



SINOSTAR PEC HOLDINGS LIMITED

(Company Registration No.: 200609833N)

INTERESTED PERSONS TRANSACTIONS ENTERED INTO WITH DONGMING QIANHAI RELI CO., LTD, JIANGSU XINGHAI PETROCHEM CO., LTD AND JIANGSU RENHAI OIL PRODUCTS DISTRIBUTION CO., LTD

1. Introduction

- 1.1 The board of directors (the “**Board**”) of Sinostar PEC Holdings Limited (the “**Company**”, together with its subsidiaries, referred to as the “**Group**”) wishes to announce that the Group had entered into several interested persons transactions (the “**Past Recurrent IPTs**”), details of which are set out in Section 3 below, with Dongming Qianhai Reli Co. Ltd (东明前海热力有限公司) (“**Qianhai Reli**”), Jiangsu Xinghai Petrochem Co., Ltd (江苏新海化工有限公司) (“**Jiangsu Xinghai**”), and Jiangsu Renhai Oil Products Distribution Co., Ltd (江苏润海油品销售有限公司) (“**Jiangsu Renhai**”), which are of a revenue and trading nature. As at the date of this announcement, on an aggregated basis, such Past Recurrent IPTs had exceeded 5% of the Group’s latest audited net tangible assets (“**NTA**”) as at 31 December 2020 of approximately RMB 1,224,648,000 (“**audited FY 2020 NTA**”).
- 1.2 Pursuant to Chapter 9 of the Listing Manual (“**Listing Manual**”) of the Singapore Exchange Securities Limited (“**SGX-ST**”), transactions between an interested person and a listed issuer are interested person transactions (“**IPTs**”). Accordingly, under the requirements of Chapter 9 of the Listing Manual, the Company is required to make an immediate announcement of any IPT of a value equal to or exceeding 3% of the Group’s latest audited NTA and to seek shareholders’ approval for all IPTs of a value equal to or exceeding 5% of the Group’s latest audited NTA.
- 1.3 Pursuant to Chapter 9 of the Listing Manual, the Company had in its extraordinary general meeting (“**EGM**”) held on 30 April 2021 renewed the approval of the shareholders to enter into IPTs (the “**2021 IPT General Mandate**”), the scope of which is limited to transactions in the ordinary course of the Group’s business and include transactions with and between Shandong Dongming Petrochem Group Co., Ltd (山东东明石化集团有限公司) (“**Dongming Petrochem**”) and certain of its companies, corporations and entities (as defined hereinafter as “**Dongming Petrochem Group**”), particulars of which were set out in the Company’s Appendix Circular to the shareholders dated 12 April 2019 (“**2019 Circular**”).
- 1.4 While the Company has an indirect interest of 18% in Qianhai Reli, Qianhai Reli is also a company within the Dongming Petrochem Group. The Company had entered into several transactions with Qianhai Reli, majority of which were mandated by shareholders in

accordance with the 2021 IPT General Mandate, including (without limitation to) the purchase of certain utilities like power and mid-pressure steam gas from Qianhai Reli (the “**Purchase**”). The Company had also entered into other transactions with Qianhai Reli that had exceeded the scope of the 2021 IPT General Mandate, which include (without limitation to) the sale of utilities like water, low pressure steam gas and re-cycled water to Qianhai Reli (the “**Sale**”), by way of offsetting some of the Purchase costs against the Sale costs, instead of issuing sales invoices to Qianhai Reli as per the usual practice. In doing so, the Company had inadvertently omitted to make an announcement and obtain the shareholders’ approval for its Past Recurrent IPTs (those without shareholders’ mandate) as it had genuinely mistaken such Past Recurrent IPTs to also be covered by the scope of the 2021 IPT General Mandate.

