Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Sinostar PEC Holdings Limited

Stock code: C9Q

Meeting details:
Date: 28 April 2022
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

(i) **Hengchang: What is the utilisation rate of the new 200,000 tonnes polypropylene equipment?**

(ii) **Power: Has the group been affected by the reported power cuts or power rationing? In addition, how will the high energy price and the high oil prices affect the group?**

(iii) **LPG:** As disclosed on page 12 (Production process), the group has an annual capacity to process 550,000 tonnes of raw LPG, 180,000 tonnes of propylene and 250,000 tonnes of polypropylene annually. The group processed 326,029 tonnes of LPG in 2021. **What factors affect the level of LPG processed and sold? Is the group cost-efficient when it is running at less than 60% capacity?**

(iv) **Propylene and polypropylene: How does the group determine the production volume between propylene and polypropylene? How dynamic is the group at adjusting the production?**

(v) **MTBE (methyl tert-butyl ether):** MTBE accounts for RMB1.8 billion or more than 40% of the group's total revenue in FY2021 (FY2020: 37%). **Can management provide more colour on the MTBE operations and the opportunities in MTBE?**

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Q2. On 28 February 2022, the company announced that the group had entered into several interested persons transactions (IPTs) with Dongming Qianhai Reli Co. Ltd ((东明前海热力有限公司) ("Qianhai Reli"), Jiangsu Xinghai Petrochem Co., Ltd (江苏新海化工有限公司) ("Jiangsu Xinghai"), and Jiangsu Renhai Oil Products Distribution Co., Ltd (江苏润海油品销售 有限公司) ("Jiangsu Renhai") that exceeded 5% of the group's latest audited net tangible assets ("NTA") as at 31 December 2020 of approximately RMB 1,224,648,000 ("audited FY 2020 NTA").

The announcement and the details of the IPTs can be read here:
https://links.sgx.com/FileOpen/IPT%20Reli%20Jiangsu%202022.ashx?App=Announcement&FileID=705244

Relating to the transactions with Qianhai Reli, the company had stated that it had inadvertently omitted to make an announcement and obtain the shareholders' approval for its Past Recurrent IPTs (those without shareholders' mandate) as it had genuinely mistaken such Past Recurrent IPTs to also be covered by the scope of the 2021 IPT General Mandate.

With regard to the transactions with Jiangsu Xinghai and Jiangsu Renhai, the company recognizes that it had inadvertently omitted to make the necessary announcements and to obtain the shareholders approval in respect of its propylene purchases from the two Jiangsu companies.

Details of the interested person transactions (page 71) are reproduced below:

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 Qianhai Reli Co (东明前海热力有限公司) - Purchase of utilities - Contra on purchase of utilities	79,226,858	403,334,610
Jiangsu Xinghai Petrochem Co (江苏新海化工有限公司) - Purchase of propylene	68,304,751	
Jiangsu Renhai Oil products DistributionCo (江苏润海油品销售有限公司) - Purchase of propylene	31,184,791	

(Adapted from company annual report)

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The audit committee (AC) comprises Jiang Xinglu (chairman), Dr Chen Seow Phun, John and Zhao Jinqing.

(i) **Can the AC help shareholders understand how they had carried out their review of the IPT transactions?**

(ii) **What was the scope of its IPT reviews?**

(iii) **Can the company confirm that several of the AC members had missed 2 out of 4 AC meetings in the year (shown below)?**

The attendance of the Directors at Board meetings, committees meetings and Annual General Meeting during the financial year under review is tabulated below:

Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee		Risk And Investment Committee	
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[1]	4	4	4	2	1	1	1	1	–	–
Zhang Liu Cheng[2]	2	2	–	–	–	–	–	–	1	1
Teo Moh Gin[3]	2	2	4	2	1	1	1	1	1	1
Li Zhi	4	3	–	–	–	–	–	–	1	1
Zhao Jinqing	4	4	4	4	1	1	1	1	–	–
Yan Tailing[4]	2	2	–	–	–	–	–	–	–	–
Dr Chen Seow Phun, John[5]	2	2	4	2	–	–	–	–	–	–
Jiang Xinglu[6]	2	2	4	2	–	–	–	–	–	–
Liu Xiaoyan[7]	1	1	–	–	–	–	–	–	–	–

(iv) **If so, were there any extenuating circumstances that led to the directors missing the AC meetings? Did the absence affect the ability of the AC to discharge its duties?**

(v) **How did the AC arrive at the opinion that the group's internal controls, addressing financial, operational compliance and information technology controls and risk management systems, were adequate as at 31 December 2021 (page 69)?**

(vi) **Has the AC been effective and has it discharged its duties objectively (Principle 10: Audit committee, Code of corporate governance 2018)?**

(vii) **What improvements have the AC made to the internal controls, especially those relating to IPTs?**

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Q3. The board currently comprises:

Li Xiang Ping	(Executive chairman and chief executive officer)
Yan Tailing	(Deputy chief executive officer and executive director, appointed on 20 May 2021)
Dr Chen Seow Phun, John	(Lead Independent non-executive director, appointed on 1 June 2021)
Jiang Xinglu	(Independent non-executive director, appointed on 13 July 2021)
Zhao Jinqing	(Independent non-executive director)
Liu Xiaoyan	(Independent non-executive director, appointed on 9 December 2021)
Li Zhi	(Non-executive director)

Mr Liu Xiaoyan and Mr Jiang Xinglu both have no prior experience acting as directors of a listed company on the SGX-ST.

(i) **Can the board/nominating committee (NC) elaborate further on the search and nomination process for directors, especially independent directors?**

(ii) **Have the two independent directors, along with the executive director Mr Yan Tailing, completed the training in the roles and responsibilities of a listed director in Singapore as prescribed by the SGX-ST?**

(iii) **Has the NC reviewed the effectiveness of the board given that there are three directors with no prior experience on the board of a listed company on SGX-ST?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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