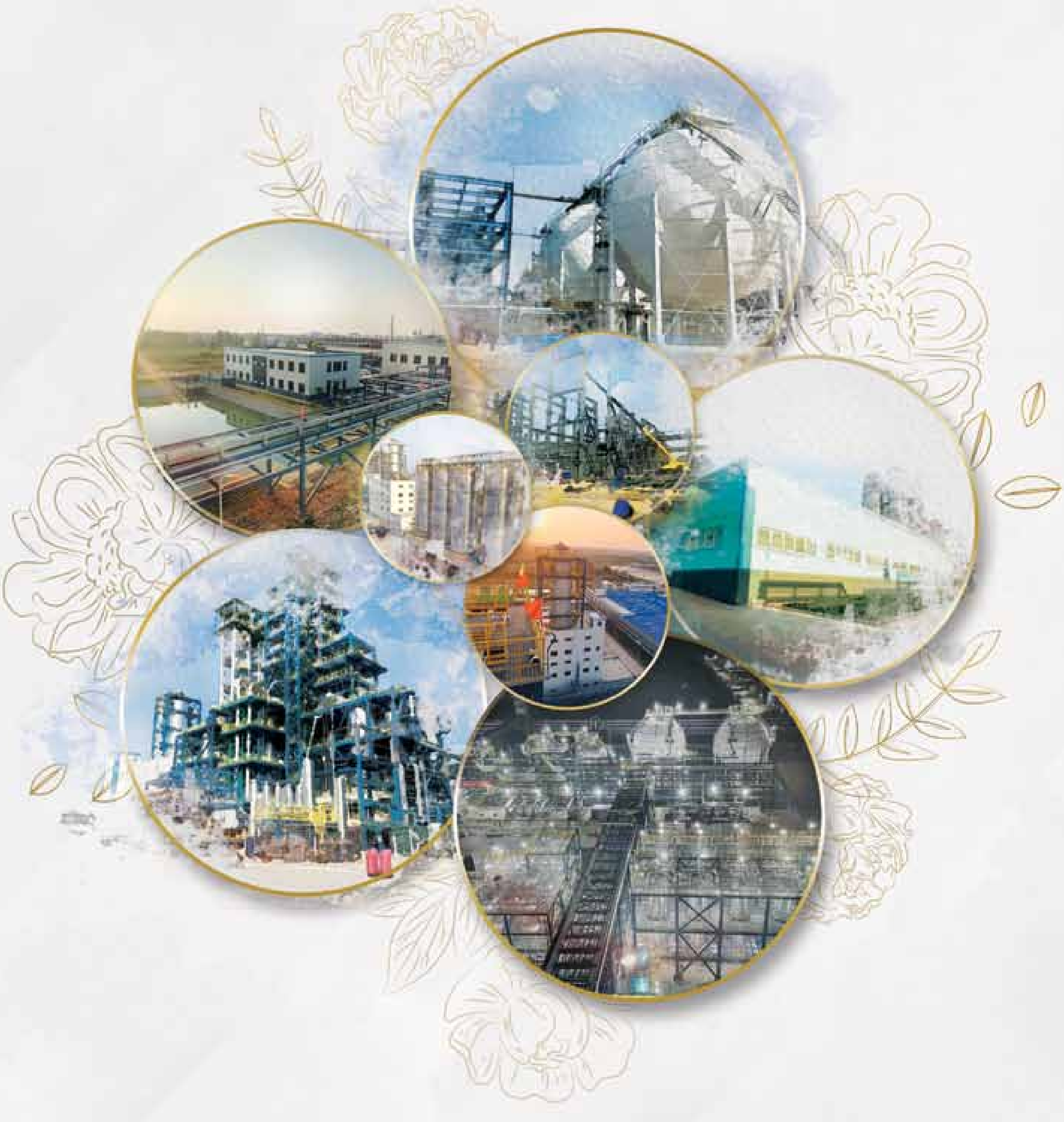
中星石化
SINOSTAR

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

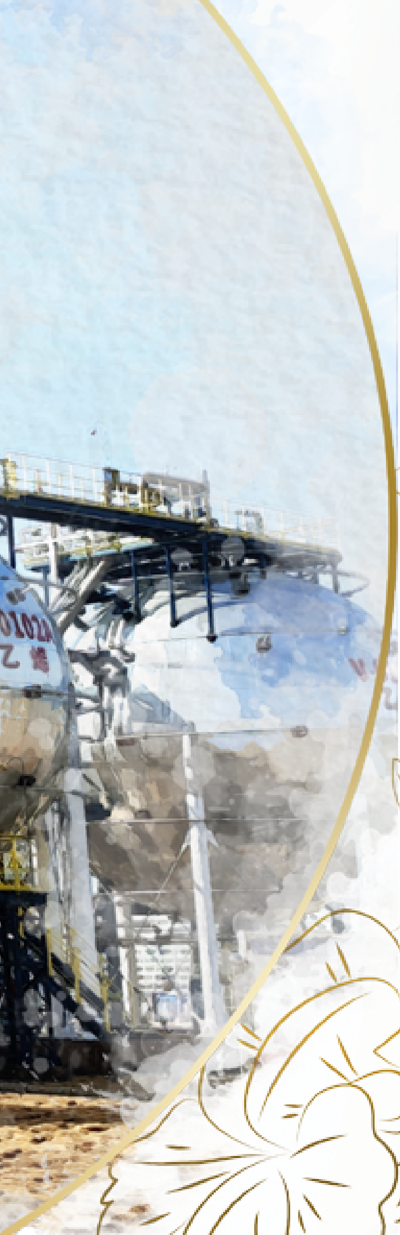


Planting Seeds for Future Growth

ANNUAL REPORT **2020**

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

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

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

STRENGTHENING OUR FOUNDATION FOR GROWTH

The Group forged ahead with the construction of its new polypropylene production plant and implemented other key initiatives to support future growth as it recognizes the opportunity and need to see beyond immediate challenges.

CHAIRMAN'S MESSAGE

The global pandemic put us to the test – we raced against time to stop the spread of the virus, acted decisively, resumed production, and have emerged strong at the end.

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to report a strong financial performance despite the challenging global issues and market conditions.

2020 was an exceptionally unique year. The global outbreak of COVID-19, increasing competitiveness between countries, and a slow economic recovery has made business development around the world challenging in every step of the way. Despite the difficult and complex external factors, the Group's financials and operations were able to bounce back through the cooperation between the Board, management and employees, and a strong focus on producing great results through great management values. The global pandemic put us to the test – we raced against time to stop the spread of the virus, acted decisively, resumed production, and have emerged strong at the end.

STRONG EARNINGS GROWTH DESPITE CHALLENGING OPERATING ENVIRONMENT

Despite a 13.1% y-o-y drop in revenue to RMB 3.2 billion, FY2020 net profit grew more than 34% to RMB 184.6 million, driven mainly by an increase in most products production which helps to offset the decrease in average selling price across all products. The Group also benefitted from a jump in other income due to the disposal of used catalyser and consumables, and receipt of grants from governments. Together with a drop in administrative expense and finance costs, the Group recorded another year of strong earnings growth despite the challenging operating environment, as net profit attributable to equity holders jumped nearly 40% y-o-y to RMB 158.6 million.

The Petrochemicals business remains as the Group's core focus, accounting for 93% of total sales in FY2020. Over the years, the Group has expanded its petrochemical product range from processed LPG, propylene and polypropylene to include MTBE, Hydrogen, Isobutylene and other gas.

These other products now account for about 63% of total sales in FY2020 and will continue to drive the Group's profit growth in the years ahead. During the year, our logistics & transported related business also grew its revenue significantly by over 50% to RMB 213.1 million, driven by the change in delivery model with our strategic partner which resulted in an increase in transportation requirement between Dongming county and Jiangsu areas.

GROUP'S OUTLOOK AND PROSPECTS

After an approximately two years of construction, we have completed our new polypropylene plant. With a combination of good cost control on construction and centralised bulk purchase of equipment for the new plant installations through working with our strategic partner Dongming Petrochem Group, the Group has enjoyed cost savings, as the cost of construction for the new polypropylene plant came in much lower than the original budget of RMB 1.2billion.

With the completion of the new plant, it will significantly boost our existing annual polypropylene production capacity by 5x to 250,000 tonnes. This will allow the Group to better utilise our unprocessed propylene production capacity, to further process it into high-quality polypropylene which carries higher profits as compared to sales of propylene. The new plant will adopt the latest generation technology Spheripol, to produce these high quality polypropylene. We plan to introduce 168 different types of polypropylene grades, of which 9 types can fulfill the market gaps in China for products such as medical equipment, automotive accessories, higher graded home appliances, electrical films, food packaging and other consumer products. In addition, polypropylene can be used in the production of medical equipment such as face masks, personal protective equipment, and syringes. The increased sale of polypropylene is projected to bring in an estimated annual revenue of RMB 2 billion for the Group.

2021 marks the start of China's 14th Five-Year Plan (14th FYP), which is particularly noteworthy as it charts the first five years of China's new journey towards fully building a modern socialist country and achieving its second centennial goals.

RMB 3,182.3mil
Revenue

RMB 184.6mil
Net Profit

CHAIRMAN'S MESSAGE

These five years also constitute as a 'critical period of strategic opportunities' for China to explore and experiment with new development amid significant changes inside and outside the China.

It is a key year to take advantage of this development in order to seize new opportunities. Our strategic partner, Dongming Petrochemical Group, has researched and formulated a "three-step strategy" in accordance with the "Ten Transformation" principles of large-scale installations, high-end technology, and industrial chainisation. The strategy includes: 1: the improvement of the industrial production chain project; 2: Building of a new 3 million tons of enhanced chemical processing & transformation installation 3: the new energy green chemical materials project

The total investment of the "three-step strategy" plan will exceed 100 billion yuan. Following the completion of the investment, Dongming Petrochemical Group's sales revenue is expected to exceed 300 billion yuan, thereby achieving the strategic goal of entering the ranks of "Fortune 500". For Sinostar PEC, which is mainly engaged in the production and sales of petrochemical products, it is able to seize the opportunity of this exciting development with the help from strategic partners. Sinostar is expected to benefit from this strategic development

DIVIDEND

Our Board is pleased to recommend a Final Dividend of 0.5 Singapore cents per ordinary share for the fiscal year, subject to shareholders' approval at the Annual General Meeting. This comes on the back of the Group's strong financial performance for the year and our cautious optimism about the Group's financial strength and cash flow generation in the new fiscal year.

APPRECIATION

A special "Thank You" is due to all our Board, employees and management team, for the work, dedication and support given to the company has been immense and exceptional in so many ways.

We are equally grateful for the ongoing trust received from our various business partners and shareholders, thereby invigorating our long-standing relationships and allowing us to continuously foster our common vision to further develop the Company to a greater height.

LI XIANG PING
Non-Executive Chairman

尊敬的各位股东：

刚刚过去的2020年，是极不平凡的一年。新冠疫情全球肆虐，大国竞争愈演愈烈，世界经济复苏乏力，全球企业发展可谓“步履维艰”。尽管外部环境严峻复杂，但在董事、管理层和全体员工三方互相配合下，集团通过聚焦“高质量管理、高质量发展”主题，生产、经营、管理等各项工作稳中有进，进中向好，净利润实现强劲增长；特别是在新冠疫情这场“大考”面前，我们与时间赛跑，与疫情决战，挺身而出，主动出击，在抗击疫情、复工复产、服务发展中展现了“大企风范”“名企担当”。

2020财年，中星石化实现销售收入32亿元，虽然同比下降了13.1%，但全年的净利润仍增长34%以上，达到人民币1.846 亿元。利润增长的主要原因是由于产量的大幅增加抵消了产品平均价格的下降，同时，出售废旧催化剂和消耗品所获得的收入、政府提供的补助金，以及集团进一步节约挖潜，行政费用和财务成本得以下降等等也是净利润增长的重要因素。总的来说，尽管过去一年的经营环境充满挑战，但集团仍再次实现了强劲的盈利增长，权益持有人应占净利润同比增长近40%，达到人民币1.586 亿元。

特别要提到的是，2021年初，新建恒昌化工20万吨/年聚丙烯装置顺利通过试车与产出合格产品，项目原始开车一次成功，且建设成本远低于12亿元人民币的预算，成功实现成本节约目标。该项目的投产使聚丙烯产能较之前提升了5倍，达到 250,000 吨/年，产品附加值得到有效提高。项目采用利安德巴赛尔公司最新一代工艺专利技术，是国内首套高端聚丙烯牌号最齐全的生产装置，也是我们延伸产业链条、加快转型升级和实现高质量发展的新旧动能转换重点建设项目，产出产品纯度高，完全可以替代进口产品，计划引进的168个聚丙烯牌号，其中9个牌号可以填补国内空白，产品可广泛用于高端医疗器械、高档汽车配件、高端家电等领域；另外，该项目装置可以生产口罩、防护服、注射器等医用原材料。每年预计可实现销售收入20亿元，公司经营效益和发展质量得到进一步提升。

各位股东！

以上成绩的取得，得益于各级领导的关心和厚爱，得益于各位员工、管理团队的付出和奉献，更得益于董事会和各位股东的支持和帮助！在此，我谨代表中星石化全体员工一并向你们表示感谢！鉴于2020年度的强劲财务表现，以及我们对集团在新财政年度中财务实力和现金能力所持的谨慎乐观态度，董事会将建议本财政年度的末期股息定为每股普通股 新币0.5分，待经股东大会批准后生效实施。

2021年，是中国“十四五”规划开局之年，也是乘势而上开启全面建设社会主义现代化国家新征程、实现高质量发展的关键之年。为了抢抓新一轮机遇，实现高质量发展，我们的战略合作伙伴东明石化集团按照“装置规模化、技术高端化、产业链条化”等“十化”原则，研究制定了“三步走战略”，拟规划建设市场紧缺的高端石化、高端化工原料等一批重大项目。主包括第一步：完善产业链工程；第二步：300万吨减油增化工程（化工转型工程）；第三步：绿色化工新材料工程。

“三步走战略”计划总投资过千亿元，投资完成后，东明石化集团销售收入预计将能突破3000亿元，从而实现进军“世界500强”的战略目标。对于主要从事化工品生产和销售的中星石化而言，能否抓住战略伙伴大发展的机遇而从中受惠，显得至关重要！

各位股东！

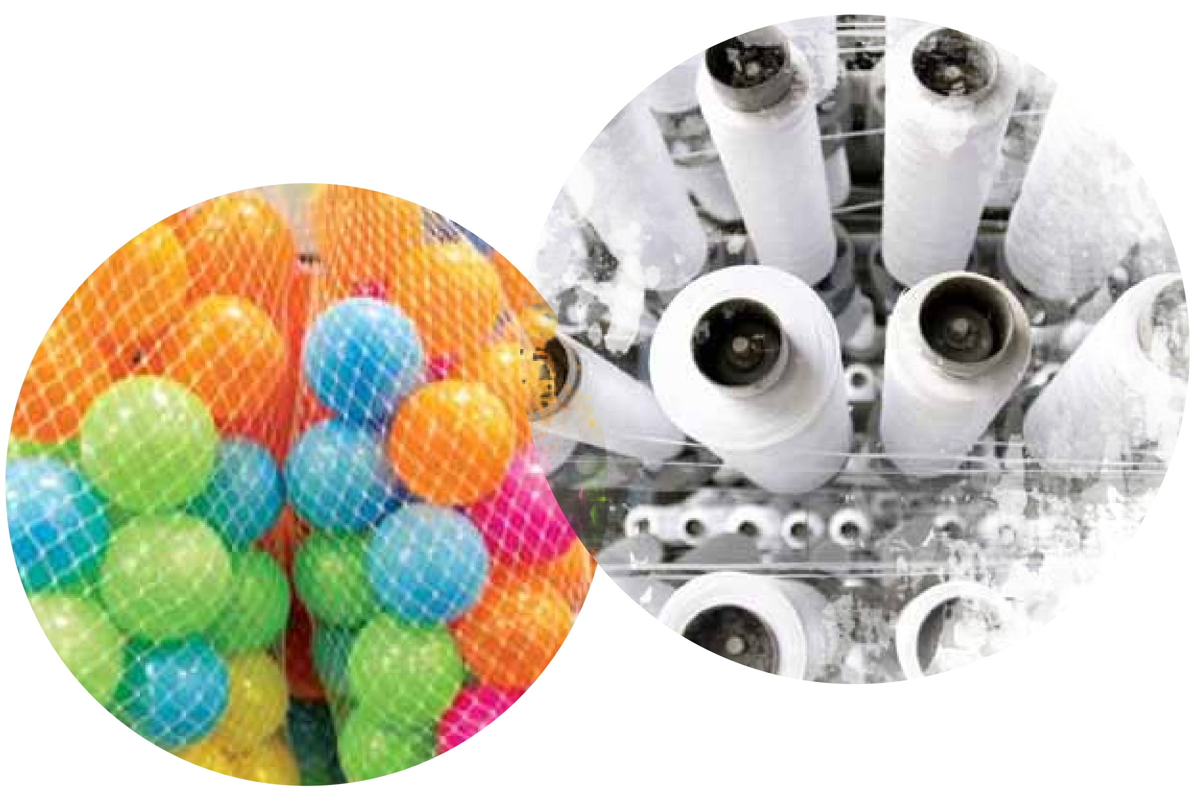
在新时代下，实现新的发展，取得新的成绩，既要认清脚下之路，更要创新发展思路，踏准时代的节拍，制定好未来一个时期的发展新目标。

