)
Net profit for the financial year		313,170	79,064
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss:			
Financial assets, at fair value through other comprehensive income			
- Fair value gain/(loss) – equity investment	10	5,981	(36,789)
Total comprehensive income for the financial year		319,151	42,275
Net profit attributable to:			
Equity holders of the Company		217,610	39,442
Non-controlling interests		95,560	39,622
		313,170	79,064
Total comprehensive income attributable to:			
Equity holders of the Company		221,797	13,690
Non-controlling interests		97,354	28,585
		319,151	42,275
Earnings per share for net profit attributable to equity holders of the Company (RMB cents per share)	27		
- Basic		34.00	6.16
- Diluted		34.00	6.16

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2023

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			
2023										
Balance as at 1 January 2023	316,125	532,552	8,765	250,000	135,555	797	136,352	1,243,794	296,456	1,540,250
Net profit for the financial year	-	217,610	-	-	-	-	-	217,610	95,560	313,170
Other comprehensive gain for the financial year	-	-	4,187	-	-	-	-	4,187	1,794	5,981
Total comprehensive income for the financial year	-	217,610	4,187	-	-	-	-	221,797	97,354	319,151
Dividends paid	-	-	-	-	-	-	-	-	(158,935)	(158,935)
Transfer to statutory common reserve	19(b)	(44,270)	-	-	44,270	-	44,270	-	-	-
Balance as at 31 December 2023	316,125	705,892	12,952	250,000	179,825	797	180,622	1,465,591	234,875	1,700,466
2022										
Balance as at 1 January 2022	316,125	525,368	34,517	250,000	121,779	797	122,576	1,248,586	267,871	1,516,457
Net profit for the financial year	-	39,442	-	-	-	-	-	39,442	39,622	79,064
Other comprehensive loss for the financial year	-	-	(25,752)	-	-	-	-	(25,752)	(11,037)	(36,789)
Total comprehensive income for the financial year	-	39,442	(25,752)	-	-	-	-	13,690	28,585	42,275
Dividends paid	28	(18,482)	-	-	-	-	-	(18,482)	-	(18,482)
Transfer to statutory common reserve	19(b)	(13,776)	-	-	13,776	-	13,776	-	-	-
Balance as at 31 December 2022	316,125	532,552	8,765	250,000	135,555	797	136,352	1,243,794	296,456	1,540,250

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Profit before income tax		419,072	127,659
Adjustments for:			
- Depreciation of property, plant and equipment	5	173,844	163,917
- Depreciation of right-of-use assets	6	425	427
- Amortisation of intangible assets	7	1,240	1,203
- Interest income	24a	(6,417)	(7,594)
- Dividend income	24a	(38,862)	-
- Gain on disposal of property, plant and equipment	24c & 24d	(100)	(2,737)
- Property, plant and equipment written off	24c & 24d	1,125	598
- Interest expense	24e	34,721	47,678
Operating profit before working capital changes		585,048	331,151
Change in inventories		(92,581)	16,476
Change in amount owing by/(to) affiliated companies		34,983	(136,975)
Change in operating receivables		10,098	34,348
Change in prepayment		7,412	(5,789)
Change in operating payables		(36,416)	(31,696)
Cash generated from operations		508,544	207,515
Income tax paid		(44,998)	(53,118)
Net cash provided by operating activities		463,546	154,397
Cash flows from investing activities			
Additions to property, plant and equipment		(13,192)	(46,038)
Proceeds from disposal of property, plant and equipment		255	4,191
Additions to intangible assets		-	(144)
Dividends received		38,862	-
Interest received		6,417	7,594
Net cash provided by/(used in) investing activities		32,342	(34,397)
Cash flows from financing activities			
Dividends paid to equity holders of the Company	28	-	(18,482)
Dividends paid to non-controlling interests		(158,935)	-
Repayment of loans from non-controlling interest		(200,000)	(175,000)
Payment of principal portion of lease liabilities		(410)	(391)
Repayment of bank borrowings		(60,000)	(60,000)
Interest paid		(34,721)	(47,678)
Net cash used in financing activities		(454,066)	(301,551)
Net increase/(decrease) in cash and cash equivalents		41,822	(181,551)
Cash and cash equivalents			
Beginning of financial year		521,064	702,615
End of financial year	14	562,886	521,064

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2023

Reconciliation of liabilities arising from financing activities:

	1 January 2023	Principal and interest payments	Interest expense	31 December 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	420,000	(76,507)	16,507	360,000
Loan from non-controlling interest	450,000	(218,024)	18,024	250,000
Lease liabilities	4,017	(600)	190	3,607
	<u>874,017</u>	<u>(295,131)</u>	<u>34,721</u>	<u>613,607</u>

	1 January 2022	Principal and interest payments	Interest expense	31 December 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	480,000	(80,108)	20,108	420,000
Loan from non-controlling interest	625,000	(202,362)	27,362	450,000
Lease liabilities	4,408	(599)	208	4,017
	<u>1,109,408</u>	<u>(283,069)</u>	<u>47,678</u>	<u>874,017</u>

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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 2023 and statement of financial position of the Company as at 31 December 2023 and statement of changes in equity of the Company for the financial year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

2. Material 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 to the financial statements.

Interpretations and amendments to published standards effective in 2023

On 1 January 2023, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.2 Group accounting (continued)

(a) *Subsidiary corporations (continued)*

(i) *Consolidation (continued)*

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 2023

2. Material 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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material 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 expenses".

