

CIRCULAR DATED 1 MARCH 2024

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Circular is issued by Sinostar PEC Holdings Limited (the “Company”). If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser(s) immediately.

If you have sold or transferred all your shares in the capital of the Company (the “Shares”) held through the Central Depository (Pte) Limited (the “CDP”), you need not forward this Circular to the purchaser or the transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or the transferee. If you have sold or transferred all your Shares represented by physical share certificate(s), you should immediately forward this Circular, the enclosed Notice of EGM and the Proxy Form to the purchaser or the transferee, or to the stockbroker or to the bank or to the agent through whom you effected the sale for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited (the “SGX-ST”) assumes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.



Sinostar PEC Holdings Limited

(Company Registration Number: 200609833N)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) THE PROPOSED RATIFICATION OF THE SALE OF UTILITIES BY THE GROUP TO DONGMING ZHONGYOU FUEL AND PETROCHEMICAL CO., LTD. (东明中油燃料石化有限公司) AS AN INTERESTED PERSON TRANSACTION; AND**
- (2) THE PROPOSED AMENDMENTS TO THE EXISTING SHAREHOLDERS’ MANDATE FOR INTERESTED PERSON TRANSACTIONS.**

Independent Financial Adviser appointed pursuant to Rules 921(4)(a) and 920(1)(b)(v) of the Listing Manual

CICF

CEL Investment Corporate Finance Pte Ltd

CEL INVESTMENT CORPORATE FINANCE PTE. LTD.

(Company Registration No.: 201631484Z)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES:

Last date and time for lodgment of Proxy Form	:	16 March 2024 at 11:00 a.m.
Date and time of Extraordinary General Meeting	:	18 March 2024 at 11:00 a.m.
Place of Extraordinary General Meeting	:	Conrad Centennial Singapore Level 2, Salon III 2 Temasek Boulevard Singapore 038982

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DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or otherwise stated:

- “2023 AGM”** : The Annual General Meeting of the Company for FY2022 held on 26 April 2023
- “2024 EGM”** : The Extraordinary General Meeting of the Company to be held on Monday, 18 March 2024 at 11:00 a.m.
- “AGM” or “Annual General Meeting”** : The annual general meeting of the Company
- “associate”** : (a) In relation to any Director, CEO, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent. (30%) or more;
- (b) In relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent. (30%) or more
- “associated company”** : A company in which at least twenty per cent. (20%) but not more than fifty per cent. (50%) of its shares are held by the Company or the Group
- “Audit Committee”** : The audit committee of the Company as at the Latest Practicable Date, comprising Mr. Jiang Xinglu (Chairman), Dr. Chen Seow Phun, John and Mr. Zhao Jinqing
- “Board” or “Directors”** : The directors of the Company as at the Latest Practicable Date and **“Director”** shall be construed accordingly
- “CDP”** : The Central Depository (Pte) Limited
- “CEO”** : Chief executive officer, and as at the Latest Practicable Date, Mr. Li is the CEO and Mr. Yan Tailing is the Deputy CEO of the Company
- “CFO”** : Chief financial officer, and as at the Latest Practicable Date, Mr. Yan Tailing is the CFO of the Company
- “Circular”** : This circular to Shareholders dated 1 March 2024
- “Companies Act”** : The Companies Act 1967 of Singapore, as amended, modified and/or supplemented from time to time
- “Company”** : Sinostar PEC Holdings Limited