目前，石化业务仍然是集团的核心业务，占2020财年总销售额的93%。未来一个时期，公司将按照国家“十四五”发展规划，结合东明石化的发展战略，向产业结构更优、经济效益更好、发展后劲更足的高端化工新材料领域转型升级，进一步扩大在中国境内的实体规模和市场份额。希望各位股东增强投资信心，继续扩大投资规模，支持中星石化的转型升级和高质量发展，我们将以一流的业绩和实实在在的效益回报各位股东，为广大股东、员工和社会创造更多的价值，再创新的辉煌！

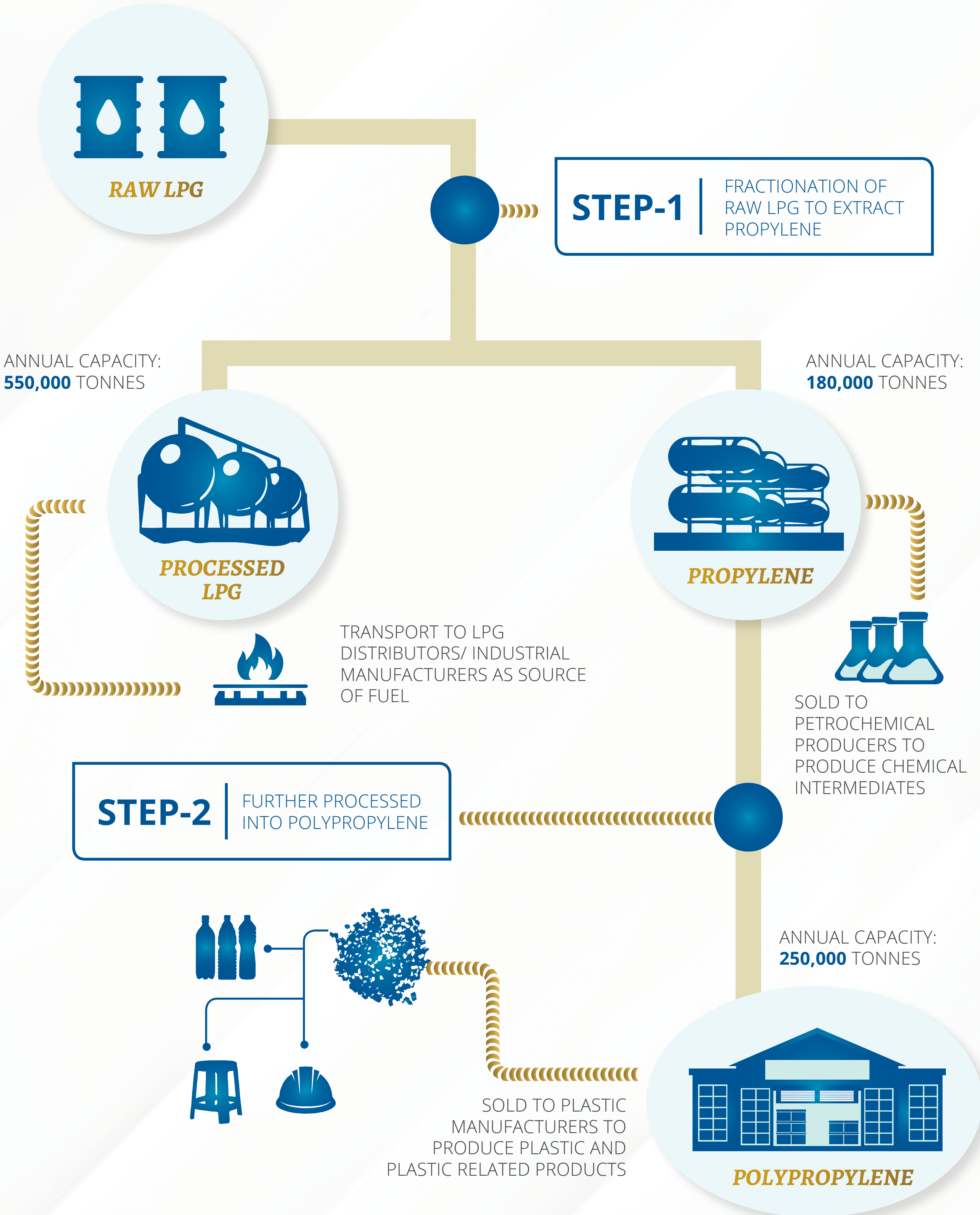
LI XIANG PING
非执行董事长

PRODUCTION 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 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), 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. Dongming Petrochem, established in 1997, has since grown to become China's largest independent oil refiner with primary processing capacity of 15 million tonnes per year. For Sinostar, through the strategic relationship with Dongming Petrochem, we are assured to receive a secure and stable supply of raw LPG which creates a solid foundation for us to continue ramping up on our existing market leadership position. The affiliation also ensures that the raw LPG we supply is of consistent quality and provide us with a competitive edge over our competitors.



PRODUCTION PROCESS
生产过程



OUR
BUSINESS SEGMENTS

PRIORITISING QUALITY

We have attained 3 major international standards in the areas of quality, environment and health management: ISO9001:2001, ISO14001:2004 and OHSAS18001:1999—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 and LPG, our products cater to a wide range of industrial application and are sold mainly to manufacturers of petrochemicals, plastic products and LPG distributors.

We have an annual capacity to process 550,000 tonnes of raw LPG and are able to further process part of our generated propylene into 250,000 tonnes of polypropylene annually.

We have 102 vehicles in our fleet of scaling up the acquired transportation business.

KEY PRODUCT AND SERVICES

Liquefied Petroleum Gas (LPG)

LPG is used as a source of fuel by households and industrial manufacturers. Primarily sold as household fuel through LPG distributors. A small portion is also sold to industrial manufacturers that use LPG as a source of fuel for their own production.

Propylene

An organic compound extracted from raw LPG sold to other petrochemical producers to produce chemical intermediates such as polypropylene, polyvinyl chloride (PVC).

Polypropylene

A major derivative of propylene – a thermoplastic polymer which is resistant to chemicals and heat. Mainly sold to plastic manufacturers to produce plastic products for diverse industrial applications (i.e. Flexible packaging, rigid packaging, automotive and consumer products).

Purified Isobutylene

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

Methyl Tert-butyl Ether (MTBE)

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

Hydrogen

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

Transportation and Logistics

A transportation and logistics company with a total of 102 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.

OPERATIONS REVIEW

FINANCIAL PERFORMANCE

Despite a challenging operating environment, the Group turned in a commendable performance for FY2020.

Despite average selling price decreases across all products which resulted in a 13.1% year-on-year drop in revenue to RMB 3,182.3 million for 2020, the increase in most products production helped gross profit rise 5.7% year-on-year to RMB 285.9 million. Along with a jump in other income, a drop in administrative expense and finance costs, the Group's net profit grew 33.7% to RMB 184.6 million, while net profit attributable to equity holders surged nearly 40% to RMB 158.6 million in FY2020.

PERFORMANCE BY PRODUCTS AND BUSINESS SEGMENTS

Processed LPG

Sale of processed LPG decreases by 21.6% from RMB 1.2 billion in FY2019 to RMB 925.3 million in FY2020 (including the inter-companies transaction RMB 567.1 million for FY2020). Although the production output increases by 3.3% compared to FY2019, decrease is mainly due to overall average selling price ("ASP") and average cost of production ("ACP") during the year decrease by 24.1% and 25.9% respectively as compared to FY2019.

Propylene

Sale of propylene increases by 5.4% from RMB 318.0 million in FY2019 to RMB 335.1 million in FY2020. Increase mainly due to increase in the production output by 13.4% as compare to FY 2019. Both ASP and ACP decrease by 7.1% and 10.6% respectively as compare to FY2019.

Polypropylene

Polypropylene decreases by 5.6% from RMB 296.5 million in FY2019 to RMB 280.0 million in FY2020. Decrease is due to production output increases by 3.4% but offsetting by greater decreases in the ASP and ACP by 8.6% and 10.7% respectively as compare to FY2019.

MTBE

Sale decreases by 19.2% from RMB 1.4 billion in FY2019 to RMB 1.1 billion in FY2020. Production output increases by 13.1% compared to FY2019 but offset by decrease in the ASP and ACP during the year by 28.6% and 32.8% respectively as compared to FY2019.

Propylene II

Sale of propylene decreases by 12.0% from RMB 637.0 million in FY2019 to RMB 560.5 million in FY2020. Mainly due to production output and ASP both decrease by 5.2% and 7.2% as compare to FY2019.

Hydrogen

Hydrogen is mainly transacted with an affiliate party for its production consumption. During the year, revenue and production volume increase by 7.4% and 6.8% respectively, resulted revenue increase from RMB 176.0 million in FY2019 to RMB 189.0 million in FY2020.

Isobutylene

Isobutylene decrease by 25.2% from RMB 169.9 million in FY 2019 to RMB 127.0 million in FY2020, mainly due to decrease in ASP and ACP by 27.7% and 32,2% respectively as compare to FY2019. However, there is an increase on production and sale volume by 3.5% as compare to FY2019.

Logistics & transport related service

Total revenue increase significantly 49.6% from RMB 142.4 million in FY2019 to RMB 213.1 million in FY2020. Increase is due to the change to delivery model with our strategic partner resulted an increase on transportation requirement between the Dongming county and Jiangsu areas.

PROFITABILITY

Despite ASP decreases across all products, increase in most products production volume resulted gross profit increases by 5.7% from RMB 270.3 million in FY2019 to RMB 285.9 million in FY2020. Other income also jumped more than 100% to RMB57.2 million due to the disposal of catalyzers and other scrap materials, as well as receipt of grants from the local government authority. Together with a drop in administrative expense and finance costs, the Group's net profit grew 33.7% to RMB184.6 million. 2020 net profit attributable to equity holders surged nearly 40% to RMB158.6 million.

BALANCE SHEET

For the full year ended 31 December 2020, the Group saw an increase in property, plant and equipment, mainly due to the capitalisation of initial costs on the construction-in-progress of newly polypropylene production plant in subsidiary Dongming Hengchang. The Group's inventories rose to RMB 146.7 million, comprising of approximately RMB 78.9 million on raw materials and equivalent value of RMB 67.8 million on finished petrochemical products, recorded at cost.

CASHFLOW

The group generated RMB 353.8 million and RMB 191.2 million from the operating activities and financing activities respectively, offset by the net cash used in investing activities amount of RMB 259.3 million. As a result, the Group's cash and cash equivalent amounting to RMB 352.0 million, increase from RMB 66.2 million in FY 2019.

OUTLOOK

China's economy expanded by 2.3% in 2020, to become the only major world economy to grow in the pandemic-ravaged year. As the global economy look to recover from the depths of the COVID-19 pandemic, the Group is cautiously optimistic that it will benefit from the rise in economic activity especially with the completion of its new polypropylene plant, which will put it in a stronger position to pursue new business opportunities. The new plant is China's first high quality polypropylene production facility with the most comprehensive production equipment setup. It is envisioned that the new facility will help narrow the domestic supply shortage for high quality polypropylene which can be used in the production of end products such as high-end medical equipment, automotive parts and home appliances. The Group is currently amid commencing trial productions and ramping up utilization in the new polypropylene plant. We expect production at the new plant to normalize by the end of 1Q2021 and will contribute positively to the Group's financial performance in the year ahead. The new production plant will also see the creation of 300 new jobs, responding to China's call for "六稳”、“六保".

We believe the outlook for petrochemical industries remains positive in the long run and will continue to work closely with strategic business partners to seek new avenues of growth and explore investment opportunities within our core petrochemical markets.

ZHANG LIU CHENG
Chief Executive Officer and
Executive Director

BUILDING RESILIENCE THROUGH INNOVATION

We continue to refine and reinvent the way we work to adapt to market needs, staying agile to overcome challenges and deliver consistent returns to our shareholders.

LATEST DEVELOPMENTS

Capacity:
up to 250,000 tonnes
of polypropylene
per annum

The construction of the new polypropylene production plant has been completed, boosting the Group's production capacity by 5 times to 250,000 tonnes per annum. The polypropylene production plant has adopted the latest generation technology – Spheripol, with the most advanced production process that is both energy efficient and environmental-friendly in producing high quality polypropylene. These high quality polypropylene can be widely used in high valued products such as high-end medical equipment, automotive accessories, home appliances, electrical films, food packaging and other consumer products. The profits arising from the sale of high quality type polypropylene is relatively higher as compared to the sale of our current production type.

MR LI XIANG PING
Non-Executive Chairman

Mr Li Xiang Ping started his career as an accountant at Dongming County Medicine Company in 1983. He joined the Dongming County Audit Bureau as their deputy bureau officer in 1986 where he managed internal discipline issues. In 1993, he joined Dongming County Petroleum Refining Factory as the finance manager. Mr Li subsequently became the Chief Accountant of Dongming County Petroleum Refining Factory and was overall in charge of the financial management of the factory.

In 1998, Mr Li was appointed as the Director and Chief Auditor of Shandong Dongming Petrochem Group Co., Ltd. ("Dongming Petrochem") and handled the daily operations of the business as well as the accounting functions of the company. In 2001, Mr Li was appointed Chairman of Dongming Petrochem group and has since been responsible for the overall development and operations of the business. Mr Li is a People's Representative in the annual National People's Congress of Shandong Province.

Mr Li is also a Deputy Chairman of the Dongming County Chinese People's Political Consultative Conference. Mr Li received a senior auditor qualification from the Shandong Province Audit Profession Advance Accreditation Committee in December 1998 and a senior accounting qualification from the Shandong Province Accounting Profession Advance Accreditation Committee in December 1999.

Mr Li got a Bachelor's degree in Financial Accounting from the University of Shandong Officials in 1999 and has completed a Business Administration Graduate programme offered by the Shandong University in December 2004. Mr Li was appointed as the Chairman of the Association of Oil & Petrochemical Refinery in the Shandong province (山东省炼油化工协会) since 2015 and appointed as the Vice President of China Petroleum and Chemical Industry Federation (中国石油和化学工业联合会) since 2017. During 2018, Mr Li was appointed as the Chairman of Shandong Refining and Energy Group Co., Ltd. (山东炼化能源集团有限公司), an entity in which Shandong Dongming Petrochemical Group has an influential, controlling stake. He was also appointed as the Vice Chairman of the 12th All-China Federation of Industry and Commerce (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 ZHANG LIU CHENG
Chief Executive Officer and Executive Director

Mr Zhang Liu Cheng is Deputy General Manager (Finance and Administration) of our subsidiary, Dongming Hengchang. Mr Zhang worked in Dongming County Finance Department as an accountant between 1996 and 2001 where he was responsible for the accounting functions of the department. In June 2004, Mr Zhang joined Dongming Hengchang as its financial controller overseeing the daily operations of the financial management and the overall financial management of Dongming Hengchang.

Currently, he serves as the Deputy Chairman of the corporate branch of the Revolutionary Committee of the Chinese Kuomintang (Xicheng district) (中国国民党革命委员会会西城区企 业支部副主委) and a member of the Economic Committee (西城区经济委员会委员). He is also the Deputy Chairman of the Dongming County Association of Industry and Commerce (东明县工商联副主席) and a member of the standing committee of the Chinese People's Political Consultative Conference (东明县政协常委) in Dongming county. He is also a member of the Joint Experts Committee in the China Petrochemical and Gasoline Association (中国石化联合会油气专家委员会). Mr Zhang obtained a Bachelor's degree in 1996 from Shandong University in Accounting. From 2001 to 2004, Mr Zhang studied at the China Agricultural University and attained a Masters in Agricultural Economy Management. He is a Certified Accountant (Higher level) in China since 2014 and a Certified Public Valuer qualification from the Ministry of Finance of the PRC.

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 Vice President 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.