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 2023

2. Material accounting policies (continued)

2.4 Leases (continued)

When the Group is the lessee: (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 contains 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 2023

2. Material 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.7 Financial assets (continued)

(a) Classification and measurement (continued)

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 SFRS(I) 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.7 Financial assets (continued)

(c) Recognition and derecognition (continued)

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 investment, the difference between disposal proceeds and the carrying amounts of the investment 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

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.

The People's Republic of China ("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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policies (continued)

2.17 Income taxes (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material 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 (continued)

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

For an asset other than goodwill, management assesses at the end of the reporting period whether there is any indication that an impairment recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated and may result in a reversal of impairment loss. 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 2023

2. Material 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 2023

2. Material 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 2023

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*.

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 2023 amounted to RMB173,844,000 (2022: RMB163,917,000).

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 2023 would be lower by about RMB8,621,000 (2022: RMB9,159,000) or higher by about RMB10,975,000 (2022: RMB11,763,000).

(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 technique and assumptions used to fair value the financial instrument is described in more detail in Note 31(g) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

4. Revenue

- (a) Disaggregation of revenue from contracts with customers

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
2023			
<u>People's Republic of China</u>			
Liquefied petroleum gas	669,029	–	669,029
Polypropylene	165,277	–	165,277
Premium grade polypropylene	1,572,512	–	1,572,512
methyl tert-butyl ether (“MTBE”)	2,049,464	–	2,049,464
Hydrogen	192,984	–	192,984
Isobutylene	164,539	–	164,539
Other gas	31,678	–	31,678
Utilities	127,049	–	127,049
Transport and logistic services	–	360,559	360,559
	<u>4,972,532</u>	<u>360,559</u>	<u>5,333,091</u>
2022			
<u>People's Republic of China</u>			
Liquefied petroleum gas	525,711	–	525,711
Propylene II	493	–	493
Polypropylene	154,996	–	154,996
Premium grade polypropylene	1,372,405	–	1,372,405
methyl tert-butyl ether (“MTBE”)	2,174,105	–	2,174,105
Hydrogen	184,558	–	184,558
Isobutylene	143,535	–	143,535
Other gas	28,489	–	28,489
Transport and logistic services	–	263,911	263,911
	<u>4,584,292</u>	<u>263,911</u>	<u>4,848,203</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

4. Revenue (cont'd)

(b) Contract liabilities

	Group		
	31 December 2023	2022	1 January 2022
	RMB'000	RMB'000	RMB'000
Contract liabilities (Note 23)	14,231	2,087	23,807

The contract liabilities balance increased due to the Group received more advances ahead of the provision of goods to customers.

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 2023 amounted to RMB2,087,000 (2022: RMB23,807,000).

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 2023							
<i>Cost</i>							
Beginning of financial year	1,105,461	823,121	182,209	52,418	5,360	13,969	2,182,538
Additions	256	2,273	1,559	166	877	8,061	13,192
Disposals	-	-	(40)	(470)	-	-	(510)
Written off	-	(3,312)	(769)	(26)	(75)	(3,900)	(8,082)
Transferred	12,129	3,825	2,176	-	-	(18,130)	-
End of financial year	1,117,846	825,907	185,135	52,088	6,162	-	2,187,138
<i>Accumulated depreciation</i>							
Beginning of financial year	167,928	234,100	108,395	45,868	2,034	-	558,325
Depreciation charge	59,979	93,775	17,650	1,221	1,219	-	173,844
Disposals	-	-	(40)	(315)	-	-	(355)
Written off	-	(2,900)	(698)	(18)	(68)	-	(3,684)
End of financial year	227,907	324,975	125,307	46,756	3,185	-	728,130
Net book value							
End of financial year	889,939	500,932	59,828	5,332	2,977	-	1,459,008

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5. Property, plant and equipment (continued)

	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 2022							
<i>Cost</i>							
Beginning of financial year	1,083,869	812,524	169,911	49,929	2,427	26,189	2,144,849
Additions	5,428	6,985	3,734	3,523	938	25,430	46,038
Disposals	–	(38)	(667)	(1,033)	–	(865)	(2,603)
Written off	–	(5,683)	(63)	–	–	–	(5,746)
Transferred	16,287	9,333	9,294	(1)	1,872	(36,785)	–
Reclassification	(123)	–	–	–	123	–	–
End of financial year	<u>1,105,461</u>	<u>823,121</u>	<u>182,209</u>	<u>52,418</u>	<u>5,360</u>	<u>13,969</u>	<u>2,182,538</u>
<i>Accumulated depreciation</i>							
Beginning of financial year	125,795	150,615	77,724	45,744	827	–	400,705
Depreciation charge	42,133	88,598	30,872	1,107	1,207	–	163,917
Disposals	–	(22)	(144)	(983)	–	–	(1,149)
Written off	–	(5,091)	(57)	–	–	–	(5,148)
End of financial year	<u>167,928</u>	<u>234,100</u>	<u>108,395</u>	<u>45,868</u>	<u>2,034</u>	<u>–</u>	<u>558,325</u>
Net book value							
End of financial year	<u>937,533</u>	<u>589,021</u>	<u>73,814</u>	<u>6,550</u>	<u>3,326</u>	<u>13,969</u>	<u>1,624,213</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5. Property, plant and equipment (continued)