- 1.5 The Company had sometime in 2021 entered into transactions with Jiangsu Xinghai and Jiangsu Renhai (each a “**Jiangsu Company**” and collectively, the “**Jiangsu Companies**”) for the purchase of propylene, which is a raw material necessary for the Company’s ongoing production of New Polypropylene (“**premier grade polypropylene**”). The Company had inadvertently omitted to make an announcement and obtain the shareholders mandate in respect of its propylene purchases from the Jiangsu Companies as it had discovered, during the preparation of the annual return of its wholly subsidiary, Dongming Hengchang Petrochemical Co. Ltd (东明恒昌化工有限公司) that the propylene purchases from the Jiangsu Companies were IPTs.
- 1.6 The Company is proposing to convene an EGM to seek shareholders’ ratification, confirmation and approval of the Past Recurrent IPTs which occurred since in or around April 2021 (the “**Proposed Ratification of Past Recurrent IPTs**”).
- 1.7 Moving forward, as the Group anticipates that there will be recurrent transactions entered into with entities with the Qianhai Reli and the Jiangsu Companies, which are of a revenue and trading nature, the Company is also seeking the approval for the proposed adoption of a new IPT general mandate from its shareholders (the “**Proposed New IPT General Mandate**”) in the EGM.

2. Details of the Interested Persons

Qianhai Reli

- 2.1 Qianhai Reli is a company incorporated in the People’s Republic of China (“**PRC**”) and is principally engaged in the business of power and utilities supplies. Qianhai Reli is a part of the Dongming Petrochem Group and also a subsidiary company that is majority-owned by the immediate holding company of Dongming Petrochem Group, Shandong Hong Li Yuan Stock Limited Company (山东宏利源股份有限公司) (“**Hong Li Yuan**”). The Company’s Executive Chairman and CEO, Mr. Li Xiang Ping (“**Mr. Li**”) currently holds 99.41% of Hong Li Yuan. As Mr. Li owns more than 30% interest in Hong Li Yuan, Qianhai Reli is deemed to be an associate of Mr. Li pursuant to the Listing Manual. Therefore, Qianhai Reli is an “Interested Person” of the Company and the relevant transactions with the Qianhai Reli are IPTs. As stated in the 2021 IPT General Mandate currently in force, the Dongming Petrochem Group are business partners, strategic suppliers of the Group and continue to play an important role in the Group’s business.

Jiangsu Companies

- 2.2 The Jiangsu Companies are both incorporated in the PRC. Jiangsu Renhai is the wholly owned subsidiary of Jiangsu Xinghai. Their principal business activities are production of propylene and propylene related products. The current sole shareholder of the Jiangsu Companies is Hong Li Yuan. As Mr. Li owns more than 30% interest in Hong Li Yuan, the Jiangsu Companies are deemed to be associates of Mr. Li pursuant to the Listing Manual. Therefore, the Jiangsu Companies are “Interested Persons” of the Company and the relevant transactions with the Jiangsu Companies are IPTs.
- 2.3 The Jiangsu Companies are business partners and strategic suppliers of the Group which supplies, amongst other things, propylene to the Group. In the Group’s ordinary course of business, transactions with the Jiangsu Companies constitute an important component of the Group’s business and operations, especially in the production of premier grade polypropylene, and occur on a regular basis. The Group is familiar and satisfied with the proven liability and quality of the supply of propylene and other raw materials provided by, and credibility of, the Jiangsu Companies.

3. Details and value of the Past Recurrent IPTs

For illustrative purpose only, details and value of the Past Recurrent IPTs entered into by the Group and the Interested Persons from February 2021 to December 2021 (the “**Relevant Period**”) are as follows:

(a) Purchase of utilities from and offset against purchase of utilities with Qianhai Reli

The IPTs that were carried out between the Company and Qianhai Reli that had exceeded the scope of the 2021 IPT General Mandate (as described in Section 1.4 above) had sometime between or around February 2021 to December 2021 amounted to approximately RMB 79,266,858, which is approximately 6.5% of the Group’s latest audited FY 2020 NTA.

(b) Purchase of propylene from the Jiangsu Companies

Sometime in 2021, the Company had completed the construction of its production facilities for the product, premier grade polypropylene and commenced such production of premier grade polypropylene within the same year. To meet the production demands of the Company for premier grade polypropylene, the Company had purchased additional propylene from the Jiangsu Companies to cover the shortfall in its propylene supply. In or around April 2021 and from August 2021 onwards, the Company began purchasing approximately RMB 31,184,791 and RMB 68,304,751 worth of propylene from Jiangsu Renhai and Jiangsu Xinghai respectively, which in aggregate amounts to approximately the 8% of the Group’s latest audited FY 2020 NTA.