DEFINITIONS

- “Constitution”** : The constitution of the Company for the time being in force, as amended, modified and/or supplemented from time to time
- “control”** : The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
- “Controlling Shareholder”** : A person who:
- (a) holds directly or indirectly fifteen per cent. (15%) or more of the total number of issued shares (excluding Treasury Shares) in the Company. The SGX-ST may determine that a person who satisfied this paragraph is not a controlling shareholder; or
 - (b) in fact exercises control over the Company
- “Depositor”** : An account holder or a Depository Agent but does not include a sub-account holder
- “Depository”** : The CDP or any other corporation approved by the Monetary Authority of Singapore as a depository company or corporation for the purposes of the SFA, which operates the Central Depository System for the holding and transfer of book-entry securities
- “Depository Agent”** : A member of the SGX-ST, a trust company (licensed under the Trust Companies Act 2005 of Singapore), a bank licensed under the Banking Act 1970 of Singapore, any merchant bank licensed under the Banking Act 1970 of Singapore or any other person or body approved by the Depository who or which —
- (a) performs services as a depository agent for sub-account holders in accordance with the terms of a depository agent agreement entered into between the Depository and the depository agent;
 - (b) deposits book-entry securities with the Depository on behalf of the sub-account holders; and
 - (c) establishes an account in its name with the Depository
- “Depository Register”** : A register maintained by the Depository in respect of book-entry securities
- “Dongming Changshun”** : Dongming Changshun Transport Company Limited (东明县昌顺运输有限公司), a wholly-owned subsidiary of Dongming Hengchang and an indirect subsidiary of the Company as at the Latest Practicable Date, please refer to the diagram setting out, *inter alia*, the shareholding relationships between the relevant entities as set out in Section 3.2.1 of this Circular
- “Dongming Ganyu”** : Dongming Changshun Transport Company Limited Ganyu Branch Co. (东明县昌顺运输有限公司输赣榆分公司), a branch office of Dongming Changshun located in Jiangsu province, the PRC as at the Latest Practicable Date, please refer to the diagram setting out, *inter alia*, the shareholding relationships between the relevant entities as set out in Section 3.2.1 of this Circular

DEFINITIONS

“Dongming Hengchang”	:	Dongming Hengchang Petrochemical Co., Ltd. (东明恒昌化工有限公司), a wholly-owned subsidiary of the Company as at the Latest Practicable Date, please refer to the diagram setting out, <i>inter alia</i> , the shareholding relationships between the relevant entities as set out in Section 3.2.1 of this Circular
“Dongming Petrochem”	:	Shandong Dongming Petrochem Group Co., Ltd. (山东东明石化集团有限公司), where 97.18% of its equity interest was held by Hong Li Yuan as at the Latest Practicable Date, please refer to the diagram setting out, <i>inter alia</i> , the indirect shareholding interests of Mr. Li (Executive Chairman and CEO as well as a Controlling Shareholder of the Company as at the Latest Practicable Date) in Dongming Petrochem as set out in Sections 3.2.1 of this Circular
“Dongming Petrochem Group”	:	Dongming Petrochem, its existing and future subsidiaries, its holding company and the existing and future subsidiaries of the holding company of Dongming Petrochem, and any existing and future corporations in which Dongming Petrochem and such other related company or companies, taken together, have an interest (directly or indirectly) of thirty per cent. (30%) or more of that corporation’s equity capital collectively
“Dongming Petroleum Distribution Company”	:	Dongming Petroleum Distribution Co., Ltd. (东明石油经销有限公司), a wholly-owned subsidiary of Dongming Petrochem as at the Latest Practicable Date
“Dongming Qianhai”	:	Dongming Qianhai Petrochemical Co., Ltd. (东明前海化工有限公司), where seventy per cent. (70%) of its equity interest was held by Dongming Hengchang as at the Latest Practicable Date, please refer to the diagram setting out, <i>inter alia</i> , the shareholding relationships between the relevant entities as set out in Section 3.2.1 of this Circular
“Dongming Zhongyou”	:	Dongming Zhongyou Fuel and Petrochemical Co., Ltd. (东明中油燃料石化有限公司), a wholly-owned subsidiary of Dongming Petrochem as at the Latest Practicable Date, please refer to the diagram setting out, <i>inter alia</i> , the indirect shareholding interests of Mr. Li (Executive Chairman and CEO as well as a Controlling Shareholder of the Company as at the Latest Practicable Date) in Dongming Zhongyou as set out in Sections 3.2.1 of this Circular
“EGM” or “Extraordinary General Meeting”	:	The extraordinary general meeting of the Company
“Executive Director”	:	A Director of the Company, holding office in an executive capacity
“FY” or “Financial Year”	:	Financial year ended, or ending, as the case may be, 31 December
“FY2022”	:	Financial year ended 31 December 2022
“FY2023”	:	Financial year ended 31 December 2023
“FY2024”	:	Financial year ending 31 December 2024
“Group”	:	The Company and its subsidiaries