	Office equipment RMB'000	
Company		
31 December 2023		
<i>Cost</i>		
Beginning of financial year		10
Additions		–
End of financial year		<u>10</u>
<i>Accumulated depreciation</i>		
Beginning of financial year		1
Depreciation charge		3
End of financial year		<u>4</u>
Net book value		
End of financial year		<u><u>6</u></u>
31 December 2022		
<i>Cost</i>		
Beginning of financial year		–
Additions		10
End of financial year		<u>10</u>
<i>Accumulated depreciation</i>		
Beginning of financial year		–
Depreciation charge		1
End of financial year		<u>1</u>
Net book value		
End of financial year		<u><u>9</u></u>
	Group	
	2023	2022
	RMB'000	RMB'000
Depreciation expense charged to:		
Cost of sales	172,664	162,347
Administrative expenses (Note 24c)	1,180	1,570
	<u>173,844</u>	<u>163,917</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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 2023				
<i>Cost</i>				
Beginning and end of financial year	3,906	153	1,591	5,650
<i>Accumulated depreciation</i>				
Beginning of financial year	671	132	1,272	2,075
Depreciation charge (Note 24c)	99	7	319	425
End of financial year	770	139	1,591	2,500
Net book value				
End of financial year	3,136	14	-	3,150
31 December 2022				
<i>Cost</i>				
Beginning and end of financial year	3,906	153	1,591	5,650
<i>Accumulated depreciation</i>				
Beginning of financial year	571	123	954	1,648
Depreciation charge (Note 24c)	100	9	318	427
End of financial year	671	132	1,272	2,075
Net book value				
End of financial year	3,235	21	319	3,575

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

7. Intangible assets

	Land use rights RMB'000	Softwares RMB'000	Total RMB'000
Group			
31 December 2023			
<i>Cost</i>			
Beginning and end of financial year	94,581	354	94,935
<i>Accumulated amortisation</i>			
Beginning of financial year	4,244	115	4,359
Amortisation charge (Note 24c)	1,102	138	1,240
End of financial year	5,346	253	5,599
Carrying amount			
End of financial year	89,235	101	89,336
31 December 2022			
<i>Cost</i>			
Beginning of financial year	94,581	210	94,791
Additions	–	144	144
End of financial year	94,581	354	94,935
<i>Accumulated amortisation</i>			
Beginning of financial year	3,156	–	3,156
Amortisation charge (Note 24c)	1,088	115	1,203
End of financial year	4,244	115	4,359
Carrying amount			
End of financial year	90,337	239	90,576
		2023	2022
		RMB'000	RMB'000
Amount to be amortised:			
- Not later than one year		1,088	1,088
- Later than one year but less than five years		4,452	4,590
- Later than five years		83,796	84,898
		89,336	90,576
Analysed as:			
- Current		1,088	1,088
- Non-current		88,248	89,488
		89,336	90,576

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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 2023, the land use rights have remaining tenures from 42 to 46 years (2022: 43 to 47 years).

8. Goodwill arising on consolidation

	Group	
	2023 RMB'000	2022 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	
	2023 RMB'000	2022 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 0.2% (2022: 0.2%). These cash flows were discounted using a pre-tax discount rate of 10% (2022: 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 2023

9. Investment in subsidiary corporations

	Company	
	2023 RMB'000	2022 RMB'000
Equity investment at cost		
Beginning and end of financial year	250,041	250,041

The Group has the following subsidiary corporations as at 31 December 2023 and 2022:

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 %
<u>Held by the Company</u>					
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	-
<u>Subsidiary corporations of Dongming Hengchang</u>					
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⁾ Audited by Shandong Tianyuan Tongtai Certified Public Accountant Co., Ltd. for local statutory purpose. Audited by Shanghai CLA Global TS Certified Public Accountants, PRC, for consolidation purpose.

Carrying value of non-controlling interests

	Group	
	2023 RMB'000	2022 RMB'000
Dongming Qianhai Petrochemical Co., Ltd.	234,875	296,456

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For the financial year ended 31 December 2023

9. Investment in subsidiary corporations (continued)

Summarised financial information of subsidiary corporations with material non-controlling interests

Set out below are the summarised financial information for subsidiary corporation that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

Summarised statement of financial position

	Dongming Qianhai Petrochemical Co., Ltd.	
	2023	2022
	RMB'000	RMB'000
Current		
Assets	285,118	447,502
Liabilities	(412,681)	(267,347)
Total current net (liabilities)/assets	(127,563)	180,155
Non-current		
Assets	961,161	1,058,716
Liabilities	(50,682)	(250,682)
Total non-current net assets	910,479	808,034
Net assets	782,916	988,189

Summarised statement of comprehensive income

	Dongming Qianhai Petrochemical Co., Ltd.	
	2023	2022
	RMB'000	RMB'000
Revenue	3,058,594	3,101,192
Profit before income tax	418,757	170,910
Income tax expenses	(100,223)	(38,837)
Profit for the financial year	318,534	132,073
Other comprehensive gain/(loss)	5,981	(36,789)
Total comprehensive income	324,515	95,284
Total comprehensive income allocated to non-controlling interests	97,354	28,585

Summarised statement of cash flows

	Dongming Qianhai Petrochemical Co., Ltd.	
	2023	2022
	RMB'000	RMB'000
Net cash provided by operating activities	507,657	268,861
Net cash used in investing activities	(166,328)	(10,610)
Net cash used in financing activities	(548,129)	(175,000)

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For the financial year ended 31 December 2023

10. Financial asset, at fair value through other comprehensive income (“FVOCI”)

	Group	
	2023 RMB'000	2022 RMB'000
Equity security (Unquoted)		
- Dongming Qianhai Reli Co., Ltd. (东明前海热力有限公司)		
Beginning of financial year	42,972	79,761
Fair value gain/(loss) recognised in other comprehensive income (Note 17)	5,981	(36,789)
End of financial year	48,953	42,972

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 2023 and 2022, the fair value is determined based on valuation techniques as disclosed in Note 31(g) to the financial statements.