As seen from above, on an aggregated basis, the Past Recurrent IPTs with Qianhai Reli and the Jiangsu Companies during the Relevant Period, had exceeded 5% of the Group’s latest audited

FY2020 NTA, and the Company will need to seek shareholders' approval for the Recurrent Past IPTs with Qianhai Reli and the Jiangsu Companies.

4. Rationale for Past Recurrent IPTs

4.1 As stated above, the failure to seek shareholders' approval for the Past Recurrent IPTs with Qianhai Reli was due to the genuine mistaken impression that the said Past Recurrent IPTs entered into were within the scope of the 2021 IPT General Mandate, and that it had failed to seek shareholders' approval for the Past Recurrent IPTs with the Jiangsu Companies due to genuine and inadvertent oversight on the part of the Company. As a result, the Past Recurrent IPTs with both Qianhai Reli and the Jiangsu Companies were inadvertently carried out without shareholders' mandate.

4.2 In addition, in the Group's ordinary course of business, transactions with the Interested Persons constitute a core component of the Group's business and operations and occur on a regular basis. The Past Recurrent IPTs are therefore of a recurring nature necessary to the day-to-day operations of the Group. It would not be prudent to cease dealings with the Interested Persons pending shareholders' approval of the Proposed New IPT General Mandate as such action would be highly prejudicial to the interest of the Company, and would not be in the best interest of the shareholders. Instead, the Company intends to seek a ratification of all Past Recurrent IPTs.

5. Proposed New IPT General Mandate

5.1 It is anticipated that in the ordinary course of business, transactions of a revenue and trading between the companies in the Group, and Qianhai Reli and the Jiangsu Companies are likely to occur on a recurrent basis, and is necessary for the Group's operations. Accordingly, the Company intends to seek shareholders' approval for the Proposed New IPT General Mandate for future IPTs with Qianhai Reli and the Jiangsu Companies, provided such IPTs are carried on on normal commercial terms and will not be prejudicial to the Company and/or its minority shareholders.

5.2 The Proposed New IPT General Mandate will give the Group the flexibility to enter into future IPTs with the Qianhai Reli and the Jiangsu Companies in the ordinary course of the Group's business without the need to seek shareholders' approval each time.

5.3 The Proposed New IPT General Mandate will also enhance the Group's ability to pursue business opportunities of a revenue or trading nature which are time-sensitive, and will eliminate the need for the Company to announce and convene separate general meetings on each occasion to seek shareholder's prior approval for the entry by the Group into such transactions. This will substantially reduce the expenses associated with the convening of such general meetings from time to time, improve administrative efficacy and allow resources and time to be focused towards other corporate and business opportunities.

6. Review and Implementation of Internal Controls and Safeguards

The Company shall take immediate steps to review all existing internal procedures and controls for the identification of Interested Persons, recording of all IPTs (including the IPTs

with the Jiangsu Companies and Qianhai Reli) and prevention of IPTs being entered into without shareholders' mandate. Where such existing procedure and controls are found to be inadequate, the Company shall promptly rectify such inadequacies and ensure that additional safeguards are put in place to safeguard the interests of shareholders.

7. Independent Financial Adviser

The Audit Committee of the Company will be appointing an independent financial adviser ("IFA") to advise the non-interested, independent directors namely, Mr. Jiang Xing Lu, Dr John Chen Seow Phun, Mr Liu Xiaoyan and Mr. Zhao Jinqing on whether:

- (a) The terms of the Past Recurrent IPTs had been carried out on normal commercial terms and were not prejudicial to the interests of the Company and/or its minority shareholders; and
- (b) The methods and procedures for determining the transaction prices are sufficient to ensure that the future IPTs with the Interested Persons will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and/or its shareholders.

8. Shareholders' Approval

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

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

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

9. Circular

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

BY ORDER OF THE BOARD

Li Xiang Ping
Executive Chairman and CEO
28 February 2022