MR TEO MOH GIN
Independent Non-Executive Director

Mr Teo Moh Gin is a consultant of Moneta Capital Pte. Ltd. and is involved in investment related work. Mr Teo has more than 25 years of global experience in finance, business development and consulting. He started his career in 1983 as a consultant with Arthur Andersen where he was in charge of various management consultancy projects. In 1990, he joined the Government of Singapore Investment Corporation as a senior investment officer (real estate department) and was responsible for the acquisition and management of prime commercial assets.

In 1998, he joined System Access Ltd as its financial officer overseeing the finance and corporate development of the company. He was also previously with the Transword Carnival Corporation as its chief executive officer and was responsible for the overall management of the company. He joined GKE International Ltd as their executive vice president and was responsible for their merger and acquisitions function as well as business development of the company. Between March 2006 and January 2007, he was the Chief Corporate Officer of Richland Group and was responsible for the corporate development of the company.

Mr Teo obtained a Bachelor of Accountancy (Honours) from the National University of Singapore in 1983 and a Post-Graduate's diploma in Business Administration from the University of Manchester in 1998.

Mr Teo was an investment director of Vive Capital Pte Ltd. from 2007 to January 2020. He has also been acting as a consultant for Moneta Capital Pte Ltd. since January 2020.

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.

KEY MANAGEMENT

MR YAN TAILING
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 co-owned by the Shandong Dongming Petrochemical Group. Mr Yan graduated from the Engineering Economy and Finance, Shandong Water Conservancy college.

MR TAN YEW CHEE WILLIAM
Chief Financial Officer

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

Mr Tan started his career as an audit assistant at a local audit firm in 1990. From 1992 to 2001, he was the Managing Director for a local small and medium enterprise before joining Nixvue Systems Pte Ltd as Financial Controller from 2002 to 2005. From 2005 to 2007, Mr Tan was the Group Financial Controller of Unidux Electronics Ltd where he was responsible for the overall finance & accounting, human resource, business development & planning functions of the Group. In July 2007, he joined SNF Corporation Ltd as Group Chief Financial Officer. In 2008, he was engaged as a financial consultant by Sinocome Solar Group, a solar energy solutions provider in Beijing. From 2012 to 2015, Mr Tan was a non-executive independent director of China Sky Chemical Fibre Co. Ltd, a company listed on the Mainboard of the SGX-ST. He is a non-executive independent director of Unusual Limited since 7 March 2017.

Mr Tan is a non-practicing member of the Institute of Singapore Chartered Accountants and a fellow of the Association of Certified Chartered Accountants (UK).

MR YANG SHU FANG
General Manager (Dongming Qianhai Petrochemical Co., Ltd.)

Mr Yang Shu Fang manages the daily operations of Dongming Qianhai Petrochemical Co., Ltd. ("Dongming Qianhai") and is the Group's General Manager. Prior to joining Dongming Qianhai, Mr Yang was also the General Manager and Production Supervisor of Shandong Dongming Petrochem Group ("Dongming Petrochem") in 2013, overseeing their day-to-day manufacturing and production lines. In 2010, he was appointed as the Deputy General Manager (Production) of Dongming Runchang Chemical Co. Ltd. In 2001, he was appointed as the Head of Production Technology at Dongming Hengchang Chemical Co. Ltd. He was also awarded Best Manager in Shandong County in 2015.

Mr Yang started his career at Dongming Petrochem after obtaining his Postgraduate in Petrochemical from China University of Petroleum in 1991, accumulating years of experience in supervisory, manufacturing and production roles such as Supervisor, Manufacturing; Safety Manager, Assistant Production Manager and Group Chief Dispatch Officer.

MR LI BING WEI
General Manager (Dongming Hengchang Petrochemical Co., Ltd.)

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

MR MA XIAN DONG
General Manager (Dongming Changshun Transport Company Limited)

Mr Ma Xian Dong is currently the General Manager of Dongming Changshun Transport Company Limited, overseeing the company's day-to-day operations. Mr Ma graduated from Shandong University of Science and Technology with a Master's degree in Industrial Analysis, working his way through numerous departments such as chemical analysis, administration, public liaison, human resources, manufacturing, logistics and railway high-voltage ecological park in Shandong Dongming Petrochem Group.

BLUEPRINT FOR LONG-TERM SUSTAINABILITY

Building on strong fundamentals, we plan for long-term with sustainability as a core focus.

FINANCIAL
HIGHLIGHTS

(in RMB'000)	2015	2016	2017	2018	2019	2020
REVENUE & PROFITABILIY						
Sales	1,446,110	1,559,881	1,804,624	2,259,480	3,660,048	3,182,338
Gross Profit / (Loss)	48,966	116,968	103,718	128,011	270,338	285,878
Net Profit / (Loss)	40,735	89,803	68,219	82,703	138,014	184,574
Net Profit / (Loss) to Equity holders of the Group	40,735	89,803	68,219	82,703	113,692	158,552
Interest Coverage ratio	-	-	-	-	4.59	7.56
FINANCIAL STRENGTH						
Cash & bank balances	461,559	494,570	438,349	426,215	66,247	352,035
Bank borrowings	-	-	-	(281,250)	(156,250)	(531,250)
Loan from non-controlling interest*				(1,000,000)	(850,000)	(705,000)
Net Debt/Equity	Net cash	Net cash	Net cash	98.4%	94.9%	72.2%
Current assets	564,046	567,166	647,440	803,941	351,944	548,306
Current liabilities	(113,218)	(52,122)	(66,572)	(1,410,696)	(1,098,298)	(321,727)^
Net current assets	450,828	515,044	580,868	(606,755)	(746,354)	226,579
Shareholders' equity	541,723	616,172	668,681	736,030	833,603	1,026,672
CASH FLOW						
Net cash generated from/(used in) operating activities	97,028	71,078	116,912	61,076	205,900	353,844
Net cash generated from/(used in) investing activities	37,577	(22,173)	(157,423)	(57,856)	(223,351)	(259,292)
Net cash generated from/(used in) financing activities	-	(15,354)	(15,710)	(15,354)	(342,517)	191,236
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)	6.36	14.03	10.66	12.92	17.76	24.77
Net asset value per share (RMB cents)	84.64	96.28	104.48	115.00	130.25	160.42
Net cash value per share (RMB cents)	72.12	77.27	68.49	N.A.	N.A.	N.A.
Dividend yield	4.5%	3.3%	2.3%	2.6%	Nil	3.3%
TOTAL MARKET CAPITALISATION (IN S$)	$70,400	$96,000	$140,800	$119,680	$120,320	$96,000
MARKET PRICE (IN S$)						
High	$0.150	$0.160	$0.255	$0.235	$0.220	$0.191
Low	$0.060	$0.060	$0.155	$0.150	$0.145	$0.135
Closing	$0.110	$0.150	$0.220	$0.187	$0.188	$0.150

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Li Xiang Ping
Non-Executive Chairman

Zhang Liu Cheng
Chief Executive Officer and Executive Director

Li Zhi
Non-Executive Director

Teo Moh Gin
Independent Non-Executive Director

Zhao Jinqing
Independent Non-Executive Director

AUDIT COMMITTEE

Teo Moh Gin
Chairman

Zhao Jinqing

Li Xiang Ping

REMUNERATION COMMITTEE

Teo Moh Gin
Chairman

Zhao Jinqing

Li Xiang Ping

NOMINATING COMMITTEE

Zhao Jinqing
Chairman

Li Xiang Ping

Teo Moh Gin

RISK AND INVESTMENT COMMITTEE

Li Zhi
Chairman

Teo Moh Gin

Zhang Liu Cheng

SECRETARY

Tan Chee How, ACIS

COMPANY REGISTRATION NUMBER

200609833N

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRAR

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

AUDITOR

Nexia TS Public Accounting Corporation
80 Robinson Road, #25-00
Singapore 068898
Director-in-charge: Low See Lien
(Appointed since financial year ended 31 December 2020)

LEGAL ADVISERS TO THE COMPANY ON PRC LAW

Zhong Lun Law Firm
36-37/F SK Tower
6A, Jiangguomenwai Avenue
Chaoyang District
PRC 100022

PRINCIPAL BANKERS

China Construction Bank
Dongming Branch
No. 10, Jie Fang Road
Dongming County, Shandong Province
PRC 274500

Bank of China
Dongming Branch Wusi Road
East Wing
Dongming County, Shandong Province
PRC 274500

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

Industrial and Commercial Bank of China
Dongming Branch
No. 50, Jie Fang Road
Dongming County, Shandong Province
PRC 274500

Oversea-Chinese Banking Corporation Limited
OCBC Centre
65 Chulia St #01-00
Singapore 049513

INVESTOR RELATIONS

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

SUSTAINABILITY REPORT

ABOUT THIS REPORT

BOARD STATEMENT

We are pleased to present Sinostar PEC Holdings Limited's annual Sustainability Report, for our financial year ended 31 December 2020 ("**FY2020**").

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

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

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

We have relied on our internal source of information and verification mechanisms to ensure the accuracy of this Report and no external assurance was obtained.

REPORTING PERIOD AND SCOPE

This report is set out on a "comply or explain" basis in accordance with Listing Rule 711B and Practice Note 7.6 of the Singapore Exchange Securities Trading Ltd ("**SGX-ST**") Listing Manual on Continuing Listing Obligations. Corresponding to GRI's emphasis on materiality, the report highlights the key economic, environmental, social and governance related initiatives carried out throughout the 12-month period, from 1 January to 31 December 2020.

REPORTING FRAMEWORK

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

FEEDBACK

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

31 March 2020

SUSTAINABILITY APPROACH

OUR SUSTAINABILITY METHODOLOGY

PLAN AND SCOPE + ENGAGE STAKEHOLDERS + ASSESS MATERIALITY + COLLECT DATA = REPORT

STAKEHOLDER ENGAGEMENT

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

The table below sets out our engagement with our stakeholders:

Stakeholders	Engagement and Communication Channels	Key Concerns and Expectations	Our Responses and Actions
Customers and Consumers	· Hotline · Email queries · Customer visit · Onsite audit · Customer survey	· Compliance operation · Provide green quality products · Provide quality services · Rights protection	· Spare no efforts to ensure stable and continuous supply · High quality materials and product · Establish a two-way communication mechanism with customers · Customer Satisfaction Survey · Develop new products according to customers' requirements
Employees and Trade Unions	· Townhall sessions · Open dialogues among teams · Intranet portal · Relevant information disclosure	· Guarantee their basic rights and interests · Offer suggestions for enterprise development · Develop employee capabilities and promote career development · Sense of belongings and recognition · Share the development achievements with the Company	· Protection of employee lawful rights and interests · Create a good working environment · Organize employees' representative conferences · Carry out employee training · Promote the reward system for rational proposals · Increase input in employees' occupational health · Career planning and development path
Communities	· Official website · Sustainability Report · Interviews and meetings · Various social and charity events	· Serve community development · Work for public benefit · Create job opportunities · Help poor and disadvantaged group	· Drive employment and local economic development · Support local suppliers · Support education · Volunteer activities · Contribute to the community environmental constructions

Stakeholders	Engagement and Communication Channels	Key Concerns and Expectations	Our Responses and Actions
Government and regulators	· Face-to-face meetings · Regular reports · Participation in discussions · Regular reporting · Relevant information disclosure	· Abide with laws and regulations · Service national economic development · Increase local employment rate · Ensure production safety · Realise cleaner production · Implement energy conservation and emission reduction · Protect ecological environment	· Pay taxes · Report work regularly · Realize prudent operation · Strengthen safety management · Cooperate with environmental protection departments to conduct inspections · Promote cleaner production · Research and develop green products · Organize environmental protection activities · Waste recycling
Suppliers and service providers	· Face-to-face meetings · Annual review and feedback sessions · Contracts and agreements	· Realize fair and transparent procurement · Promote joint development · Timely fulfil the contracts	· Promote stable purchase policy · Establish fair and transparent procurement principle and process · Help suppliers make progress
Investors/ Shareholders	· Group Annual Report · Annual General Meeting · Quarterly result briefings · Company website email	· Enhance earning capacity · Improve corporate governance structure · Perform the obligation of information disclosure	· Ensure compliance with SGX rules and regulations · Realize healthy growth · Establish shareholder communication mechanism · Issue annual report on a regular basis
Trade Associations	· Engagements through business partnerships · Leading working groups in industry associations Face to face meetings and communications	· Participate the standardisation process of the industry · Contribute to the sustainable development of the industry · Stimulate the technology transformation, upgrade and innovation	· Actively participate · Promoting industry optimisation

MATERIAL ASPECTS ASSESSMENT

We conducted a materiality assessment during the year. A materiality review will be conducted every year, incorporating inputs from the stakeholder engagements.

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

ECONOMIC

- Economic Performance
- Anti-Corruption

ENVIRONMENTAL

- Energy
- Environmental Compliance

SOCIAL

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

GOVERNANCE

- Business Ethics
- Enterprise Risk Management

ECONOMIC

ECONOMIC PERFORMANCE

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

- Operations Review, pages 14 to 15
- Financial Highlights, page 26
- Financial Statements, pages 74 to 123.

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

The Group is one of the largest producers and suppliers of downstream petrochemical products within a 400km radius of its production facilities within the Dongming Petrochem Industrial Zone in Dongming County of Shandong Province, PRC. Situated within the Zhongyuan Oilfield - one of PRC's largest oilfields, and linked by a comprehensive logistics network, Sinostar PEC is able to reach out to the nearby populous and industrialised provinces such as Shandong, Henan, Anhui, Shaanxi, Shanxi, Sichaun, Hebei, Hubei and Zhejiang. The Group has total processing capacity of 550,000 tonnes of processed LPG and the capacity to process generated propylene into another 50,000 tonnes of polypropyleneat two gas-fractionation production plants.

In 2018, the Group commenced construction of a new processing polypropylene plant with an annual capacity of 200,000 tonnes that uses the new Spheripol process adapted from LyondellBasell Industries NV. The Spheripol process is an advanced, safe, reliable and automated process, allowing for low waste emissions, lower operating costs and produce higher quality of polypropylene. The construction of new processing polypropylene plant has been completed. Trial run of the new plant has also finished and the Group started commercial production in the first quarter of 2021.

Dongming Hengchang Petrochemical Co., Ltd. invested RMB 317.8 million to hold 70% equity of Dongming Qianhai Petrochemical Co Ltd. On December 26, 2018, the strategic acquisition of a 70% controlling interest in Dongming Qianhai was completed. Dongming Qianhai's raw material processing capacity can reach 510,000 tonnes per year. Its main products are propylene and MTBE. The acquisition can increase the overall capacity of the group doubled up to 180,000 tonnes of propylene per year. The Group will use Dongming Qianhai's production capacity as an advantage, use propylene deep processing to extend the industrial chain, and use international technology to invest in a 200,000-tonne polypropylene project to produce higher-end polypropylene products.

However, since the occurrence of the Covid-19 pandemic during FY2020, the Chinese market has been impacted by the nation lockdown and the volatility of oil prices. Notwithstanding, China has started to resume some of its economic activities, howbeit the recovery of the industry is slow. During this pandemic, individual products climbed up on the back of strong demand. There is an increase in demand for polypropylene (pp) fiber that is used in production of protective surgical masks and related products manufacturing. Nonetheless the price of MTBE is highly related to the gasoline price and is impacted by the decline in gasoline prices.

The Group is positive that as China fully resumed their economic activity, they may make up for the demand lost and the Company's operations will also be improved respectively. Sinostar will continue to be prudent in cash flow management while managing risks and focusing on cost efficiency and stable production.

ANTI-CORRUPTION

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

We have achieved the target we set last year. There have also been zero (FY2019: Nil) reported incidents of corruption during the reporting period.

Our goal for FY2021 is to maintain zero incident of corruption. We will regularly review policies on whistleblowing and anti-corruption.

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

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

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

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

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

ENVIRONMENTAL COMPLIANCE

The Group complies with all regulations and requirements on water pollution, adheres to the environmental protection concept of "Green Operation and Sustainable Development", comprehensively enhances the level of environmental protection management and strengthen measures to improve standards for the establishment and implementation of a resource-saving and environment-friendly society. We have achieved the target we set last year. There were also zero (FY2019: Nil) incidence of non-compliance with laws and regulations resulting in significant fines or sanctions in FY2020.

In accordance with regulatory requirements, the Dongming Local Government and a third-party sewage treatment plant processed our wastewater. The goal is to improve social and economic benefits, effectively improve the of 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 FY2020, the Group spent a total of approximately RMB 2.14 million (FY2019: RMB 2.8 million) on sewage treatment. The increase in sewage treatment was mainly due to the newly acquired Dongming Qianhai Petrochemical Co Ltd.