11. Inventories

	Group	
	2023 RMB'000	2022 RMB'000
<u>At cost</u>		
Raw materials	180,348	143,366
Finished goods	154,568	98,969
	334,916	242,335
Inventories charged to cost of sales	5,311,750	5,203,412

12. Trade and other receivables

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Trade receivables				
- Non-related parties	6,174	8,544	-	-
- Related parties	-	77	-	-
Other receivables				
- Non-related parties	-	9,716	-	-
Accrued revenue	3,182	1,079	-	-
Advances made to staff	533	471	-	-
Refundable deposits	-	100	-	-
	9,889	19,987	-	-

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.

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For the financial year ended 31 December 2023

12. Trade and other receivables (continued)

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Amount owing by a subsidiary corporation				
- Loans to subsidiary corporation	-	-	-	5,833

Loans to subsidiary corporation are fully repaid during the financial year. Loans are unsecured, interest-bearing in 2022 is at 3% per annum.

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Amount owing by affiliated companies	5,464	11,098	-	-

Affiliated companies refer to companies which a director of the Company has an indirect equity interest, trade in nature and are generally on 30 (2022: 30) days terms.

13. Prepayments

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Prepayments	1,360	8,772	-	28

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

14. Cash and cash equivalents

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Cash on hand	-	44	-	25
Cash at bank	562,886	521,020	514	1,881
	562,886	521,064	514	1,906

Cash and cash equivalents of RMB562,372,000 (2022: RMB519,158,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

15. Share capital

	No. of shares		Amount	
	2023 '000	2022 '000	2023 RMB'000	2022 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 accumulated losses for the Company is as follows:

	Company	
	2023 RMB'000	2022 RMB'000
Beginning of financial year	(60,390)	(58,934)
Net (loss)/profit	(6,729)	17,026
Dividends paid (Note 28)	–	(18,482)
End of financial year	(67,119)	(60,390)

17. Fair value reserve

	Group	
	2023 RMB'000	2022 RMB'000
Beginning of financial year	8,765	34,517
Financial assets, at FVOCI		
- Fair value loss (Note 10)	5,981	(36,789)
Less: Non-controlling interests' share	(1,794)	11,037
End of financial year	12,952	8,765

This fair value reserve is a non-distributable reserve.

18. Capital reserve

As requested by the Board of Directors, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

19. Other reserves

(a) Compositions

	Group	
	2023 RMB'000	2022 RMB'000
Statutory common reserve	179,825	135,555
Voluntary common reserve	797	797
	<u>180,622</u>	<u>136,352</u>

(b) Movements

	Group	
	2023 RMB'000	2022 RMB'000
(i) <i>Statutory common reserve</i>		
Beginning of financial year	135,555	121,779
Transfer from retained earnings	44,270	13,776
End of financial year	<u>179,825</u>	<u>135,555</u>
(ii) <i>Voluntary common reserve</i>		
Beginning and end of financial year	797	797
	<u>180,622</u>	<u>136,352</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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

	Group	
	2023 RMB'000	2022 RMB'000
Current		
- Not later than one year	200,000	200,000
Non-current		
- Later than one year but less than five years	50,000	250,000
	250,000	450,000

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 2022 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.

21. Bank borrowings

	Group	
	2023 RMB'000	2022 RMB'000
Secured:		
Current	60,000	60,000
Non-current	300,000	360,000
	360,000	420,000

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For the financial year ended 31 December 2023

21. Bank borrowings (continued)

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

	Group	
	2023 RMB'000	2022 RMB'000
- Not later than one year	360,000	420,000

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) The bank borrowings of RMB360,000,000 (2022: RMB420,000,000) 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).

22. Lease liabilities

	Group	
	2023 RMB'000	2022 RMB'000
Maturity analysis:		
Less than 1 year	234	599
Between 2 to 5 years	913	914
More than 5 years	6,257	6,376
	7,404	7,889
Less: Unearned interest	(3,797)	(3,872)
	3,607	4,017
Analysed as:		
Current	179	410
Non-current	3,428	3,607
	3,607	4,017

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

Interest expense on lease liabilities is disclosed in Note 24e to the financial statements.

Lease expense not capitalised in lease liabilities in relations to short-term leases amounted to RMB452,000 (2022: RMB221,000).

Total cash outflow for all leases was RMB1,052,000 (2022: RMB820,000).

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For the financial year ended 31 December 2023

23. Trade and other payables

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Trade payables				
- Non-related parties	41,829	74,663	-	-
Other payables				
- Non-related parties	13,887	23,602	-	-
- Staff	158	136	-	-
	55,874	98,401	-	-
Accruals	9,475	9,970	1,555	2,082
VAT payables	16,652	27,281	-	-
Other governmental taxes payable	144	398	-	-
Deferred income	2,072	-	-	-
Contract liabilities (Note 4)	14,231	2,087	-	-
	98,448	138,137	1,555	2,082

Other payables to staff are unsecured, interest-free and repayable on demand. Deferred income refers to a research and development subsidy given to Dongming Hengchang Petrochemical Co., Ltd by the PRC government.