DEFINITIONS

- “Hong Li Yuan” : Shandong Hong Li Yuan Stock Limited Company (山东宏利源股份有限公司) (formerly known as Shandong Dongming Petrochemical Group Holdings Co., Ltd. (山东东明石化集团控股有限公司)), where 99.61% of its equity interest was held by Mr. Li (Executive Chairman and CEO as well as a Controlling Shareholder of the Company as at the Latest Practicable Date) as at the Latest Practicable Date and Hong Li Yuan held 97.18% of the equity interest in Dongming Petrochem as at the Latest Practicable Date, please refer to the diagram setting out, *inter alia*, the shareholding relationships between the relevant entities as set out in Section 3.2.1 of this Circular
- “IFA” or “Independent Financial Adviser” : CEL Investment Corporate Finance Pte. Ltd.
- “IFA Letter” : The IFA’s letter dated 1 March 2024 to the Non-Interested Directors in respect of the Proposed Ratification and the Proposed Amendments, annexed to this Circular as **Appendix A**
- “Independent Shareholders” : Shareholders who are not Mr. Li and his associates
- “Intelligent People” : Intelligent People Holdings Limited, which was a 58.13% shareholder of the Company as at the Latest Practicable Date
- “Interested Directors” : Mr. Li and Mr. Li Zhi collectively
- “interested person” : A Director, CEO or Controlling Shareholder of the Company or an associate of such Director, CEO or Controlling Shareholder
- “IPT” or “interested person transaction” : A transaction between a listed company or any of its subsidiaries or associated companies (which is considered to be an “entity at risk” within the meaning of Rule 904(2) of the Listing Manual) and an interested person
- “IPT General Mandate” : For the purposes of this Circular, the Shareholders’ general mandate pursuant to Rule 920 of the Listing Manual authorising the Company, its subsidiaries and associated companies (which are considered to be “entities at risk” within the meaning of Rule 904(2) of the Listing Manual) or any of them, in their ordinary course of businesses, to enter into certain categories of transactions with specific classes of the Company’s interested persons, which was last renewed at the 2023 AGM, and the full text of the IPT General Mandate (including the Proposed Amendments as blacklined) are set out in **Appendix B** to this Circular
- “Jiangsu Companies” : Jiangsu Xinhai and Jiangsu Runhai collectively
- “Jiangsu Runhai” : Jiangsu Runhai Oil Products Distribution Co., Ltd. (江苏润海油品销售有限公司), a wholly-owned subsidiary of Jiangsu Xinhai and an indirect subsidiary of Hong Li Yuan as at the Latest Practicable Date
- “Jiangsu Xinhai” : Jiangsu Xinhai Petrochem Co., Ltd. (江苏新海化工有限公司), a wholly-owned subsidiary of Hong Li Yuan as at the Latest Practicable Date