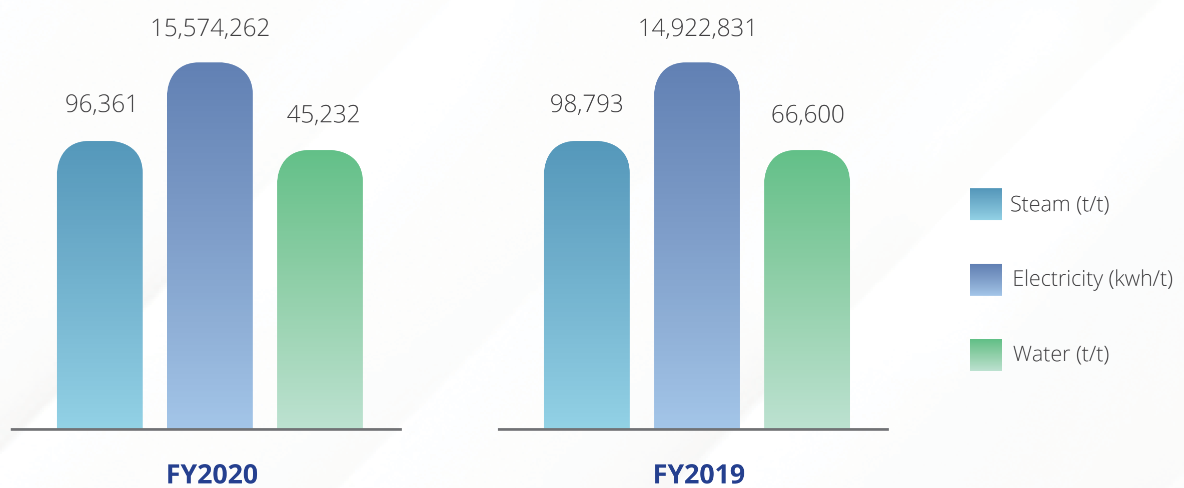
The discharge of sewage complies with the special limits for discharge of pollutants under the "Emission Standards for Petroleum Refining Industry Pollutants" and "Class A Standard for Discharge Standards of Pollutants for Municipal Wastewater Treatment". After treatment, the third-party inspections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

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

ENERGY

Our total energy consumption increased in FY2020 and we have not achieved the target we set last year. Though overall energy consumption has increased is in line with the higher production volume, we are pleased to share that the energy consumption per unit of production remains stable year on year.

TOTAL ENERGY CONSUMPTION



ENVIRONMENT

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

1. Conscientiously implement the national and local energy management laws and regulations as well as the company's energy management rules and regulations, and raise awareness of energy conservation among management personnel.
2. Establish and monitor targets for energy consumption, establish energy-saving plans and control measures, and enhance indicators to promote reduction in energy consumption and efficiency.
3. Strengthen the management of in the energy field to eliminate the waste of energy.
4. Make efforts to reduce the utilisation of equipment and scientifically formulate reasonable target indicators to reduce energy.
5. Align the energy consumption to the standard and improve the energy saving level of the equipment. Compare the energy utilisation of the equipment for the past two years, identify and analyse the reason of for high-energy consumption and formulate a plan to improve energy consumption.
6. Establish an energy-saving incentive mechanism, pay attention to daily operational management of equipment, and raise the energy-saving level of these equipment. Areas of emphasis are:

    - Strengthening the control over consumption of water, electricity and steam in the daily production process;
    - Reducing energy consumption in the processing, storage, handling, etc. of raw materials;
    - Monitoring and controlling the use of high power consumption equipment;
    - Improving the energy efficiency of equipment;
    - Setting energy and consumption reduction measures and rules;
    - Forming an assessment mechanism that provides incentives and imposes penalties for exceeding the standards; and
    - Encouraging teams to actively carry out energy-saving activities.

7. Establish an energy management system, adopt effective energy-saving measures, and carry out internal audits of energy plants. Cooperate with the project team in the construction of energy management and control platform. The platform establishes a dynamic database of full-operating energy benchmarks for real-time monitoring, benchmarks short-cycle energy predictions, and monitors deviations in energy consumption trajectories in real time. After completion, it can plan and use energy more reasonably, reduce energy consumption per unit product, and improve economic benefits.
8. Focusing on reducing steam consumption, combining the current status of electricity and water management, and starting from two aspects of technical transformation and management, which have achieved significant control effects and steam balance in winter.

We target a 1% decrease of total energy consumption in FY2021.

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

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

Sinostar PEC believes in employee training and continual career development. In FY2020, we provided the following training to our employees:

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

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

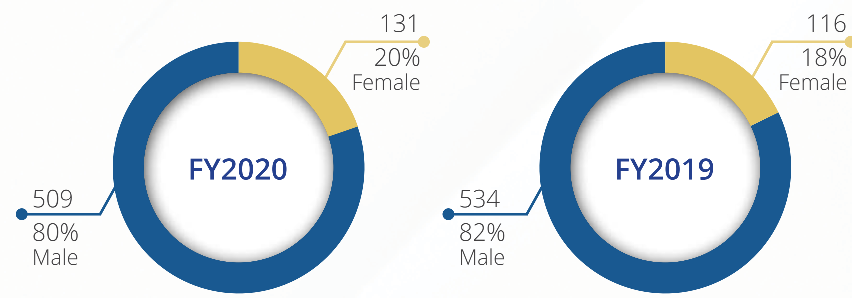
All employees at our operations hold permanent contracts and work full-time. We seldom rely on workers who are not full-time employees.

DIVERSITY AND EQUAL OPPORTUNITY

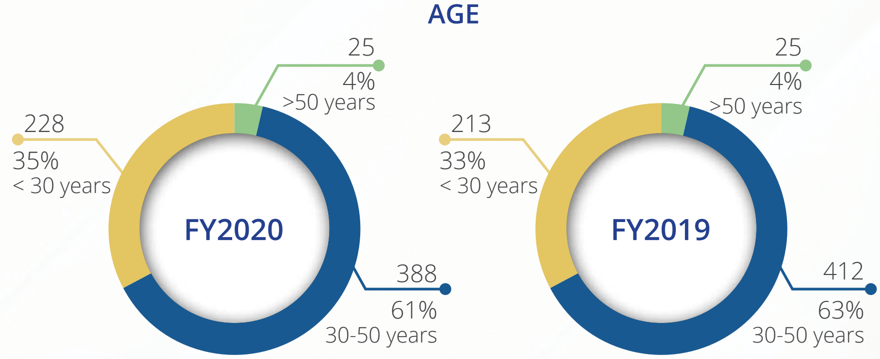
A diverse workforce is an asset in today's ever-changing global marketplace. We cultivate an inclusive culture where employees with wide-ranging backgrounds and qualities are highly motivated, engaged and connected.

Our workforce has decreased due to the completion of the polypropylene project. From 650 in 2019 we are now 640 in headcount as of 31 December 2020 distributed as follows:

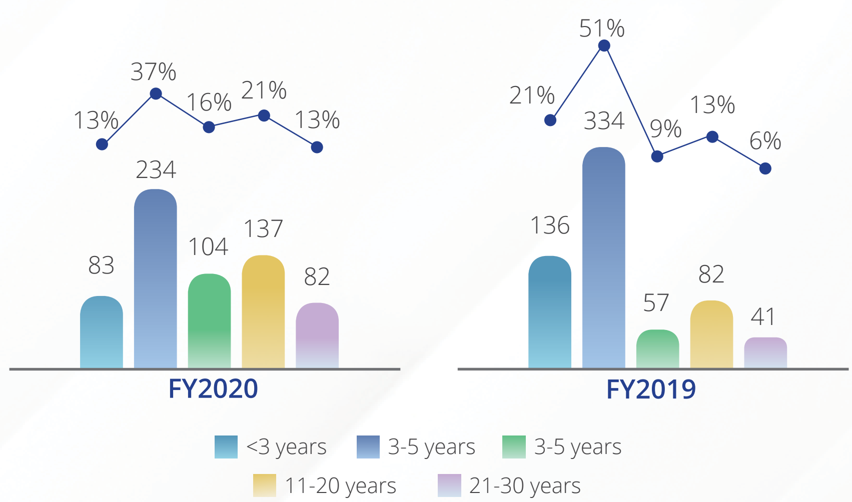
GENDER



AGE



LENGTH OF SERVICE



SOCIAL

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


Employee tug-of-war


Table tennis

Our recruitment of staff is based solely on merit and qualifications, without discrimination of race, age, gender, religion or ethnicity. Similar to 2019, we have no reported discrimination in 2020. We have achieved the target we set last year. We will continue to target to have zero complaint on discrimination in the upcoming years.

OCCUPATIONAL HEALTH AND SAFETY

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

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

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

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

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

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

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

The Group had organised several initiatives to help our staffs to fight against COVID-19. We had donated RMB 207,000 to our employees and each of them can get RMB 1000 as subsidy for COVID-19. Besides this, we also donated hand sanitiser, thermometer, surgical face mask and protection goggles to our employees for protection against virus.

We are pleased to report that we have zero (FY2019: Nil) industrial accident as well as zero (FY2019: Nil) man-day lost for FY2020 and we have achieved the target we set last year.

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

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

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

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

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

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

In relation to the Group's new processing plant with an annual capacity of 200,000 tonnes, new safety measures have been implemented in the following areas:

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

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

PRODUCT QUALITY

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

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

CUSTOMER SATISFACTION

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

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

We use the result of the survey for competition analysis, understanding gaps and finding opportunities for improvement. These are also reported to the relevant departments in the company such as the Enterprise Management Department and the Production Operations Department for management review and for the continuous improvement of the quality system. The satisfaction rate was above 100% (FY2019: 98%) on average throughout the year.

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

SOCIOECONOMIC COMPLIANCE

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

We have achieved the target we set last year. There were no non-compliance noted in FY2020 (FY2019: Nil). Our objective is to maintain zero incidents of non-compliance.

LOCAL COMMUNITIES

Over the years, the Group has given great importance to charitable work, viewing philanthropy as an integral part of building corporate culture and promoting our traditions of poverty alleviation and charity. In FY2020, the group has donated RMB 2 million to Shandong Foundation For Development of Poverty Allevation. In addition, the Group has also donated face masks and sanitisers to households in 4 villages during COVID-19 pandemic.

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

AWARDS

Our products and services are well received by our customers and formally recognized. "Hengchang" polypropylene was awarded "Shandong Province Famous Brand", and "Hengchang" trademark is awarded "Shandong famous brand". Our Chairman Li Xiangping was given awards to recognise his active participation in social charities events in both FY2016 and FY2017. In FY2018, we were awarded "Shangdong Top 40 Brands". In FY2019, the optimization and innovation process works well and the project has won the first prize of "Heze Science and Technology Innovation." In FY2020, our Chairman Li Xiangping was given awards to recognise his participation in social charities events.

SUSTAINABILITY GOVERNANCE

At Sinostar PEC, we believe that strong governance is the key to a sustainable business. Throughout 2020, we continue to comply with the Code of Corporate Governance. Please refer to the pages 43 to 65 on the details of the SGX Code of Corporate Governance.

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

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

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

BUSINESS ETHICS AND COMPLIANCE

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

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

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

For FY2020, there were zero (FY2019: Nil) significant fines or non-monetary sanctions for non-compliance with laws and regulations. We have achieved the target we set last year.

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

ENTERPRISE RISK MANAGEMENT (ERM)

As the Group does not have a risk management committee, the Board, Audit Committee and Management assume the responsibility of the risk management function. Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the Audit Committee.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

For detailed disclosure on ERM, please refer to page 57.

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

GRI Standard	Disclosure		Reference / Description
GRI 101: Foundation 2016			
GENERAL DISCLOSURE			
GRI 102 : General Disclosures 2016	102-1	Name of organisation	Sinostar PEC HOLDINGS LIMITED
	102-2	Activities, brands, products and services	Pages 12 to 13
	102-3	Location of headquarters	Page 27
	102-4	Location of operations	Pages 2 to 3
	102-5	Ownership and legal form	Pages 3, 27
	102-6	Markets served	Pages 2 to 3
	102-7	Scale of the organisation	Pages 2, 3, 35
	102-8	Information on employees and other workers	Pages 35 to 37
	102-9	Supply chain	Pages 10 to 11
	102-10	Significant changes to the organisation and its supply chain	None
	102-11	Precautionary Principle or approach	We do not specifically address the Precautionary Principle
	102-12	External initiatives	Page 39
	102-13	Membership of associations	None
	102-14	Statement from senior decision maker	Page 29
	102-16	Values, principles, standards and norms of behaviour	Page 40
	102-18	Governance structure	Pages 40, 43 to 65
	102-40	List of stakeholder groups	Pages 30 to 31
	102-41	Collective bargaining agreements	None
	102-42	Identifying and selecting stakeholders	Page 30
	102-43	Approach to stakeholder engagement	Pages 30 to 31
	102-44	Key topics and concerns raised	Pages 30 to 31
	102-45	Entities included in the consolidated financial statements	Page 3
	102-46	Defining report content and topic boundaries	Page 29
	102-47	List of material topics	Page 31
	102-48	Restatement of information	None
	102-49	Changes in reporting	None
	102-50	Reporting period	Page 29

GRI STANDARDS
CONTENT INDEX

GRI Standard	Disclosure		Reference / Description
GRI 102 : General Disclosures 2016	102-51	Date of most recent previous report	31 March 2020
	102-52	Reporting cycle	Page 29
	102-53	Contact point for questions about the report	Page 29
	102-54	Claims if reporting in accordance with the GRI Standards	Page 29
	102-55	GRI content index	Pages 41 to 42
	102-56	External Assurance	Page 29
MATERIAL TOPICS			
GRI 201: Economic performance	201-1	Direct economic value generated and distributed	Page 32
GRI 205: Anti-corruption	205-1	Operations assessed for risks related to corruption	Page 32
GRI 302: Energy	302-1	Energy consumption within the organization	Pages 33 to 34
GRI 307: Environmental compliance	307-1	Non-compliance with environmental laws and regulations	Page 33
GRI 403: Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Pages 36 to 37
GRI 405: Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	Page 35
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	Page 39
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Page 39

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 responsibility to protect and enhance shareholders' value and the financial performance of the Group.

This Report describes the Company's ongoing efforts in FY2020 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 2020, the Company has generally adhered to the principles and provisions 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 five (5) Directors, which include one Executive Director, one Non-Executive Chairman, one Non-Executive Director, and two 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 recuses himself or herself or abstains from discussions and decisions involving the matter or issue of conflict.

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

Board Orientation and Training

When a new director is to be appointed, proper briefing or explanation will be given to the new director in respect of the regulatory requirements that a director has to comply with upon appointment, and the on-going obligations of a director under the Singapore Companies Act, Chapter 50, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and other regulatory requirements. The director is also given access to the Board resources, including the Company's constitutional and governing documents, Board and each committee's terms of reference, the Group's policies, Annual Reports, Board meeting papers and other pertinent information for his reference.

In addition, the Company shall conduct an orientation programme for newly appointed directors to familiarize them with the businesses, operations, financial performance and key management staff of the Group. They also have the opportunity to visit the Group's operational facilities and meet with Management to obtain a better understanding of the business operations.

All directors who have no prior experience acting as directors of a listed company will undergo the necessary training and briefing on the roles and responsibilities as directors of a listed company. The Directors may also attend other appropriate courses, conferences and seminars at the Company's expense.

Matters Requiring Board Approval

Matters which are specifically reserved for the decision of the full Board include:

- Group strategy, business plan and annual budget;
- material acquisition and disposal of assets;
- capital-related matters including financial re-structure, market fund-raising;
- share issuances, interim dividends and other returns to shareholders; and
- any investment or expenditures exceeding set material limit.

While matters relating to the Group's objectives, strategies and policies require the Board's decision and approval, Management is responsible for the day-to-day operation and administration of the Group.

Delegation of the Board

The Board has delegated specific responsibilities to four committees, namely, the Audit Committee ("AC"), the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Investment Committee ("IC"), to assist in the execution of its responsibilities. These committees operate within clearly defined terms of reference. All Board committees are actively engaged and play an integral role in ensuring good corporate governance in the Company and within the Group.

Attendance at Board and Board Committee Meetings

The schedule of all Board and Board committee meetings and Annual General Meeting for the next calendar year is planned ahead at the beginning of each financial year, in consultation with the Directors. The Board meets at least once every quarter. It also holds ad-hoc meetings as and when circumstances require. The Company's Articles of Association provide for meetings of Directors to be held by means of telephone conference or other methods of simultaneous communication by electronic or other means. The Board and Board committees may also make decisions by way of circulating resolutions.

