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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Sinostar PEC Holdings Limited

Stock code: C9Q

Meeting details:
Date: 24 Dec 2024
Time: 10.00 a.m.
Venue: Suntec Singapore Convention & Exhibition Centre, Room MR 331, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593

Q1. The proposed rights issue, first announced on 28 September 2023, offers one new ordinary rights share priced at $0.14 for every two existing shares held by shareholders. As stated in paragraph 2.3 of the circular to shareholders, the rights share issue price of $0.14 is the same as the theoretical ex-rights price of $0.14 per share based on the last traded price.

In the past month, the company's shares have traded between $0.125 to $0.133, below the proposed rights issue price of $0.14.

The proposed rights issue will not be underwritten, partly due to the irrevocable undertaking given by the controlling shareholder, Intelligent People Holdings Limited, to subscribe for its own pro rata entitlement to the rights issue. Under the minimum subscription scenario, the controlling shareholder will increase his stake from 58.13% to 72.09%.

(i) **Have the independent directors assessed the implications of the rights issue for minority shareholders, particularly given that the market price is below the rights issue price? How do the independent directors address concerns that minority shareholders may face dilution, especially as the controlling shareholder's stake may rise from 58.13% to 72.09% under the minimum subscription scenario?**

(ii) **Can the independent directors elaborate on the methodology and considerations used to determine the rights issue price of $0.14, especially in light of the recent trading range and the NTA per share?**

(iii) **Specifically, given that the NTA per share is RMB2.5012 as at 31 December 2023 and RMB2.7585 as at 30 September 2024, do the independent directors believe the rights issue price of $0.14 per share (approximately RMB0.76 per share) risks significant dilution of minority shareholders' interests?**

(iv) **What specific measures has the board implemented to address the trade-off between the dilutive impact of the rights issue and ensuring it remains compelling for shareholders to participate? How does this approach align with the long-term interests of minority shareholders?**

(v) **Can the directors elaborate on the allocation process for excess rights shares? How does the board ensure fairness in allocation, particularly in a scenario where this is a dilutive rights issue?**

Q2. The proposed acquisition of 30% of Dongming Qianhai Petrochemical Co., Ltd. for a consideration of RMB573.6 million and the proposed disposal of 18% of Dongming Qianhai Reli Co., Ltd. are deemed interested person transactions under Chapter 9 of the Listing Manual.

The proposed acquisition of Dongming Qianhai constitutes a "very substantial acquisition" under Rule 1015 of the Listing Manual. As the company has received a waiver from SGX-ST, the proposed acquisition of Dongming Qianhai will instead be regarded as a "major transaction" under Rule 1014 of the Listing Manual.

The reasons for seeking the waiver from SGX-ST is shown in Appendix G in the circular.

(i) **Can the board, especially the independent directors, help shareholders better understand the rationale of seeking a waiver for the very substantial acquisition given that the proposed acquisition is over 118% compared to the company's market capitalisation?**

(ii) **Are the safeguards significantly reduced given that the transaction is deemed a "major transaction"? What specific steps have the independent directors taken to ensure that the reclassification does not compromise governance standards or shareholder value?**

The financial impact of the proposed acquisition of Dongming Qianhai will reduce the NTA per share from 250.12 RMB cents to 160.05 RMB cents due to the cash consideration paid out. In addition, the purchase consideration represents a premium of approximately 116.81% to the unaudited NTA of Donming Qianhai as at 30 June 2024.

(iii) **How does the board reconcile the fact that the company will acquire the remaining 30% of Dongming Qianhai at a premium of 116.81% when it trades at a significant discount to NTA/NAV while owning 70% of Dongming Qianhai?**

Q3. Capstone Investment Corporate Finance Pte Ltd has been appointed as the independent financial adviser ("IFA") to opine on whether the proposed disposal of Qianhai Reli and the proposed acquisition of Dongming Qianhai as interested person transactions are on normal commercial terms and are not prejudicial to the interests of the company and its minority shareholders.

(i) **What were the criteria used to shortlist and select Capstone Investment Corporate Finance Pte Ltd as the IFA? How many potential firms were shortlisted and why was Capstone selected?**

(ii) **How did the IFA justify using the selected comparable companies for benchmarking Qianhai Reli, given that the comparable companies have revenue 7.5 to 55 times greater than that of Qianhai Reli?**

(iii) Only four comparable companies were used by the IFA to benchmark the acquisition of Dongming Qianhai. **How did the IFA ensure that this sample size was sufficient for a reliable benchmarking analysis? Did the IFA consider how the valuation of Dongming Qianhai could be inferred from the company's own valuation on SGX?**

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