DEFINITIONS

“Latest Practicable Date”	:	23 February 2024, being the latest practicable date prior to the issue of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as amended, modified and/or supplemented from time to time
“LPG”	:	Liquefied petroleum gas
“Luban Construction”	:	Shandong Dongming Petrochemical Group Luban Construction Co., Ltd. (山东东明石化集团鲁班建筑有限公司), a company within the Dongming Petrochem Group, as further elaborated in Section 4.2.3(a) of this Circular
“Merger”	:	The merger of Dongming Zhongyou and Shandong Runze by way of absorption pursuant to the applicable laws and regulations including the PRC Company Law, as further elaborated in Section 3.1 of this Circular
“Mr. Li”	:	Mr. Li Xiangping, the Executive Chairman and CEO, as well as a Controlling Shareholder of the Company as at the Latest Practicable Date
“MTBE”	:	Methyl Tert-butyl Ether, a highly flammable liquid that is produced by converting methanol to MTBE, which is widely used as the oxygenated additive to improve the characteristics of petrol
“New Mandate Interested Persons”	:	Dongming Qianhai, Qianhai Reli, Shandong Runze, Jiangsu Runhai, Jiangsu Xinhai and Shandong Lianhua collectively
“Non-Compliant IPT”	:	The sale of utilities by the Group to Dongming Zhongyou during the Relevant Period without obtaining any Shareholders’ approval/ an IPT general mandate, as further elaborated in Section 3.2 of this Circular
“Non-Executive Directors”	:	A Director of the Company other than one who performs an executive function
“Non-Interested Directors”	:	The Directors who are regarded as independent for the purposes of making a recommendation to the Independent Shareholders in relation to the Proposed Ratification and the Proposed Amendments, namely Dr. Chen Seow Phun, John, Mr. Zhao Jinqing, Mr. Jiang Xinglu, Mr. Liu Xiaoyan and Mr. Yan Tailing
“NTA”	:	Net tangible assets
“PRC”	:	The People’s Republic of China
“PRC Company Law”	:	The Company Law of the PRC (《中华人民共和国公司法》), as amended, modified and/or supplemented from time to time
“processed LPG”	:	A type of LPG supplied to end customers as a source of fuel after propylene is extracted from raw LPG

DEFINITIONS

“Proposed Additional IPTs”	: The following additional categories of interested person transactions proposed to be covered by the IPT General Mandate in relation to: (a) sale of utilities, parts and components (including packaging materials and chemical excipients); (b) procurement of logistics and transport-related services and/or products; (c) procurement of sewage treatment services; and (d) procurement of machinery, equipment and instrument and meter repair services, and miscellaneous engineering services, as further elaborated in Section 4.2.1 of this Circular
“Proposed Amended IPT General Mandate”	: The IPT General Mandate, as proposed to be amended and as set out in Appendix B to this Circular
“Proposed Amendments”	: The proposed amendments to the IPT General Mandate, as further elaborated in Section 4 of this Circular
“Proposed Ratification”	: The proposed ratification of the Non-Compliant IPT, as further elaborated in Section 3 of this Circular
“Proxy Form”	: The proxy form in respect of the 2024 EGM
“Qianhai Reli”	: Dongming Qianhai Reli Co., Ltd. (东明前海热力有限公司), where eighteen per cent. (18%) of its equity interest was held by Dongming Qianhai, and eighty-two per cent. (82%) of its equity interest was held by Hong Li Yuan as at the Latest Practicable Date, please refer to the diagram setting out, <i>inter alia</i> , the shareholding relationships between the relevant entities as set out in Section 3.2.1 of this Circular
“raw LPG”	: A type of petroleum gas derived from the refining of crude and heavy oil, with propylene and other contents such as propane and alkene, which is usually stored in liquid form under moderate pressure
“related corporation”	: “related corporation” of a corporation refers to (i) its holding company, (ii) its subsidiary; and (iii) subsidiary of its holding company
“Relevant Period”	: FY2022 (specifically, since 31 October 2022 to 31 December 2022), FY2023 and FY2024 (specifically, since 1 January 2024 to the Latest Practicable Date) collectively
“SFA”	: The Securities and Futures Act 2001 of Singapore, as amended, modified and/or supplemented from time to time
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Shandong Lianhua”	: Shandong Lianhua Energy Group Co., Ltd. (山东炼化能源集团有限公司), where 85.78% of its equity interest was held by Dongming Petrochem as at the Latest Practicable Date