The attendance of the Directors at Board meetings, committee meetings, the Annual General Meeting and Extraordinary General Meeting(s) during the financial year under review is tabulated below:

Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee		Risk And Investment Committee	
Name of Directors	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended
Li Xiang Ping	4	4	4	4	2	2	1	1	–	–
Zhang Liu Cheng	4	4	–	–	–	–	–	–	1	1
Teo Moh Gin	4	4	4	4	2	2	1	1	1	1
Li Zhi	4	4	–	–	–	–	–	–	1	1
Zhao Jinqing	4	4	4	4	2	2	1	1	–	–

Directors	AGM on 29 June 2020		EGM on 30 December 2020	
Name of Directors	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended
Li Xiang Ping	1	1	1	1
Zhang Liu Cheng	1	1	1	1
Teo Moh Gin	1	1	1	1
Li Zhi	1	1	1	1
Zhao Jinqing	1	1	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.

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 services 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 Committee meetings and prepare minutes of Board and Board Committee 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 their 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.

Currently the Board comprises one Executive Director, one Non-Executive Director, two Independent Non-Executive Director and a Non Independent Non-Executive Chairman. Non-executive directors make up a majority of the Board.

As the Chairman is not an Independent Director, the current number of Independent Non-Executive Directors of the Company is yet to fulfill the Code's requirement that at least half of the Board should comprise of Independent Directors. With 2 Non-Executive Directors and 2 Independent Directors making up a majority of the Board, the Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision-making that could create a potential conflict of interest. Nonetheless, the NC is in the process of identifying additional Independent Director to fulfill the Code's requirement.

As at the date of this Report, the Board comprises the following directors:

Name of Director	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee	Risk and Investment Committee
Li Xiang Ping	Non-Executive (Chairman)	Member	Member	Member	–
Zhang Liu Cheng	Executive (CEO)	–	–	–	Member
Teo Moh Gin	Independent Non-Executive	Chairman	Member	Chairman	Member
Zhao Jinqing	Independent Non-Executive	Member	Chairman	Member	–
Li Zhi	Non-Executive	–	–	–	Chairman

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 2020, 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 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 in 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 5 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 are 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 Non-Executive Chairman and the Chief Executive Officer of the Company are separate individuals.

Mr Zhang Liu Cheng is the Chief Executive Officer and Executive Director of the Company and bears executive responsibility for the Group's business performance. He is responsible for scheduling Board meetings as and when required, setting the agenda for Board meetings in consultation with the Non-Executive Chairman and ensuring the quality, quantity and timelines of the flow of information between the Management, the Board and shareholders. He is also responsible for ensuring compliance with the Company's guidelines on corporate governance.

As the Non-Executive Chairman, Mr Li Xiang Ping leads the Board in encouraging constructive relations between the Board and Management, as well as between Board members. He promotes high standards of corporate governance. The Non- Executive Chairman leads each Board meeting and ensures full discussion of the items on the agenda.

The Board is of the view that with the 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 Non-Executive Chairman and the Chief Executive Officer consult with the Board and the respective Committees on major issues.

The Code provides that the Board should have 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.

Although the Chairman is not an Independent Director and no Lead independent director is appointed, the Board is of the view that the 2 independent directors is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman and Management are inappropriate or inadequate. Nonetheless, the Board is in the process of identifying an additional Independent Director and as well as reconstitution of Board committee in order to better fulfill the Code's requirement.

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)
Li Xiang Ping
Teo Moh Gin

Mr Zhao Jinqing (NC Chairman) and Mr Teo Moh Gin are Independent Non-Executive Directors, whilst Mr Li Xiang Ping is the Non- Executive Chairman.

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 2.1 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 Xiang Ping Age: 59	Non-Executive Chairman	6 July 2006	29 June 2020	None	None
Zhang Liu Cheng Age: 48	Chief Executive Officer and Executive Director	6 July 2006	29 April 2019	None	None
Teo Moh Gin Age: 62	Independent Non-Executive Director	29 June 2007	29 April 2019	None	Changjiang Fertilizers Holdings Limited
Zhao Jinqing Age: 62	Independent Non-Executive Director	7 March 2015	29 June 2020	None	None
Li Zhi Age: 34	Non-Executive Director	29 April 2019	29 June 2020	None	None

Selection Criteria and Nomination Process for New Directors

In the selection process for the appointment of new directors, the NC reviews the composition of the Board and identifies the skill sets which will enhance the Board's overall effectiveness. Potential candidates are identified from various sources such as recommendations from the Board or Management and recommendations from professional parties. 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 2020.

Review of Director's independence

The NC reviews annually the independence declarations made by the Company's Independent Non-Executive Directors based on the criterion of independence under the provisions of the Code. For the year under review, the NC has ascertained the independent status of the two Independent Non-Executive Directors of the Company. The Board has also reviewed the number of years served by each Independent Non-Executive Director. In respect of Mr Teo Moh Gin, he has served as Independent Non-Executive Director of the Company for more than 9 years consecutively. Having considered his in-depth knowledge of the Group's business operations, past and continuous contributions at Board level in terms of impartial and constructive advice, the Board is of the view that there is no material conflict between his tenure and his ability to discharge his role as Independent Non-Executive Director.

Mr Teo will undergo the mandatory two-tier voting process at the forthcoming AGM in line with Rule 210(5) (d)(iii) of the SGX Listing Rules which will take effect on 1 January 2022, and which stipulates that the re-appointment of any independent director who has served the Board for an aggregate period of more than nine years from the date of their first appointment will undergo the mandatory two-tier voting process at the AGM.

Directors' Time Commitment

As a Director's ability to commit time to the Group's affairs is essential for his contribution and performance, the NC has determined that the maximum number of listed company board representations which any Director of the Company may hold is six and all Directors have complied.

Rotation and Re-election of Directors

All Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 104 of the Company's Articles of Association, one-third of the Directors shall retire from office at least once every three years at the Company's Annual General Meeting ("AGM"). In addition, Article 106 of the Company's Articles of Association provides that the retiring directors are eligible to offer themselves for re- election.

Pursuant to Article 114 of the Company's Articles of Association, Directors shall have power at any time to appoint any other qualified person as Director either to fill a casual vacancy or as an addition to the Board, but any Director so appointed shall hold office only until the next Annual General Meeting of the Company, and shall be eligible for re-election.

At the forthcoming AGM, Mr Zhang Liucheng and Mr Teo Moh Gin will be retiring by rotation pursuant to the Article 104 of the Articles of Association. Mr Teo Moh Gin, being eligible for re-election has offered himself for re-election. Mr Zhang Liucheng, however, does not wish to seek re election at the coming AGM. The key information on Mr Teo Moh Gin and Mr Zhang Liucheng 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	**Teo Moh Gin**
Date of appointment	29 June 2007
Date of last re-appointment	29 April 2019
Age	62
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the Nominating Committee and having assessed Mr. Teo Moh Gin'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
Job title (e.g. Lead ID, AC Chairman, AC Member, etc.)	Chairman of the Audit Committee and Remuneration Committee, Member of the Nominating Committee.
Professional qualifications	Bachelor of Accountancy (Honours) from the National University of Singapore. Post-graduate Diploma in Business Administration University of Manchester
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
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes.

Name of Director	Teo Moh Gin
Working experience and occupation(s) during the past 10 years	Moneta Capital Pte Ltd. Consultant, January 2020 till Current Vive Capital Pte Ltd. Investment Director, 2007 till January 2020
Shareholding interest in the listed issuer and its subsidiaries	Yes.
Shareholding details	100,000 ordinary shares
Other Principal Commitments Including Directorships	
Past (for the last five years)	Independent Director of:- Changjiang Fertilizers Holdings Limited
Present	None
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.
(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.
(c) Whether there is any unsatisfied judgement against him/her?	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.
(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.

Name of Director		Teo Moh Gin
(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.
(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.
(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.
(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.
(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:-	
	● any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No.
	● 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.
	● any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No.
	● any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he/she was so concerned with the entity or business trust?	No.

Name of Director	Teo Moh Gin
(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.
Disclosure Applicable to the Appointment of Director Only	
Any prior experience as a Director of an issuer listed on the Exchange? If Yes, please provide details of prior experience. If No, please state if the Director has attended or will be attending training on the roles and responsibilities of a Director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the Nominating Committee's reasons for not requiring the Director to undergo training as prescribed by the Exchange (if applicable)	N.A.

Note:-

N.A. – Not Applicable

Key Information on Directors

Key information on each Director is set out on pages 19 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 are submitted to the Company Secretary for collation. The consolidated responses are 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 2020, individual assessment of Directors had been conducted at the NC meeting held on 28 February 2021. The criteria for assessment included 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, the Board Committee's Performance and the contribution by individual Directors are satisfactory. 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:

Teo Moh Gin (Chairman)
Zhao Jinqing
Li Xiang Ping

Mr Teo Moh Gin (RC Chairman) and Mr Zhao Jinqing are Independent Non-Executive Directors, whilst Mr Li Xiang Ping is a Non- Executive Chairman.

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;

– ensuring the remuneration of Non-Executive Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and the responsibilities of the Directors. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised;

– in the case of service contracts of Directors, reviewing and recommending to the Board the terms of renewal of the service contracts. There should be a fixed appointment period for all Directors after which they are subject to re-election. The service contracts should not be excessively long or with onerous removal clauses. The RC should consider what compensation commitments the Directors' contracts of service, if any, would entail in the event of early termination. The RC should aim to be fair and avoid rewarding poor performers; and

– considering the various disclosure requirements for Directors' and key executives' remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensuring 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.

Level and Mix of Remuneration

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

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors are commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. In setting remuneration packages, the Company takes into consideration the remuneration packages and employment conditions within the industry and in comparable companies. The remuneration package also takes into account the Company's relative performance and the performance of individual Directors.

The Non-Executive and Independent Non-Executive Directors are paid Directors' fees, taking into account factors such as effort and time spent, and responsibilities of the Directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

The Executive Directors do not receive Directors' fees. The remuneration packages of the Executive Directors include basic salary and year end performance bonus.

The Company has entered into service agreements with the Executive Director, Mr Zhang Liu Cheng for an initial period of three years with effect from 26 September 2007. Upon the expiry of the initial period of three years, the employment of the Executive Director shall be automatically renewed on a year-to-year basis on such terms and conditions as the parties may agree. The service agreement provides for termination by each party giving not less than six months' notice in writing.

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 2021, directors' fees of S$154,000 are recommended by the Board and subject to approval of shareholders at the Company's AGM to be held on 30 April 2021.

Disclosure on Remuneration

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

Details of the remuneration of Executive Directors of the Company and top five key management personnel of the Group for the financial year ended 31 December 2020 are set out below:

Remuneration bands	Salary (1) %	Variable or performance related income/ bonuses %	Directors' fees(2) %	Total %
Directors				
Below S$250,000				
Li Xiang Ping	–	–	100	100
Zhang Liu Cheng	80	20	–	100
Teo Moh Gin	–	–	100	100
Zhao Jinqing	–	–	100	100
Li Zhi	–	–	100	100
Executive Officers				
Below S$250,000				
Li Bingwei	100	–	–	100
Ma Xian Dong	100	–	–	100
Yang Shu Fang	100	–	–	100
Tan Yew Chee William	80	20	–	100

Notes:

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

In aggregate, the total remuneration paid to the top five key management personnel in financial year ended 2020 is S$468,600.

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 2020.

The Company has not implemented any employee share scheme during the financial year ended 31 December 2020.

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.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

As the Group does not have a risk management committee, the Board, AC and Management assume the responsibility of the risk management function. Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has implemented a system of internal controls designed to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed.

The AC makes enquiries with, and relies on reports, from the internal and external auditors on any material non-compliance and internal control weaknesses. The AC has reviewed with internal and external auditors their findings during their audit for the financial year under review. The external auditors, in the course of conducting their annual audit procedures on the statutory financial statements, also reviewed the Group's significant internal financial controls to the extent of their scope as laid out in their audit plan. Any material non-compliance and internal financial control weaknesses noted by the internal and external auditors are reported to the AC together with their recommendations. The Management would then take appropriate actions to rectify the weaknesses highlighted.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and the documentation on the Group's key risks referred to above, reviews performed by Management, AC and the Board, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 31 December 2020. This is in turn supported by assurance from the CEO and the Chief Financial Officer that:

(a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the company's operations and finances and are in accordance with the relevant accounting standards; and

(b) they have evaluated the effectiveness of the Company's internal controls and have discussed with the Company's external and internal auditors of their reporting points and note that there have been no significant deficiencies in the design or operation of the risk management and internal controls systems which could adversely affect the Company's ability to record, process, summarise or report financial data and that the risk management and internal control systems are adequate and effective.

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 FY2020 is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Dongming Zhongyou Fuel and Petrochemical Company Limited (东明中油燃料石化有限公司)		
Purchase of LPG		1,684,487,298
Puchase of utilities		9,486,307
Logistics & transport		5,973,505
Sale of waste oil	2,212,490	
Shandong Dongming Petrochem Group Co., Ltd. (山东东明石化集团有限公司)		
Purchase of utilities		13,275,830
Sales of processed LPG		59,046,822
Provision of logistics & transport		43,124
Accrued of interest on loan from IP *	25,383,155	7,915,187
Dongming Runze Petrochemical Co., Ltd (东明润泽化工有限公司)		
Purchase of utilities		154,542,152
Sales of hydrogen gas		189,048,814
Sale of utilities		25,855,722
Dongming Crude Oil Distribution Co., Ltd (东明石油经销有限公司)		
Provision of logistics & transport		58,327,072
Consignment fee	3,807,670	
Purchase of processed LPG		11,713,250
Shandong Dongming Lishu Petroluem Co., Ltd (山东东明梨树化学有限公司)		
Sale of processed LPG		247,050,990
Purchase of LPG		151,334,036
Purchase of utilities		12,260
Dongming Runming Oil Products Distribution Co., Limited (东明润明油品销售有限公司)		
Provision of logistics & transport		116,046

* loan was converted from 1-year short-term to 5-year long term periods and with mandate obtained from 30/12/2020

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 2020, the Company has complied with Rule 1207(19) of the SGX-ST Listing Manual.

Audit Committee

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

The AC comprises the following members:

Teo Moh Gin (Chairman)
Zhao Jinqing
Li Xiang Ping

Mr Teo Moh Gin (Chairman of the AC) and Mr Zhao Jinqing are Independent Non-Executive Directors, whilst Mr Li Xiang Ping is the Non- Executive Chairman. Mr Teo and Mr Li, 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 external auditors 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 external auditors and the Management, reviewing the co-operation and assistance given by the Management to the external auditors, 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, is conducted at least annually by the external auditors;

– 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 external auditors, if necessary, any suspected fraud or irregularity, 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, its cost effectiveness and the independence and objectivity of the external auditors, and where the external auditors 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;

- reviewing the adequacy, effectiveness, independence, scope and results of the company's internal audit function

- reviewing the independence of the external auditors annually, and recommending to the Board the appointment, re-appointment or removal of the external auditors and recommending to the Board the remuneration and terms of engagement of the external auditors;

- approving internal control procedures and arrangements for all interested person transactions;

- ensuring that arrangements are in place for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence and that there is independent investigation of such matters and appropriate follow up action;

- reviewing transactions falling within the scope of the SGX-ST Listing Manual, in particular, matters pertaining to Interested Person Transactions and Acquisitions and Realisations as laid down in Chapters 9 and 10 respectively;

- reviewing any potential conflicts of interests;

- reviewing the assurance from the CEO and the CFO on the financial records and financial statements;

- deciding on the appointment, termination and remuneration of the head of the internal audit function;

- undertaking such other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

- generally undertaking such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

Whistle-blowing Policy

The Company has put in place a whistle-blowing policy and procedure, which provides staff with well-defined and accessible channels within the Group for reporting possible improprieties in matters of financial reporting or other matters in confidence and there is independent investigation of such matters and appropriate follow-up action.

There were no whistle-blowing letters received during the financial year and until the date of this report.

The AC held 4 meetings during the financial year under review. It has reviewed the financial statements of the Group for the purpose of the first three (3) quarters and annual results released before they were submitted to the Board for approval. It has also met with the Company's internal and external auditors (without the presence of Management) to review their audit plans and results, and has separate and independent access to the auditors. The AC shall have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and full discretion to invite any director or executive officer of the Group to attend its meetings, and be given reasonable resources to enable it to discharge its functions properly and effectively.

In addition to the foregoing, the AC is assisted by the Risk and Investment Committee ("IC"), which was formed in FY2015 as part of the Company's efforts to strengthen its investment risk management processes and framework.