	Group	
	2023 RMB'000	2022 RMB'000
Amount owing to affiliated companies	42,887	13,538

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	
	2023 RMB'000	2022 RMB'000
Interest income - bank	6,417	7,594
Dividend income from Dongming Qianhai Reli Co., Ltd	38,862	-
Subsidies from PRC Government	1,615	4,419
Gain on disposal of raw materials (Note 25)	54,777	-
Others	632	802
	102,303	12,815

Subsidies from PRC Government in 2023 related to tax incentives received by Changshun Transport Co., Ltd (2022: Development incentives received by Dongming Hengchang Petrochemical Co., Ltd).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

24b. Distribution costs

	Group	
	2023 RMB'000	2022 RMB'000
Employee compensation (Note 24f)	-	36
Freight charges	5,518	-
Short-term lease expenses	200	200
Others	515	17
	<u>6,233</u>	<u>253</u>

24c. Administrative expenses

	Group	
	2023 RMB'000	2022 RMB'000
Amortisation of intangible assets (Note 7)	1,240	1,203
Depreciation of property, plant and equipment (Note 5)	1,180	1,570
Depreciation of right-of-use assets (Note 6)	425	427
Directors' fees	1,382	1,314
Employee compensation (Note 24f)	12,238	15,114
Entertainment expenses	521	241
Environment fee	670	710
Exchange loss	-	530
Gain on disposal of property, plant and equipment (Note 25)	-	(2,737)
Professional fee	1,926	1,768
Property, plant and equipment written off (Note 25)	-	598
Repair and maintenance	2,884	7,066
Research and development expenses	8,171	1,542
Short-term lease expenses	252	21
Travelling and accommodation	602	435
Others	5,193	4,126
	<u>36,684</u>	<u>33,928</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

24d. Others expenses, net

	Group	
	2023 RMB'000	2022 RMB'000
Bank charges	–	7
Fines	–	78
Gain on disposal of property, plant and equipment (Note 25)	(100)	–
Property, plant and equipment written off (Note 25)	1,125	–
Unrecoverable loss due to machine overhaul	4,216	–
Others	415	188
	5,656	273

In May 2023 during the machine overhaul period of the subsidiary corporation, Donming Qianhai Petrochemical Co., Ltd., there was no progress in the production. However, labour costs and utilities costs continued to be incurred as usual. As a result, these expenses incurred during the machine overhaul period were charged to “Unrecoverable loss due to machine overhaul”.

24e. Finance expenses

	Group	
	2023 RMB'000	2022 RMB'000
Bank borrowings	16,507	20,108
Loans from non-controlling interest	18,024	27,362
Lease liabilities	190	208
	34,721	47,678

24f. Employee compensation

	Group	
	2023 RMB'000	2022 RMB'000
Directors' remuneration		
- salaries and related costs	891	827
Key management personnel (other than directors)		
- salaries and related costs	341	1,350
- defined contributions	30	105
Other than directors and key management personnel		
- salaries and related costs	99,220	88,178
- defined contributions	9,469	10,583
	109,951	101,043
As disclosed in:		
Cost of sales	97,713	85,893
Distribution costs (Note 24b)	–	36
Administrative expenses (Note 24c)	12,238	15,114
	109,951	101,043

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

25. Profit before income tax

	Group	
	2023 RMB'000	2022 RMB'000
Profit before income tax has been arrived at after charging and (crediting):		
Amortisation of intangible assets (Note 7)	1,240	1,203
Depreciation of property, plant and equipment (Note 5)	173,844	163,917
Depreciation of right-of-use assets (Note 6)	425	427
Gain on disposal of raw materials (Note 24a)	54,777	-
Property, plant and equipment written off (Note 24c and 24d)	1,125	598
Gain on disposal of property, plant and equipment (Note 24c and 24d)	(100)	(2,737)
Short-term lease expenses (Note 22)	452	221

26. Income tax expenses

	Group	
	2023 RMB'000	2022 RMB'000
Current income tax		
- Profit for the financial year	113,469	48,074
- (Over)/under provision in prior financial years	(7,567)	521
	105,902	48,595

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	
	2023 RMB'000	2022 RMB'000
Profit before income tax	419,072	127,659
Tax at statutory rate of 25% (2022: 25%)	104,768	31,915
Effects:		
- Differential of tax rates in foreign countries	547	(1,344)
- Income not subject to tax	(382)	(953)
- Expenses non-deductible for tax purposes	8,536	18,456
- (Over)/under provision in prior financial years	(7,567)	521
	105,902	48,595

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

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 2023 are 25% (2022: 25%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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 parties:

	Group	
	2023	2022
	RMB'000	RMB'000
Sales to affiliated companies		
- 山东东明石化集团有限公司	5,308	4,752
- 东明石油经销有限公司	2,197	2,552
- 山东东明梨树化学有限公司	36,683	191,455
- 东明中油燃料石化有限公司	498,743	175,339
- 山东润泽化工有限公司	-	213,432
- 东明万海氯碱化工有限公司	16,233	14,397
- 东明润明油品销售有限公司	331	237
- 东明前海热力有限公司	126,347	104,989
- 江苏新海石化有限公司	74,679	52,344
- 江苏润海油品销售有限公司	6,858	14,886
- 山东劲海化工有限公司	15	137
- 东明洁源环保科技有限公司	5	320
- 山东东明石化集团鲁班建筑有限公司	8,748	12,461
- 江苏新海新能源有限公司	702	591
- 东明清源水务有限公司	10	-
- 山东华旺热力有限公司	8,788	-
Purchase from affiliated companies		
- 东明石油经销有限公司	2,915	4,414
- 山东润泽化工有限公司	-	71,764
- 东明中油燃料石化有限公司	3,234,161	2,704,100
- 山东东明石化集团有限公司	56,371	47,430
- 山东东明梨树化学有限公司	35,221	85,637
- 山东炼化能源集团有限公司	-	1,347
- 山东东明石化集团鲁班建筑有限公司	5,806	13,858
- 东明前海热力有限公司	456,039	462,366
- 江苏新海石化有限公司	6	52,608
- 江苏润海油品销售有限公司	-	46,531
- 山东劲海化工有限公司	-	1,441
- 东明洁源环保科技有限公司	3,473	2,096
- 山东东明石化集团电力有限公司	-	1,295
- 东明万海氯碱化工有限公司	668	-
- 东明清源水务有限公司	997	-
Interest expenses on loan charged by affiliated company		
- 山东东明石化集团有限公司 (Note 24e)	18,024	27,362
Other individually immaterial transactions		
	6,043	-

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

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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, cash flow and fair value interest rate risk), credit risk, liquidity risk and price 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.

(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 risk*

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 RMB4,052,000 (2022: RMB6,104,000).

31. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Cash flow and fair value interest rate risk (continued)*

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

(b) Credit risk

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.

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 2023 and 2022, the trade receivables are not subject to any material credit losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

31. Financial risk management (continued)

(b) Credit risk (continued)

As at 31 December 2023, the trade receivables of gas separation business comprises of 3 debtors that collectively contributed 30% of the Group's trade receivables.

As at 31 December 2023, the trade receivables of transport and logistic business comprise 1 debtors that collectively contributed 18% of the Group's trade receivables.

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 2023 and 2022, 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 2023 and 2022 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

31. Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 2 to 5 years RMB'000	More than 5 years RMB'000
Group			
At 31 December 2023			
Loan from non-controlling interest	208,359	50,666	-
Bank borrowings	74,942	319,572	-
Lease liabilities	234	913	6,257
Trade and other payables	65,349	-	-
Amount owing to affiliated companies	42,887	-	-
	391,771	371,151	6,257
At 31 December 2022			
Loan from non-controlling interest	217,852	259,025	-
Bank borrowings	77,491	394,514	-
Lease liabilities	599	914	6,376
Trade and other payables	108,371	-	-
Amount owing to affiliated companies	13,538	-	-
	417,851	654,453	6,376
Company			
At 31 December 2023			
Trade and other payables	1,555	-	-
At 31 December 2022			
Trade and other payables	2,082	-	-

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

31. Financial risk management (continued)

- (e) Financial instruments by category

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

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Financial assets, at FVOCI	48,953	42,972	-	-
Financial assets, at amortised cost	577,706	551,678	2,033	7,739
Financial liabilities, at amortised cost	721,843	995,926	1,555	2,082

- (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 2023	
Financial assets, at FVOCI	48,953
31 December 2022	
Financial assets, at FVOCI	42,972

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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 Notes 20 and 21 to the financial statements.

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 years ended 31 December 2023 and 2022.

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 2023

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 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	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Revenue						
External customers	4,972,532	4,584,292	360,559	263,911	5,333,091	4,848,203
Inter-segment sales	1,471,305	1,662,582	12,257	3,765	1,483,562	1,666,347
Total revenue	6,443,837	6,246,874	372,816	267,676	6,816,653	6,514,550
Segment assets	1,936,054	2,019,963	15,159	11,896	1,951,213	2,031,859
Segment liabilities	76,291	63,461	11,969	15,219	88,260	78,680
Results						
Segment results	436,976	169,679	36,897	19,045	473,873	188,724
Unallocated expenses						
Unallocated corporate expenses					(26,497)	(20,981)
Profit from operations					447,376	167,743
Finance income					6,417	7,594
Finance cost					(34,721)	(47,678)
Profit before income tax					419,072	127,659
Income tax expenses					(105,902)	(48,595)
Profit after tax					313,170	79,064

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

32. Segment information (continued)

(a) Reportable segments (continued)

	2023 RMB'000	2022 RMB'000
Segments' assets for reportable segments	1,946,079	2,031,859
Unallocated:		
Amounts owing by affiliated companies	5,464	11,098
Cash and cash equivalents	562,886	521,064
Other receivables – Advances to staff	533	471
Goodwill on consolidation	10,345	10,345
Refundable deposit	–	100
	<u>2,525,307</u>	<u>2,574,937</u>
Segments' liabilities for reportable segments	45,436	78,680
Unallocated:		
Other payables	56,619	63,474
Amounts owing to affiliated companies	42,887	13,538
Bank borrowings	360,000	420,000
Loan from non-controlling interest	250,000	450,000
Current tax payable	69,899	8,995
	<u>824,841</u>	<u>1,034,687</u>
Customer 1	625,170	190,049
Customer 2	325,862	188,159
Customer 3	301,586	–

The above customers individually contributed 5% (2022: 5%) 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 2023

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 to the financial statements, 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 2023 and 2022.

