



## **SINOSTAR PEC HOLDINGS LIMITED**

(Company Registration No.: 200609833N)

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### **SINOSTAR PEC SHAREHOLDERS' QUESTIONS AND ANSWERS**

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The Board of Directors (the "Board") of Sinostar PEC Holdings Limited (SGX: C9Q) ("Sinostar PEC" or the "Group"), together with its subsidiaries, the "Group") wishes to thank shareholders for submitting their questions in advance of the Annual General Meeting ("AGM") to be held by electronic means on 28 April 2022 at 10.00 a.m.

The Company wishes to inform shareholders that it has received questions from shareholders which are overlapping and/or similar in nature. Accordingly, the Company has consolidated such questions and have made editorial amendments to some of the questions to ensure that they are clear. For the avoidance of doubt, the editorial amendments do not change the meaning of the questions received by the Company. According, the following are responses to the substantial and relevant questions raised by shareholders:

#### **1.I refer to the Chairman's message and resolution No.2.**

**What is the use of robust growth in the operating results and yet rewarding the dedicated support of the shareholders with a miserable First and Final Dividend of 0.6 cents? It should be at least 1.5 cents.**

##### Company's Response:

In line with the improvement in operating results, the Group has declared a first and final dividend of 0.6 S cents for the financial year ended 2021, which is a 20% increase from the dividend declared for the financial year ended 2020 (0.5 S cents)

Over the last 2 years, the Group has significantly expanded its production capacity with the construction of the new polypropylene plant which was completed in late 2020. The new polypropylene plant has an annual production capacity of 200,000 tonnes/year which significantly boosted the Group's polypropylene production capacity by 5x to 250,000 tonnes per annum. To construct the new plant, the Group had to incur borrowings to fund the construction which resulted in the Group moving from a net cash position to its current net debt position. Coupled with the increase in uncertainty in the current operating environment with rising inflation and fears of an economic slowdown, the Group deemed it appropriate to remain prudent and manage its cashflow carefully.

**2.From pg 15 of AR2021, it is stated that polypropylene ASP and ACP rose by 13.4% and 16.4% in FY2021. Though the ASP and ACP of premium grade polypropylene is not stated, it can be inferred from the company's FY2021 results that the ACP rose more than the ASP, and the ASP of the premium grade polypropylene is not significantly higher than polypropylene. What are the factors affecting the low ASP of**



**premium grade polypropylene? Going forward, can the ASP at least increase in line with the ACP?**

**Company's Response:**

The cost of materials i.e. LPG is affected by the volatility of oil prices, which in turns affects the cost of production for the Group. Despite the fluctuations in ASP and ACP, the Group generated a positive profit margin for the production of both polypropylene and premier grade polypropylene.

For the financial year ended 2021, the profit margin generated from the production of premier grade polypropylene was 11.0%, which was significantly higher than the margin generated from the normal grade polypropylene of 5.7%.

Premier grade polypropylene tends to enjoy higher margins than normal grade polypropylene due to its wider usage. The Group is working on marketing its premier grade polypropylene to penetrate more markets.

**3. How is the company mitigating with the recent significant increases in the price of raw materials, especially LPG?**

**Company's Response:**

Refer to Company's Response to 2 above.

**By Order of the Board**

Tan Chee How  
Company Secretary