The IC comprising the following members:

Li Zhi (Chairman)
Teo Moh Gin
Zhao Jinqing

Mr Teo Moh Gin and Mr Zhao Jinqing are Independent Non-Executive Directors, whilst Mr Li Zhi is the Non-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 external auditors, 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 financial year ended 31 December 2020, the amount of fees paid or payable to external auditors of the Group amounted to S$181,800. Including audit fee of S$178,000 and non-audit services fee at S$3,800. The AC has reviewed the non-audit services provided by the external auditor and is satisfied that the non-audit services would not affect the independent and objectivity of the external auditors.

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

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 with the external auditors and Management on their assessment, judgements and estimates on the significant matter reported by the external auditors.

Internal Audit

The Company has engaged BDO LLP as an internal auditor to conduct review of the systems of internal controls in selected areas and to report independently the findings and recommendations of any internal control weaknesses to the AC and to the Management for remedial action.

The internal auditors have a direct and primary reporting line to the Chairman of the AC and the internal auditors would report administratively to the Chief Executive Officer and assist the Board in monitoring and managing business risks and internal controls of the Group. The AC reviews and approves the internal audit plan prior to the commencement of the audit. Reports from the internal auditors containing the summary of findings and recommendations for improvements (if any) are tabled and discussed at meetings by the AC members.

The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The internal auditors carry out its function according to the standards set by nationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC has reviewed the internal audit plan and the internal auditor's evaluation of the Group's system of internal controls, their audit findings and the Management's response to those findings. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: 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.

<u>Procedures for shareholders to convene Extraordinary General Meetings and Annual General Meetings</u>

(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 meetings notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:

(1) in the case of an annual general meeting by all the Members entitled to attend and vote thereat; and

(2) in the case of an extraordinary general meeting by that number or majority in number of the Members having a right to attend and vote thereat as is required by the Act.

Provided also that the accidental omission to give notice to, or the non-receipt by, any person entitled thereto shall not invalidate the proceedings at any general meeting.

(1) Every notice calling a general meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that a proxy need not be a Member of the Company.

(2) In the case of an annual general meeting, the notice shall also specify the meeting as such.

(3) In the case of any general meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of the business, and if any resolution is to be proposed as a special resolution or as requiring special notice, the notice shall contain a statement to that effect.

(b) Pursuant to the Act

(i) Convening of an extraordinary general meeting on requisition

(a) the Directors of the Company, notwithstanding anything in its Articles, shall, on the requisition of members holding at the date of the deposit of the requisition not less than 10% of such of the paid-up capital as at the date of the deposit carries the right of voting at general meetings immediately proceed duly to convene an extraordinary general meeting of the company to be held as soon as practicable but in any case not later than 2 months after the receipt by the Company of the requisition.

(b) The requisition shall state the objects of the meeting and shall be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

(c) If the Directors do not within 21 days after the date of the deposit of the requisition proceed to convene a meeting the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may themselves, in the same manner as nearly as possible as that in which meetings are to be convened by Directors convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from that date.

(d) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors to convene a meeting shall be paid to the requisitionists by the Company, and any sum so paid shall be retained by the company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.

(e) A meeting at which a special resolution is to be proposed shall be deemed not to be duly convened by the Directors if they do not give such notice thereof as is required by the Act in the case of special resolutions.

(ii) Calling of meetings

(a) Two or more members holding not less than 10% of the total number of issued shares of the Company (excluding treasury shares) may call a meeting of the Company.

(b) A meeting of a Company or of a class of members, other than a meeting for the passing of a special resolution, shall be called by notice in writing of not less than 14 days or such longer period.

(c) A meeting shall, notwithstanding that it is called by notice shorter than is required by paragraph (ii)(b), be deemed to be duly called if it is so agreed:

(1) In the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; or

(2) In the case of any other meeting, by a majority in number of the members having a right to attend and vote thereat, being a majority which together holds not less than 95% of the total voting rights of all the members having a right to vote at that meeting.

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

All registered shareholders are invited to participate and are given the right to vote on resolutions at general meetings. Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy form is sent with notice of general meeting to all shareholders. A shareholder may appoint up to two proxies to attend and vote on his behalf at the meeting through proxy forms deposited 48 hours before the meeting. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

All Directors, Management, Company Secretary, external auditors 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 is encouraged by the shareholders with the Director on their views on matters relating to the Company. To enhance shareholder participation, the Company's Articles of Association allows all resolutions at general meetings to vote by poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage to the audience at the general meetings.

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

All Directors are expected to attend AGMs and other General Meetings held by the Company. For the AGM and EGM held, by electronic means (via live audio-visual webcast and live audio-only stream) in June 2020 and December 2020 respectively, Directors' attendance can be found on page 45 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.

Engagement with Shareholders

Principle 12: 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 Chief Financial Officer 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

Engagement with Stakeholders

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 stakeholders groups through an assessment of their significance to our operations. They are namely, customers, employees, suppliers, shareholders, community and government regulators.

The Company has identified key areas of focus in relation to the management of stakeholder relationships. For details on the key areas of focus, please refer to the Sustainability Report on pages 28 to 42 of this Annual Report.

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

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 2020 and the statement of financial position of the Company as at 31 December 2020.

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 2020 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements, and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Li Xiang Ping	(Non-executive chairman)
Zhang Liu Cheng	(Chief executive officer and Executive director)
Teo Moh Gin	(Independent non-executive director)
Zhao Jin Qing	(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 director is deemed to have an interest	
	As at 1 January 2020	**As at 31 December 2020 and 21 January 2021**	As at 1 January 2020	**As at 31 December 2020 and 21 January 2021**
Company				
Sinostar PEC Holdings Limited				
(Ordinary shares with no par value)				
Li Xiang Ping	–	**–**	369,898,500	**369,898,500**
Zhang Liu Cheng	200,000	**200,000**	–	**–**
Teo Moh Gin	100,000	**100,000**	–	**–**
Immediate and ultimate holding company				
Intelligent People Holdings Limited				
(Ordinary shares of US$1 each)				
Li Xiang Ping	10,000	**10,000**	–	**–**

Mr Li Xiang Ping, by virtue of Section 7 of the Singapore Companies Act, Chapter 50, is deemed to have an interest in the whole of the issued share capital of the wholly-owned subsidiary of the Company and Intelligent People Holdings Limited.

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

Share options

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

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

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

Audit Committee

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

Teo Moh Gin (Chairman)
Zhao Jin Qing
Li Xiang Ping

Mr Teo Moh Gin and Mr Zhao Jin Qing are Independent non-executive Directors, whilst Mr Li Xiang Ping is the Non-executive chairman.

The Audit Committee carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Chapter 50, 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 external 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 external 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 2020 as well as the independent auditor's report thereon; and

(d) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The Audit Committee, together with the Board, reviewed the effectiveness of the Group's system of internal controls put in place to address the key financial, operational and compliance risks affecting the operation.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance.

Independent Auditor

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

Other information required by the SGX-ST

Material information

Apart from the Service Agreements entered between the executive directors and the Company, there are no material contracts to which the Company or its subsidiary corporations, is a party which involve directors' interests subsisted or have been entered into during the financial year.

Interested person transactions

There were no interested person transactions as defined in Chapter 9 of Listing Manual of the Singapore Exchange conducted during the financial year except as disclosed under "Interested Person Transactions" on "Corporate Governance" and on Note 30 to the financial statements.

On behalf of the Directors

LI XIANG PING
Director

ZHANG LIU CHENG
Director

12 April 2021

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sinostar PEC Holdings Limited (the "Company") and its subsidiary corporations (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (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 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis of Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code")* together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were most significant in our audit of the financial statements for the financial year ended 31 December 2020. 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.

Capitalisation of assets and the assessment of useful lives and residual values for property, plant and equipment

The subsidiary corporation of the Group, Dongming Hengchang Petrochemical Co., Ltd. started the construction of a new polypropylene production plant during the first quarter of the financial year 2019. This is part of the Group's plan to improve the production capacity and was scheduled to be completed in the fourth quarter of the financial year ended 2020.

Currently, the testing phase of the project is under progress as at 31 December 2020 as it has not achieved the quality and efficiency parameters. Accordingly, significant level of judgement is involved to ensure that capitalisation of property, plant and equipment meet the recognition criteria of SFRS(I) 1-16 - Property, Plant and Equipment, specifically in relation to determination of trial run period and costs associated with trial runs for it to be ready for intended use.

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

Key Audit Matters (continued)

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

How our audit addressed the key audit matter

Our audit procedures included and were not limited to the following:

- Obtained understanding of management's assessment and estimates on the residual values and useful lives of the property, plant and equipment.

- Reviewed the management's assessment and estimates on the useful lives and residual values of property, plant and equipment with reference to:

  - the consistency with the Group's expected consumption pattern of economic benefits embodied in the respective assets.

  - the comparison to the policies adopted by other comparable companies.

  - consideration of the Group's historical experience.

- Reviewed the Group's depreciation policy for property, plant and equipment.

- Compared the useful lives of each class of asset in the current year to determine whether there were any significant changes in the useful lives or residual values.

- Performed substantive testing procedures which included testing the capitalised cost for the new polypropylene production plant on a sampling basis and performed reasonable test on the depreciation charge.

- Physical visit to the new polypropylene production plant under construction.

- Examined the progress report prepared by management to determine whether it is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

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 audited 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.

Responsibility of Management and Directors for the Financial Statements (continued)

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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 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 Mr Low See Lien.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
12 April 2021

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group 2020 RMB'000	Group 2019 RMB'000	Company 2020 RMB'000	Company 2019 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	1,921,658	1,635,133	–	–
Right-of-use assets	6	4,427	4,852	–	–
Land use rights	7	91,285	92,368	–	–
Goodwill on consolidation	8	10,345	10,345	–	–
Investment in subsidiary corporations	9	–	–	250,041	250,041
Financial asset, at fair value through other comprehensive income	10	79,761	30,450	–	–
		2,107,476	1,773,148	250,041	250,041
Current assets					
Land use rights	7	1,085	1,085	–	–
Inventories	11	146,717	92,766	–	–
Trade and other receivables	12	40,907	42,879	–	–
Amount owing by a subsidiary corporation	12	–	–	7,612	14,376
Amounts owing by affiliated companies	12	2,542	2,810	–	–
Amount owing by non-controlling interest	12	–	137,757	–	–
Prepayments	13	5,020	8,400	–	–
Cash and cash equivalents	14	352,035	66,247	1,769	500
		548,306	351,944	9,381	14,876
Total assets		2,655,782	2,125,092	259,422	264,917
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	15	316,125	316,125	316,125	316,125
Retained earnings/(accumulated losses)	16	334,224	192,355	(58,684)	(52,907)
Fair value reserve	17	34,517	–	–	–
Capital reserve	18	250,000	250,000	–	–
Other reserves	19	91,806	75,123	–	–
		1,026,672	833,603	257,441	263,218
Non-controlling interests		197,976	157,160	–	–
Total equity		1,224,648	990,763	257,441	263,218
LIABILITIES					
Non-current liabilities					
Loans from non-controlling Interest	20	625,000	–	–	–
Bank borrowings	21	480,000	31,250	–	–
Lease liabilities	22	4,407	4,781	–	–
		1,109,407	36,031	–	–
Current liabilities					
Loans from non-controlling interest	20	80,000	850,000	–	–
Bank borrowings	21	51,250	125,000	–	–
Lease liabilities	22	373	356	–	–
Trade and other payables	23	142,032	97,429	1,981	1,699
Amounts owing to affiliated companies	23	6,948	25	–	–
Current tax payable		41,124	25,488	–	–
		321,727	1,098,298	1,981	1,699
Total equity and liabilities		2,655,782	2,125,092	259,422	264,917

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	4	3,182,338	3,660,048
Cost of sales		(2,896,460)	(3,389,710)
Gross profit		285,878	270,338
Other income	24a	57,122	24,555
Expenses			
- Distribution	24b	(325)	(892)
- Administrative	24c	(52,134)	(58,799)
- Others	25d	(76)	(57)
- Finance	24e	(38,407)	(51,258)
Profit before income tax	25	252,058	183,887
Income tax expenses	26	(67,484)	(45,873)
Net profit for the financial year		184,574	138,014
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Financial assets, at fair value through other comprehensive income			
- Fair value gains – equity investment		49,311	–
Total comprehensive income for the financial year		233,885	138,014
Net profit attributable to:			
Equity holders of the Company		158,552	113,692
Non-controlling interests		26,022	24,322
		184,574	138,014
Total comprehensive income attributable to:			
Equity holders of the Company		193,069	113,692
Non-controlling interests		40,816	24,322
		233,885	138,014
Earnings per share attributable to equity holders of the Company (RMB cents per share)	27		
Basic		24.77	17.76
Diluted		24.77	17.76

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

	Note	Share capital RMB'000	Retained earnings RMB'000	Fair value reserve RMB'000	Capital reserve RMB'000	Other reserves: Statutory common reserve RMB'000	Other reserves: Voluntary common reserve RMB'000	Other reserves: Sub-total RMB'000	Equity attributable to owners RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
2020											
Balance as at 1 January 2020		316,125	192,355	–	250,000	74,326	797	75,123	833,603	157,160	990,763
Profit for the year		–	158,552	–	–	–	–	–	158,552	26,022	184,574
Other comprehensive income for the year		–	–	34,517	–	–	–	–	34,517	14,794	49,311
Total comprehensive income for the year		–	158,552	34,517	–	–	–	–	193,069	40,816	233,885
Transfer to statutory common reserve	19(b)	–	(16,683)	–	–	16,683	–	16,683	–	–	–
Balance as at 31 December 2020		316,125	334,224	34,517	250,000	91,009	797	91,806	1,026,672	197,976	1,224,648
2019											
Balance as at 1 January 2019		316,125	108,943	–	250,000	59,985	797	60,782	735,850	132,838	868,688
Net profit, representing total comprehensive income for the year		–	113,692	–	–	–	–	–	113,692	24,322	138,014
Dividends paid	28	–	(15,939)	–	–	–	–	–	(15,939)	–	(15,939)
Transfer to statutory common reserve	19(b)	–	(14,341)	–	–	14,341	–	14,341	–	–	–
Balance as at 31 December 2019		316,125	192,355	–	250,000	74,326	797	75,123	833,603	157,160	990,763

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Profit before tax		252,058	183,887
Adjustments for:			
- Depreciation of property, plant and equipment	5	111,844	177,555
- Depreciation of right-of-use assets	6	425	425
- Amortisation of land use rights	7	1,083	984
- Gain on property, plant and equipment written off	24a	–	(752)
- Interest income	24a	(3,240)	(3,919)
- Loss on disposal of property, plant and equipment	24c	37	–
- Property, plant and equipment written off	24c	1,883	–
- Interest expense	24e	38,407	51,258
Operating profit before working capital changes		402,497	409,438
Change in inventories		(53,951)	9,487
Change in amount owing by/(to) affiliated companies		7,191	(162,578)
Change in operating receivables		5,352	(2,280)
Change in operating payables		44,603	(22,185)
Cash generated from operations		405,692	231,882
Income tax paid		(51,848)	(25,982)
Net cash provided by operating activities		353,844	205,900
Cash flows from investing activities			
Additions to property, plant and equipment		(383,180)	(290,923)
Proceeds from disposal of property, plant and equipment		508	27
Acquisition of land use rights in 东明县菜园集镇西台集行政村		–	(13,790)
Refund received on land use rights in 东明县菜园集李屯行政村		–	22,473
Change in amount owing by non-controlling interest	12	137,757	54,943
Interest paid		(17,617)	–
Interest received		3,240	3,919
Net cash used in investing activities		(259,292)	(223,351)
Cash flows from financing activities			
Dividends paid	28	–	(15,939)
Proceeds from loans from non-controlling interest		–	850,000
Repayment of loans from non-controlling interest		(145,000)	(1,000,000)
Payment of principal portion of lease liabilities		(357)	(320)
Proceeds from bank borrowings		500,000	–
Repayment of bank borrowings		(125,000)	(125,000)
Interest paid		(38,407)	(51,258)
Net cash generated from/(used in) financing activities		191,236	(342,517)
Net increase in cash and cash equivalents		285,788	(359,968)
Cash and cash equivalents			
Beginning of financial year		66,247	426,215
End of financial year	14	352,035	66,247

The accompanying notes form an integral part of these financial statements

Reconciliation of liabilities arising from financing activities

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

	1 January 2019	Proceeds	Principal and interest payments	Non-cash changes: Adoption of SFRS(I) 16	Non-cash changes: Interest expense	31 December 2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	281,250	–	(135,803)	–	10,803	156,250
Loan from non-controlling interest	1,000,000	850,000	(1,040,194)	–	40,194	850,000
Lease liabilities	–	–	(579)	5,457	259	5,137
	1,281,250	850,000	(1,176,576)	5,457	51,256	1,011,387

The accompanying notes form an integral part of these financial statements

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 ("Intelligent People"), a company which is incorporated in the British Virgin Islands ("BVI").