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 financial years ended 31 December 2023 and 2022.

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 2024 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 2024) and Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024)

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).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

34. New accounting standards and interpretation (continued)

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 2024) and Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024) (continued)

The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability,
- information about the covenants, and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

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

Amendments to SFRS(I) 1-7 *Statement of Cash Flows* and SFRS(I) 7 *Financial Statements: Disclosures*: Supplier finance arrangements (effective for annual periods beginning on or after 1 January 2024)

The amendments clarify the characteristics of supplier finance arrangements ("SFA") and introduce new disclosures of such arrangements. The objective of the new disclosures is to provide information about supplier finance arrangements that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk.

The amendments will be effective for annual periods beginning on or after 1 January 2024. Early adoption is permitted.

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

Amendments to SFRS(I) 16 *Leases*: Lease liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024)

The narrow-scope amendments to SFRS(I) 16 explain how an entity accounts for a sale and leaseback after the date of the transaction.

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

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

SHAREHOLDINGS STATISTICS

As at 25 March 2024

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	116	5.52	101,700	0.02
1,001 - 10,000	933	44.38	6,473,100	1.01
10,001 - 1,000,000	1,040	49.48	60,534,300	9.46
1,000,001 AND ABOVE	13	0.62	572,890,900	89.51
TOTAL	2,102	100.00	640,000,000	100.00

SHAREHOLDINGS HELD IN HAND OF PUBLIC

Based on the information available to the Company as at 25 March 2024, approximately 33.07% 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	122,524,500	19.14
3	CITIBANK NOMINEES SINGAPORE PTE LTD	57,337,100	8.96
4	UOB KAY HIAN PRIVATE LIMITED	40,511,400	6.33
5	DBS NOMINEES (PRIVATE) LIMITED	6,778,900	1.06
6	IFAST FINANCIAL PTE. LTD.	2,657,400	0.42
7	SEE GIM TEE OR SEI KIM HOE	2,451,500	0.38
8	TIGER BROKERS (SINGAPORE) PTE. LTD.	2,237,000	0.35
9	RAFFLES NOMINEES (PTE.) LIMITED	2,032,300	0.32
10	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,712,300	0.27
11	MOK TIAN SOON	1,557,800	0.24
12	ATMA SINGH S/O NAND SINGH	1,550,200	0.24
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,544,500	0.24
14	AW YONG SAI CHIN	1,000,000	0.16
15	SEI KIM HOE	961,200	0.15
16	MAYBANK SECURITIES PTE. LTD.	869,800	0.14
17	EST OF GOH JUI HOO, DEC'D	780,000	0.12
18	WEI RAN	779,000	0.12
19	WENG TUCK WAH	750,000	0.12
20	OCBC SECURITIES PRIVATE LIMITED	681,100	0.11
	TOTAL	578,712,000	90.43

SHAREHOLDINGS STATISTICS

As at 25 March 2024

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	42,052,500 ⁽¹⁾	6.57	372,048,500	58.13
Li Xiangping			372,048,500 ⁽²⁾	58.13	372,048,500	58.13
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 42,052,500 ordinary shares held under the name of Phillip Securities Pte Ltd.
- (2) Li Xiangping is deemed to be interested in 372,048,500 shares held by Intelligent People Holdings Limited and Phillip Securities Pte Ltd. by virtue of Section 7 of the Companies Act 1967.
- (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 at Suntec Singapore Convention & Exhibition Centre, Level 3, Room 332, 1 Raffles Boulevard, Singapore 039593 on Wednesday, 24 April 2024 at 10.30 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 2023 and the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final exempt (one-tier) dividend of SGD 0.5 cents per share for the financial year ended 31 December 2023. **(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.

Chen Seow Phun, John	(See Explanatory Note 2)	(Resolution 3)
Jiang Xinglu	(See Explanatory Note 3)	(Resolution 4)
Liu Xiaoyan	(See Explanatory Note 4)	(Resolution 5)
4. To approve the payment of Directors’ Fees of S\$262,000 (2023: S\$262,000) for the financial year ending 31 December 2024, to be paid quarterly in arrears. **(Resolution 6)**
5. To re-appoint CLA Global 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 7)**

As Special Business:

To transact any other ordinary business which may properly be transacted at an annual general meeting.

6. 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.” (See appendix) **(Resolution 8)**

7. 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 1967 (that “**Act**”) 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 (i) way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

- (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 ten 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 5) **(Resolution 9)**

By Order of the Board

Tan Chee How
Company Secretary
Singapore, 9 April 2024

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. Detailed Information pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Dr Chen, Mr Jiang Xinglu and Mr Liu Xiaoyan can be found under the section entitled 'Board of Directors' in the Annual Report.
2. Dr Chen Seow Phun, John is Lead Independent Non-Executive Director of the Company. He also serves as the Chairman of the Remuneration Committee, a member of Audit committee and Nominating Committee Upon his re-election, Dr Chen will continue to serve as Chairman of the Remuneration Committee, a member of Audit committee and Nominating 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 Nominating committee and Remuneration Committee Upon his re-election, Mr Jiang will continue to serve as Chairman of the Audit Committee, a member of Nominating 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 Ordinary Resolution 9 proposed in item 7 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 9 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. The members of the Company are invited to attend physically at the Annual General Meeting (“AGM”). There will be no option for shareholders to participate virtually. Printed copy of this notice and the accompanying proxy form will be sent to members. These documents will also be published on the Company’s website at the <http://www.sinostar-pec.com/html/ir.php> and is also made available on SGXNet at the URL [https://www.sgx.com/securities/ company-announcements](https://www.sgx.com/securities/company-announcements).
2. Members may participate in the AGM by:
 - a. (a) attending the AGM in person;
 - b. (b) raising questions at the AGM or submitting questions in advance of the AGM; and/or
 - c. (c) voting at the AGM
 - (i) themselves personally; or
 - (ii) through their duly appointed proxy(ies).