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 and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

Coronavirus (COVID-19) Impact

On 30 January 2020, the World Health Organisation declared the outbreak a Public Health Emergency of International Concern. The outbreak was subsequently characterised as a pandemic on 11 March 2020.

In response to the pandemic, governments from different countries around the world have implemented containment measures to varying degrees in a bid to curb the spread of the virus. As a result, there has been disruption to global trade due to restrictions for cross-border movement and reduced demand in recreational activities.

The COVID-19 pandemic has affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments.

Set out below is the impact of COVID-19 on the Group's financial performance reflected in this set of financial statements for the financial year ended 31 December 2020.

i. The Group had assessed that the going concern basis of preparation for this set of financial statements remains appropriate.

ii. During the financial year 2020, border closures, production stoppages and workplace closures had resulted in periods where the Group's operations were temporarily suspended to adhere to the Chinese governments' movement control measures. During these periods, the Group's productions and services were temporary suspended, but the Group is recovered from the impact as soon as the movement control has been lifted.

iii. The Group had considered the market conditions including the impact of COVID-19 as at the reporting date, in making estimates and judgements on the recoverability of assets as at 31 December 2020.

As the global COVID-19 situation remains very fluid as at the date of issuance of these financial statements, although the Group cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 December 2021 but as the Group is operating and focusing on domestics markets, the Group have reasonably believe the impact is minimum.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2020

On 1 January 2020, 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 has 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 right to, variable return from its involvement with the entity and has the ability to affect those returns 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 on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Consolidation of the subsidiary corporations in PRC is based on the subsidiary corporations financial statements prepared in accordance with SFRS(I). Profits reflected in the financial statements prepared in accordance with SFRS(I) may differ from those reflected in the PRC statutory financial statements of the subsidiary corporations, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations in PRC, profit available for distribution by the PRC subsidiary corporations are based on the amounts stated in the PRC statutory financial statements.

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

2. Summary of significant accounting policies (continued)

2.2 Group accounting (continued)

(a) Subsidiary corporations (continued)

(ii) Acquisitions

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

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 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.

(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 "Investments 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. Summary of significant accounting policies (continued)

2.3 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

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

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

(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:

	Useful lives
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.

2. Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

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

2.4 Leases

When the Group is the lessee:

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

(a) Right-of-use assets

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

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

(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.

2. Summary of significant accounting policies (continued)

2.4 Leases (continued)

(b) Lease liabilities (continued)

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 is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For a contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-ease 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 recognised 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.

2.5 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.

2. Summary of significant accounting policies (continued)

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.

2. Summary of significant 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 and amounts owing by affiliated companies.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: 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.

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains and losses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".

(ii) Equity investments

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

(b) Impairment

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

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

2. Summary of significant accounting policies (continued)

2.7 Financial assets (continued)

(c) Recognition and derecognition

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

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

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

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

2.8 Offsetting of financial instruments

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

2.9 Cash and cash equivalents

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

2.10 Investment in subsidiary corporations

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

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.12 Borrowings

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

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

2. Summary of significant accounting policies (continued)

2.13 Borrowing costs

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

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

2.14 Dividends to Company's shareholders

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

2.15 Trade and other payables

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

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

2.16 Provisions

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

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

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

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

PRC corporate income tax is provided at rates applicable to an enterprise in the PRC on income for financial reporting purpose, adjusted for income and expenses items which are not assessable or deductible for income tax purposes.

2. Summary of significant accounting policies (continued)

2.17 Income taxes (continued)

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.18 Impairment of non-financial assets

(a) Goodwill

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.18 Impairment of non-financial assets (continued)

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

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

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

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

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

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

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also 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.

2. Summary of significant accounting policies (continued)

2.19 Revenue recognition (continued)

(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 is recognised using the effective interest method.

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").

2. Summary of significant accounting policies (continued)

2.21 Currency translation (continued)

(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.

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. Summary of significant accounting policies (continued)

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.

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.

<u>Useful lives of property, plant and equipment</u>

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 2020 amounted to RMB111,844,000 (31 December 2019: RMB177,555,000).

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 2020 would be lower by about RMB11,642,000 (31 December 2019: RMB12,533,000) or higher by about RMB15,604,000 (31 December 2019: RMB17,134,000).

4. Revenue

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

	Group		
	Gas Separation RMB'000	Transport and Logistic Services RMB'000	Total RMB'000
2020			
People's Republic of China			
Liquefied petroleum gas	355,751	–	355,751
Propylene	895,677	–	895,677
Polypropylene	280,012	–	280,012
methyl tert-butyl ether ("MTBE")	1,105,863	–	1,105,863
Hydrogen	189,049	–	189,049
Isobutylene	127,060	–	127,060
Other gas	15,848	–	15,848
Transport and logistic services	–	213,078	213,078
	2,969,260	213,078	3,182,338
2019			
People's Republic of China			
Liquefied petroleum gas	535,124	–	535,124
Propylene	955,090	–	955,090
Polypropylene	296,521	–	296,521
methyl tert-butyl ether ("MTBE")	1,369,222	–	1,369,222
Hydrogen	176,037	–	176,037
Isobutylene	169,898	–	169,898
Other gas	15,761	–	15,761
Transport and logistic services	–	142,395	142,395
	3,517,653	142,395	3,660,048

5. Property, plant and equipment

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

During the financial year ended 31 December 2020, the Group capitalised borrowing costs of RMB17,617,000 (31 December 2019: Nil) (Note 24e) as cost of property, plant and equipment. The interest rate is 4.41% (31 December 2019: Nil) per annum.

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 2019							
Cost							
Beginning of financial year	702,418	740,924	99,486	51,554	639	73,347	1,668,368
Additions	3,329	24,884	15,685	27	88	246,910	290,923
Disposals	–	–	(35)	–	–	–	(35)
Write-offs	–	(54,248)	(48)	–	(13)	–	(54,309)
End of financial year	705,747	711,560	115,088	51,581	714	320,257	1,904,947
Accumulated depreciation							
Beginning of financial year	8,091	94,152	11,634	33,066	385	–	147,328
Depreciation charge	34,399	113,001	19,568	10,407	180	–	177,555
Disposals	–	–	(8)	–	–	–	(8)
Write-offs	–	(55,009)	(39)	–	(13)	–	(55,061)
Reclassifications	966	(3,549)	2,654	–	(71)	–	–
End of financial year	43,456	148,595	33,809		481	–	269,814
Net book value							
End of financial year	662,291	562,965	81,279	8,108	233	320,257	1,635,133

	Group	
	2020	**2019**
	RMB'000	**RMB'000**
Depreciation expense charged to:		
Cost of sales/inventories	110,500	176,809
Distribution costs (Note 24b)	1	1
Administrative expenses (Note 24c)	1,343	745
	111,844	177,555

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 2020				
Cost				
Beginning and end of financial year	3,906	153	1,591	5,650
Accumulated depreciation				
Beginning of financial year	373	107	318	798
Depreciation charge (Note 24c)	99	8	318	425
End of financial year	472	115	636	1,223
Net book value				
End of financial year	3,434	38	955	4,427
31 December 2019				
Cost				
Beginning of financial year	–	–	–	–
Adoption of SFRS(I) 16	3,906	153	1,591	5,650
End of financial year	3,906	153	1,591	5,650
Accumulated depreciation				
Beginning of financial year	–	–	–	–
Adoption of SFRS(I) 16	274	99	–	373
Depreciation charge (Note 24c)	99	8	318	425
End of financial year	373	107	318	798
Net book value				
End of financial year	3,533	46	1,273	4,852

7. Land use rights

	2020 RMB'000	2019 RMB'000
Group		
Cost		
Beginning of financial year	94,437	71,522
Additions	–	22,915
End of financial year	94,437	94,437
Accumulated amortisation		
Beginning of financial year	984	–
Amortisation charge (Note 24c)	1,083	984
End of financial year	2,067	984
Carrying amount		
End of financial year	92,370	93,453
Amount to be amortised:		
- Not later than one year	1,085	1,085
- Later than one year but less than five years	4,340	4,340
- Later than five years	86,945	88,028
	92,370	93,453

	2020 RMB'000	2019 RMB'000
Analysed as:		
Current	1,085	1,085
Non-current	91,285	92,368
	92,370	93,453

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 2020, the land use rights have remaining tenures from 45 to 48 years.

8. Goodwill arising on consolidation

	Group	
	2020	2019
	RMB'000	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:

	2020	2019
	RMB'000	RMB'000
Group		
Dongming Changshun Transport Company Limited (东明县昌顺运输有限公司) ("Changshun Transport")	2,501	2,501
Dongming Qianhai Petrochemical Co., Ltd. (东明前海化工有限公司) ("Dongming Qianhai")	7,844	7,844
	10,345	10,345

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using terminal growth rate of 3% (2019: 3%). These cash flows were discounted using a pre-tax discount rate of 10% (2019: 11.61%) 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.

Under the fair value hierarchy, level 3 inputs were used.

9. Investment in subsidiary corporations

	Company	
	2020	2019
	RMB'000	RMB'000
Equity investment at cost		
Beginning and end of financial year	250,041	250,041

9. Investment in subsidiary corporations (continued)

The Group has the following subsidiary corporations as at 31 December 2020 and 2019:

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 %
Held by the Company					
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%	–
Subsidiary corporations of Dongming Hengchang					
Dongming Changshun Transport Company Limited (1) (东明县昌顺运输有限公司)	Provide logistics and transportation for petroleum products	The People's Republic of China	100%	100%	–
Dongming Qianhai Petrochemical Co., Ltd. (1) (东明前海化工有限公司)	Manufacture and sale of propylene, purified isobutylene, methyl tert-butyl ether, commonly known as MTBE, hydrogen and mixed gas	The People's Republic of China	70%	70%	30%

(1) For the purpose of expressing an opinion on the consolidated financial statements for the financial year ended 31 December 2020, these financial statements have been audited/reviewed by Shanghai Nexia TS Certified Public Accountants, PRC.

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

	Group 2020 RMB'000	Group 2019 RMB'000
Equity security (Unquoted)		
- Dongming Qianhai Reli Co., Ltd. (东明前海热力有限公司)		
Beginning of financial year	30,450	30,450
Fair value gains recognised in other comprehensive income (Note 17)	49,311	–
End of financial year	79,761	30,450

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 2020, the fair value is determined based on valuation techniques Note 31(g).

11. Inventories

	Group	
	2020	2019
	RMB'000	RMB'000
At cost		
Raw materials	78,938	41,740
Finished goods	67,779	51,026
	146,717	92,766
Inventories charged to cost of sales	2,706,612	3,899,777

12. Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
- Non-related parties	1,787	12,705	–	–
Other receivables				
- Non-related parties	10,266	5,910	–	–
Accrued revenue	5,970	6,656	–	–
VAT receivable	21,885	–	–	–
Advances made to staff	858	640	–	–
Refundable deposits	141	16,968	–	–
	40,907	42,879	–	–

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.

Refundable deposits of RMB16,968,000 in the financial year 2019 relates to deposits placed by Dongming Qianhai in December 2017 with the PRC government for the purpose of securing 3 plots of state owned land in the PRC with land area of 189,863 square meters. The Group has since successfully acquired these 3 plots of land of 189,863 square meters and had obtained the land use right as disclosed in Note 7 where Dongming Qianhai's plant and equipment currently reside in. The Group has received the refundable deposit from the PRC government.

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Amount owing by a subsidiary corporation				
Loans to subsidiary corporation	–	–	7,612	14,376

Loans to subsidiary corporation are unsecured, interest-bearing at 3% (2019: 3%) per annum and are repayable by November 2021 (2019: November 2020).

12. Trade and other receivables (continued)

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Amount owing by affiliated companies	2,542	2,810	–	–

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

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Amount owing by non-controlling interest	–	137,757	–	–

13. Prepayments

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	5,020	8,400	–	–

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

14. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	61	52	57	41
Cash at bank	344,974	59,195	1,712	459
Fixed deposit	7,000	7,000	–	–
	352,035	66,247	1,769	500

The fixed deposit earned interest at 1.56% (2019: 1.59% - 3.68%) per annum with maturity period of half yearly and unfixed period.

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

Cash and cash equivalents of RMB350,266,000 (2019: RMB65,747,000) held in the PRC are subject to local exchange control regulations. These regulations place restriction on the amount of currency being exported other than through dividends.

15. Share capital

	No. of shares		Amount	
	2020	2019	2020	2019
	’000	’000	RMB’000	RMB’000
Group and Company				
Issued and fully paid, with no par value				
Balance at beginning and at end of the 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	
	2020	2019
	RMB’000	RMB’000
Beginning of financial year	(52,907)	(29,006)
Net loss	(5,777)	(7,962)
Dividends paid (Note 28)	–	(15,939)
End of financial year	(58,684)	(52,907)

17. Fair value reserve

	Group	
	2020	2019
	RMB’000	RMB’000
Beginning of financial year	–	–
Financial assets, at FVOCI		
- Fair value gains (Note 10)	49,311	–
Less: Non-controlling interests’ share	(14,794)	–
End of financial year	34,517	–

18. Capital reserve

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

This capital reserve is a non-distributable reserve.

19. Other reserves

(a) *Compositions*

	Group 2020 RMB'000	Group 2019 RMB'000
Statutory common reserve	91,009	74,326
Voluntary common reserve	797	797
	91,806	75,123

(b) *Movements*

	Group 2020 RMB'000	Group 2019 RMB'000
(i) Statutory common reserve		
Beginning of financial year	74,326	59,985
Transfer from retained earnings	16,683	14,341
End of financial year	91,009	74,326
(ii) Voluntary common reserve		
Beginning and end of financial year	797	797
	91,806	75,123

In accordance with the relevant laws and regulations of the PRC, the subsidiary corporations are required to transfer between 5% and 10% of its profit after taxation to the statutory common reserve until the statutory common reserve balance reaches 50% of the respective registered capital. For the purpose of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Statutory common reserve can be used to make good previous year's losses and for conversion to capital, if any, subject to approval from the PRC authorities and provided that the balance remains not less than 25% of the registered capital.

The voluntary common reserve has been combined with statutory common reserve in prior years under PRC statutory accounts.

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

	Group 2020 RMB'000	Group 2019 RMB'000
Current	80,000	850,000
Non-current	625,000	–
	705,000	850,000
- Not later than one year	80,000	850,000
- Later than one year but less than five years	625,000	–
	705,000	850,000

These loans from NCI, Shandong Dongming Petrochem Group Co., Ltd were previously drawdown by the 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 the Company seeks shareholders' approval to converting the loan from a short-term to long-term loans till 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 now from 1 January 2021 to 1 April 2025 with the repayments due in instalments on a quarterly basis. The loans are interest bearing at 4.75% per annum.

These loans do not have any covenants.

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

21. Bank borrowings

	Group 2020 RMB'000	Group 2019 RMB'000
Secured:		
Current	51,250	125,000
Non-current	480,000	31,250
	531,250	156,250

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	
	2020 RMB'000	2019 RMB'000
- Not later than one year	51,250	125,000
- Later than one year but less than five years	280,000	31,250
- More than five years	200,000	–
	531,250	156,250

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

Security granted

(i) The balance bank borrowings of RMB31,250,000 (2019: RMB156,250,000) is mortgaged over the property, plant and equipment of an affiliated company, Dongming Runze Petrochemical Co.,Ltd (东明润泽化工有限公司).

(ii) The bank borrowings of RMB500,000,000 (2019: Nil) 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	
	2020 RMB'000	2019 RMB'000
Maturity analysis:		
Less than 1 year	599	599
Between 2 to 5 years	1,667	2,033
More than 5 years	6,841	7,085
	9,107	9,717
Less: Unearned interest	(4,327)	(4,580)
	4,780	5,137
Analysed as:		
Current	373	356
Non-current	4,407	4,781
	4,780	5,137

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

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

Lease expense not capitalised in lease liabilities in relations to short-term leases amounted to RMB201,000 (2019: RMB156,000).

Total cash outflow for all leases was RMB801,000 (2019: RMB735,000).

23. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
- Non-related parties	55,335	46,343	–	–
Other payables				
- Non-related parties	45,152	22,397	123	985
- Directors	–	70	–	–
- Staff	347	299	–	–
	45,499	22,766	123	985
Accruals	9,272	7,582	1,858	714
VAT payables	16,832	10,661	–	–
Other governmental taxes payable	2,695	–	–	–
Refundable deposits received from third parties	–	699	–	–
Contract liabilities	12,399	9,378	–	–
	142,032	97,429	1,981	1,699

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

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 2020 amounted to RMB9,378,000 (2019: RMB16,900,000).

Refundable deposits received from third parties represent money received from outsourced transport and logistic companies which were interest-free and repayable upon completion of the transport and logistic service.

Amount owing to directors represents unsecured advances from directors which were interest-free and repayable on demand.

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Amount owing to affiliated companies				
- Trade	6,018	–	–	–
- Non-trade	930	25	–	–
	6,948	25	–	–

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	
	2020	**2019**
	RMB'000	**RMB'000**
Interest income - bank	3,240	3,724
Interest income - non-controlling interest	–	195
Subsidies from PRC Government	6,386	19,397
Gain on property, plant and equipment written off (Note 25)	–	752
Gain on disposal of catalyzers and other scrap materials	45,791	–
Others	1,705	487
	57,122	24,555

Subsidies from PRC Government in 2019 related to:

(i) grant (重大技术改造贷款补贴) received by Dongming Qianhai Petrochemical Co., Ltd. from the local authority; and

(ii) monetary reward incentive received by Dongming Changshun Transport Company Limited for promoting the business activities in Ganyu and for contributing to more tax payments.

24b. Distribution costs

	Group	
	2020	**2019**
	RMB'000	**RMB'000**
Employee benefits expense (Note 24f)	119	682
Depreciation of property, plant and equipment (Note 5)	1	1
Short-term lease expenses	200	110
Others	5	99
	325	892

24c. Administrative expenses

	Group 2020 RMB'000	Group 2019 RMB'000
Amortisation of land use rights (Note 7)	1,083	984
Cleaning expense	216	216
Depreciation of property, plant and equipment (Note 5)	1,343	745
Depreciation of right-of-use assets (Note 6)	425	425
Directors' fees	1,241	1,620
Employee benefits expense (Note 24f)	27,415	26,248
Entertainment expenses	769	972
Environment fee	609	653
Exchange loss	540	198
Loss on disposal of property, plant and equipment (Note 25)	37	–
Non-claimable value added tax	10,898	18,191
Others	2,304	4,930
Professional fee	2,110	1,587
Property, plant and equipment written off	1,883	–
Repair and maintenance	526	261
Short-term lease expenses	1	46
Travelling and accommodation	734	1,723
	52,134	58,799

24d. Other operating expenses

	Group 2020 RMB'000	Group 2019 RMB'000
Bank charges	76	57

24e. Finance expenses

	Group 2020 RMB'000	Group 2019 RMB'000
Interest expense		
Bank borrowings	22,483	10,803
Less: Borrowing costs capitalised in property, plant and equipment (Note 5)	(17,617)	–
	4,866	10,803
Loans from non-controlling interest	33,298	40,194
Lease liabilities	243	259
Others	–	2
	38,407	51,258

24f. Employee benefits expense

	Group 2020 RMB'000	Group 2019 RMB'000
Directors' remuneration		
- salaries and related costs	911	1,118
- defined contributions	–	–
Key management personnel (other than directors)		
- salaries and related costs	2,192	1,990
- defined contributions	151	130
Other than directors and key management personnel		
- salaries and related costs	83,022	77,994
- defined contributions	11,969	8,284
	98,245	89,516
As disclosed in:		
Cost of sales/inventories	70,711	62,586
Distribution costs (Note 24b)	119	682
Administrative expenses (Note 24c)	27,415	26,248
	98,245	89,516

25. Profit before tax

	Group 2020 RMB'000	Group 2019 RMB'000
Profit before tax has been arrived at after charging and (crediting):		
Amortisation of land use rights (Note 7)	1,083	984
Depreciation of property, plant and equipment (Note 5)	111,844	177,555
Depreciation of right-of-use assets (Note 6)	425	425
Gain on property, plant and equipment written off (Note 24a)	–	(752)
Property, plant and equipment written off (Note 24c)	1,883	–
Loss on disposal of property, plant and equipment (Note 24c)	37	–
Short-term lease expenses	201	157

26. Income tax expenses

	Group	
	2020	2019
	RMB'000	RMB'000
Current income tax		
- Profit for the financial year	63,222	45,873
- Under provision in prior financial years	4,262	–
	67,484	45,873

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	
	2020	2019
	RMB'000	RMB'000
Profit before tax	252,058	183,887
Tax at statutory rate of 25% (2019: 25%)	63,015	46,759
Effects:		
Differential of tax rates in foreign countries	419	(83)
Income not subject to tax	(2,582)	(2,257)
Expenses non-deductible for tax purposes	4,890	201
Utilisation of previously unrecognised tax losses	(2,520)	(976)
Deferred tax assets not recognised	–	2,229
Under provision in prior financial years	4,262	–
	67,484	45,873

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 2020 are 25% (2019: 25%).

At the end of the financial year, the aggregate amount of temporary differences associated with undistributed earnings of subsidiary corporations for which deferred tax liabilities have not been recognised is RMB441,138,000 (2019: RMB292,651,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. Accordingly, withholding tax amounting to RMB44,114,000 (2019: RMB29,265,000) relating to the undistributed earnings has not been recognised.

As at 31 December 2020, the Group has unutilised tax losses amounting to RMB1,379,000 (2019: RMB11,460,000), which arose solely from Changshun Transport and the Company. No deferred tax assets have been recognised in respect of the unutilised tax benefits arising from these unabsorbed losses as the directors are of the view that it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

27. Earnings per share

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

There were no dilutive earnings per share for the financial years ended 31 December 2020 and 2019 as there were no dilutive potential ordinary shares outstanding.

	2020	2019
Group		
Net profit attributable to equity holders of the Company (RMB'000)	158,552	113,692
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	640,000	640,000
Basic and diluted (cents)	24.8	17.8

28. Dividends

	Group and Company	
	2020	2019
	RMB'000	RMB'000
Ordinary dividends paid		
- final tax-exempt (one-tier) dividend paid in respect of previous financial year of S$0.005 (equivalent to RMB0.0249) per share	–	15,939

At forthcoming Annual General Meeting on 30 April 2021, a first and final exempt (one-tier) dividend of S$0.5 cents per share amounting to a total of S$3,200,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2021.

29. Commitments

(a) Purchase commitments

At the end of reporting date, the Group entered into purchase commitment for the supply of LPG materials from the following supplier:

- 东明中油燃料石化有限公司 31 May 2016 to 30 May 2036

The ordering quantities are on the basis of as and when required for which the pricing is based on the prevailing market rate.

29. Commitments (continued)

(b) Capital commitments

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

	Group	
	2020	**2019**
	RMB'000	**RMB'000**
Capital commitments in respect of property, plant and equipment and land use rights	66,996	856,276

30. Affiliated companies transactions

As an additional disclosure, the Group disclosed the following significant affiliated companies transactions entered into between the Group and its affiliated companies at terms agreed between the companies:

	Group	
	2020	**2019**
	RMB'000	**RMB'000**
Sales to affiliated companies		
– 山东东明石化集团有限公司	59,219	60,175
– 东明石油经销有限公司	3,808	8,080
– 东明恒润化工有限公司	17	193,041
– 山东东明梨树化学有限公司	247,058	299,067
– 山东润泽化工有限公司	210,081	–
Purchase from affiliated companies		
– 东明石油经销有限公司	795	75,115
– 山东润泽化工有限公司	161,626	–
– 东明中油燃料石化有限公司	1,641,617	1,647,161
– 山东东明石化集团有限公司	13,189	–
– 山东东明梨树化学有限公司	151,349	169,075
Other expenses charged by affiliated companies		
– 东明润泽化工有限公司	–	70,066
Interest expenses on loan charged by affiliated company		
– 山东东明石化集团有限公司	33,298	39,999
Other individually immaterial transactions	22,855	76,641

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

31. Financial risk management

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group is exposed to financial risks arising from its operations and the use of financial instruments. The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits. The Board of Directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group has minimal monetary balances denominated in Singapore dollar. Accordingly, the exposure to foreign exchange risk is minimal. In addition, the Group's operational activities are mainly carried out in RMB. The risk arising from movements in foreign exchange rates is minimised as the Group has minimal transactions in foreign currencies.

Exposure to foreign currency risk is insignificant as the Group's income and related expenses, assets and liabilities are substantially denominated in RMB which is the functional currency of the Group entities. The exposure is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

No sensitivity analysis had been presented as management was of the view that any changes in foreign currency denominated financial assets and liabilities was unlikely to be material to the Group.

(ii) Cash flow and fair value interest rate risks

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

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

31. Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risks (continued)

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 RMB12,960,000.

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

(b) Credit risks

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

The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets (including investment securities and cash and cash equivalents), the Group and the Company minimise credit risk by dealing only with reputable and/or high credit quality counterparties.

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

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

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 2020, the trade receivables are not subject to any material credit losses.

31. Financial risk management (continued)

(b) Credit risks (continued)

The trade receivables of transport and logistic business comprise 4 debtors (2019: 2) that collectively contributed 89% (2019: 80%) of the Group's trade receivables. These 4 (2019: 2) individually represented between 16% - 49% (2019: 19% - 60%) 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 2020, The Group's and the Company's cash and cash equivalents are held with bank and financial institution counterparties with sound credit ratings. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and bank balances was negligible.

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

(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.

31. Financial risk management (continued)

(c) Liquidity risk (continued)

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

	Less than 1 year RMB'000	Between 2 to 5 years RMB'000	More than 5 years RMB'000
Group			
At 31 December 2020			
Loan from non-controlling interest	111,124	678,962	–
Bank borrowings	89,828	344,390	207,698
Lease liabilities	599	1,667	6,841
Trade and other payables	110,106	–	–
Amount owing to affiliated companies	6,948	–	–
	318,605	1,025,019	214,539
At 31 December 2019			
Loan from non-controlling interest	870,446	–	–
Bank borrowings	130,195	31,621	–
Lease liabilities	599	2,033	7,085
Trade and other payables	77,390	–	–
Amount owing to affiliated companies	25	–	–
	1,078,655	33,654	7,085

	Less than 1 year RMB'000	Between 2 to 5 years RMB'000	More than 5 years RMB'000
Company			
At 31 December 2020			
Trade and other payables	1,981	–	–
At 31 December 2020			
Trade and other payables	1,699	–	–

(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.

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	
	2020	**2019**	**2020**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets, at FVOCI	79,761	30,450	–	–
Financial assets, at amortised cost	372,741	232,085	9,381	14,876
Financial liabilities, at amortised cost	1,358,084	1,098,180	1,981	1,699

(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 2020	
Financial assets, at FVOCI	79,761
31 December 2019	
Financial assets, at FVOCI	30,450

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.

31. Financial risk management (continued)

(g) Fair value measurements (continued)

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

Fair value measurement disclosure of other non-current asset and liabilities can be found at Note 8, Note 20 and Note 21.

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

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

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

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

32. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

1. The gas separation segment is the manufacturing and sales of LPG, propylene, polypropylene, MTBE, hydrogen, isobutylene and other gas.

2. The transport and logistic services segment is the provision of logistics and transportation for petroleum products.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

32. Segment information (continued)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated statement of profit or loss and other comprehensive income. Distribution costs, administrative expenses, other operating expenses and income taxes are managed on a group basis and are not allocated to operating segments.

Allocation basis and transfer pricing

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other income, expenses and income tax expense.

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

(a) Reportable segments

	Gas Separation		**Transport and Logistic Services**		**Total**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Revenue						
External customers	2,969,260	3,517,653	213,078	142,395	3,182,338	3,660,048
Inter-segment sales	569,607	645,743	53	41	569,660	645,784
Total revenue	3,538,867	4,163,396	213,131	142,436	3,751,998	4,305,832
Segment assets	2,555,891	1,889,654	84,236	52,107	2,640,127	1,941,761
Segment liabilities	40,719	43,127	19,396	8,353	60,115	51,480
Results						
Segment results	293,034	260,850	21,014	6,017	314,048	266,867
Unallocated expenses						
Unallocated corporate expenses					(26,823)	(35,641)
Profit from operations					287,225	231,226
Finance income					3,240	3,919
Finance cost					(38,407)	(51,258)
Profit before tax					252,058	183,887
Tax expense					(67,484)	(45,873)
Profit after tax					184,574	138,014

32. Segment information (continued)

(a) Reportable segments (continued)

	2020 RMB'000	2019 RMB'000
Segments' assets for reportable segments	2,640,127	1,941,761
Other assets		
Unallocated		
Amounts owing by affiliated companies	2,542	2,810
Amount owing by non-controlling interest	–	137,757
Cash and cash equivalents	1,769	500
Other receivables	999	31,919
Goodwill on consolidation	10,345	10,345
	2,655,782	2,125,092
Segments' liabilities for reportable segments	60,115	51,480
Other liabilities		
Unallocated		
Other payables	86,697	51,086
Amounts owing to affiliated companies	6,948	25
Bank borrowings	531,250	156,250
Loan from non-controlling interest	705,000	850,000
Current tax payable	41,124	25,488
	1,431,134	1,134,329

	2020 RMB'000	2019 RMB'000
Customer 1	400,506	2,191,917
Customer 2	–	704,653

Both the above customers individually contributed 10% or more 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.

33. Capital management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;

(b) To support the Group's stability and growth;

(c) To provide capital for the purpose of strengthening the Group's risk management capability; and

(d) To provide an adequate return to shareholders.

The Group's capital structure consists of equity attributable to owners of the parent, comprising issued capital, retained earnings and other reserves.

The Group monitors capital on the basis of the carrying amount of equity less cash and bank balances as presented in the statement of financial position.

There were no changes in the Group's approach to capital management during the year. As disclosed in Note 19, the subsidiary corporations in the PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirements in accordance with the directors, has been complied by the PRC subsidiary corporations for the financial years ended 31 December 2020 and 2019.

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and to maintain an optimal capital structure to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue new shares or convertible loans. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019.

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 2021 and which the Group has not early adopted.

Amendments to SFRS(I) 1-1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023)

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

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

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

34. New accounting standards and interpretation (continued)

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

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

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

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

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

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

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

SHAREHOLDINGS STATISTICS

As at 30 March 2021

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OFSHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	113	5.11	104,200	0.02
1,001 - 10,000	1,053	47.56	7,253,600	1.13
10,001 - 1,000,000	1,034	46.70	56,217,500	8.78
1,000,001 AND ABOVE	14	0.63	576,424,700	90.07
TOTAL	**2,214**	**100.00**	**640,000,000**	**100.00**

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 30 March 2021, approximately 33.41 % of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual issued 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	102,769,700	16.06
3	CITIBANK NOMINEES SINGAPORE PTE LTD	58,645,300	9.16
4	UOB KAY HIAN PRIVATE LIMITED	41,770,800	6.53
5	RAFFLES NOMINEES (PTE.) LIMITED	20,339,000	3.18
6	DBS NOMINEES (PRIVATE) LIMITED	8,050,100	1.26
7	ENG KOON HOCK	2,928,000	0.46
8	SEE GIM TEE OR SEI KIM HOE	2,679,600	0.42
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,075,400	0.32
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,861,600	0.29
11	MOK TIAN SOON	1,728,400	0.27
12	TIAN TIAN	1,265,500	0.20
13	ATMA SINGH S/O NAND SINGH	1,260,200	0.20
14	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,055,100	0.16
15	AW YONG SAI CHIN	1,000,000	0.16
16	MA ONG KEE	800,000	0.13
17	SEE GIM TEE	796,000	0.12
18	WEI RAN	779,000	0.12
19	WENG TUCK WAH	750,000	0.12
20	HENG KHENG LONG OR CYNTHIA POA KHENG BEE	595,000	0.09
TOTAL		**581,144,700**	**90.81**

SUBSTANTIAL SHAREHOLDERS

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

Note:

(1) Intelligent People Holdings limited is deemed to be interested in 26,805,800 ordinary shares held under the name of RHB Securities Singapore Pte Ltd.

(2) Li Xiang Ping is deemed to be interested in 356,801,800 shares held by Intelligent People Holdings Limited and RHB Securities Singapore Pte Ltd.by virtue of Section 7 of the Companies Act, Cap. 50.

(3) Deemed interests arising by virtue of (a) UBS Group AG having an interest, or (b) Section 7(4) or 7(4A) of the Companies Act in units over which subsidiaries/affiliates of UBS Group AG have an interest, by reason of the ability to exercise voting discretion and to acquire/dispose of shares.

中星石化
SINOSTAR

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