CPFIS Investors and SRS Investors who wish to appoint the Chairman of the AGM (and not third-party proxy(ies)) as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 12 April 2024, being seven (7) working days prior to the date of the AGM.

Please bring along your NRIC/passport so as to enable the Company to verify your identity. Members are requested to arrive early to facilitate the registration process and are advised not to attend the AGM if they are feeling unwell. Members are strongly encouraged to exercise social responsibility to rest at home and consider appointing a proxy(ies) to attend the Meeting. We encourage members to mask up when attending the AGM.

3. A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his/her/its behalf at the AGM. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

Where such member appoints two (2) proxies, the proportion of his shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named.

4. A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act, 1967:

- (a) a banking corporation licensed under the Banking Act 1970, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital market services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.
5. A member can appoint the Chairman of the Meeting as his/her/its proxy but this is not mandatory.

If a member wishes to appoint the Chairman of the Meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution in the instrument appointing the Chairman of the Meeting as proxy. If no specific direction as to voting or abstentions from voting in respect of a resolution in the form of proxy, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

NOTICE OF ANNUAL GENERAL MEETING

6. The instrument appointing a proxy or proxies, duly executed, must be submitted to the Company in the following manner:
- (a) If submitted by post, be lodged at the Company's Share Registrar, 30 Cecil Street, #19-08 Prudential Tower Singapore 049712
 - (b) If submitted electronically, be submitted via email to shareregistry@incorp.asia

In either case, by 10.30 a.m. on 22 April 2024, being no later than 48 hours before the time set for the AGM.

7. The Chairman of the AGM, as proxy, need not be a member of the Company.
8. Members submit questions related to the resolutions to be tabled for approval at the AGM in advance of the AGM in the following manner by 5.00 p.m. on 17 April 2024:
- (a) by email to shareregistry@incorp.asia
 - (b) by post to the registered office of the Company's Share Registrar at 30 Cecil Street, #19-08 Prudential Tower Singapore 049712

The Company will endeavour to address all substantial and relevant questions submitted prior to the AGM by publishing the responses to such questions on the Company's corporate website and on SGXNet by 19 April 2024 after trading hours.

9. 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:

- 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.
- 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, _____ NRIC/PASSPORT /Co. Registration No. _____

of _____ (Address)

being a member/members of SINOSTAR PEC HOLDINGS LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings %	
			No of shares	(%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings %	
			No of shares	(%)

or failing the person, or either or both persons referred to above, 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 Wednesday, 24 April 2024, at 10.30 a.m. at Suntec Singapore Convention & Exhibition Centre, Level 3, Room 332, 1 Raffles Boulevard, Singapore 039593 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 or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/ proxies will vote or abstain from voting at his/her own discretion. In appointing the Chairman of the AGM as proxy, Shareholders (whether individuals or corporates) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment 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 2023			
2.	First and final exempt (one-tier) dividend of SGD 0.5 cents per share for the financial year ended 31 December 2023			
3.	Re-election of Dr Chen Seow Phun, John as a Director			
4.	Re-election of Mr Jiang Xinglu as a Director			
5.	Re-election of Mr Liu Xiaoyan as a Director			
6.	Approval of the payment of Directors' Fees of S\$262,000 for the financial year ending 31 December 2024.			
7.	Re-appointment of CLA Global TS Public Accounting Corporation as Auditor			
8.	Renewal of shareholders' mandate for interested person transactions			
9.	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 Resolution as set out in the Notice of the Meeting. Alternatively, please indicate the number of votes as appropriate, if you mark "abstain" you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll).

Dated this _____ day of _____ 2024

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. A member of the Company who is not a Relevant Intermediary entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member who is not a Relevant Intermediary appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
5. Subject to paragraph below, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attend the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.
6. The instrument appointing a proxy or proxies must be submitted to the Company in the following manner:
 - (a) if submitted by post, be lodged at the Company's registered office of the Company at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or
 - (b) if submitted electronically, be submitted via email at shareregistry@incorp.asia,

in either case by no later than 10.30 p.m. on 22 April 2024, being forty-eight (48) hours before the time appointed for the AGM.

a member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

Members are strongly encouraged to submit completed proxy forms electronically either through email to shareregistry@incorp.asia.

7. The instrument appointing the proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the proxy or proxies is executed by a corporation, it must be executed either under its common seal or signed on its behalf by its attorney duly authorised in writing or by an authorised officer of the corporation. Where the instrument appointing the proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.
8. Investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) and wishes to appoint the Chairman of the AGM as their proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes at least seven (7) working days before the AGM.

*** A Relevant Intermediary is:**

- (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing the proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 9 April 2024.



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

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