DEFINITIONS

- “Shandong Runze” : Shandong Runze Petrochemical Co., Ltd. (山东润泽化工有限公司), which has been deregistered as at the Latest Practicable Date following the completion of the Merger, as further elaborated in Section 3.1 of this Circular, please refer to the diagram setting out, *inter alia*, the shareholding relationships between the relevant entities as set out in Section 3.2.1 of this Circular
- “Shareholders” : The registered holders of Shares, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors to whose securities accounts maintained with CDP are credited with the Shares
- “Shares” : Ordinary Shares in the issued and paid-up capital of the Company
- “subsidiary” : (1) A corporation is (subject to sub-paragraph (3) below) deemed to be a subsidiary of another corporation, if —
- (a) that other corporation —
 - (i) controls the composition of the board of directors of the first-mentioned corporation; or
 - (ii) controls more than half of the voting power of the first-mentioned corporation; or
 - (b) the first-mentioned corporation is a subsidiary of any corporation which is that other corporation’s subsidiary.
- (2) For the purposes of sub-paragraph (1) above, the composition of a corporation’s board of directors is deemed to be controlled by another corporation if that other corporation by the exercise of some power exercisable by it without the consent or concurrence of any other person can appoint or remove all or a majority of the directors, and for the purposes of this definition that other corporation is deemed to have power to make such an appointment if —
- (a) a person cannot be appointed as a director without the exercise in his or her favour by that other corporation of such a power; or
 - (b) a person’s appointment as a director follows necessarily from his or her being a director or other officer of that other corporation.
- (3) In determining whether one corporation is a subsidiary of another corporation —
- (a) any shares held or power exercisable by that other corporation in a fiduciary capacity is to be treated as not held or exercisable by it;

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- (b) subject to sub-paragraphs (3)(c) and (3)(d) below, any shares held or power exercisable —
 - (i) by any person as a nominee for that other corporation (except where that other corporation is concerned only in a fiduciary capacity); or
 - (ii) by, or by a nominee for, a subsidiary of that other corporation, not being a subsidiary which is concerned only in a fiduciary capacity,

is to be treated as held or exercisable by that other corporation;

- (c) any shares held or power exercisable by any person by virtue of the provisions of any debentures of the first-mentioned corporation or of a trust deed for securing any issue of such debentures is to be disregarded; and
- (d) any shares held or power exercisable by, or by a nominee for, that other corporation or its subsidiary (not being held or exercisable as mentioned in sub-paragraph (3)(c)) is to be treated as not held or exercisable by that other corporation if the ordinary business of that other corporation or its subsidiary (as the case may be) includes the lending of money and the shares are held or power is exercisable as aforesaid by way of security only for the purposes of a transaction entered into in the ordinary course of that business

“Substantial Shareholder” : A person (including a corporation) who has an interest in one (1) or more voting shares of the Company and the total votes attached to that share, or those shares, is not less than five per cent. (5%) of the total votes attached to all the voting shares in the Company

“Treasury Shares” : Issued Shares of the Company which were (or are treated as having been) purchased by the Company in circumstances which Section 76H of the Companies Act applies and have since purchase been continuously held by the Company

“utilities” : For the purposes of this Circular, **“utilities”** include fresh water, recycled water, condensation water, electricity, purified air, steam, fuel gas, nitrogen and hydrogen

Currencies, Units and Others

“RMB” : Renminbi, the lawful currency of the PRC

“S\$” and “cents” : Singapore dollars and cents, the lawful currency of the Republic of Singapore

“%” or “per cent.” : Per centum or percentage

DEFINITIONS

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the same meaning ascribed to it under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof, as the case may be, unless the context requires otherwise.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to “**persons**” shall, where applicable, include corporations.

Any reference to a time of day or date in this Circular shall be a reference to Singapore time and dates, unless otherwise stated.

Any discrepancies in the figures in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

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LETTER TO SHAREHOLDERS

SINOSTAR PEC HOLDINGS LIMITED

(Company Registration Number 200609833N)

(Incorporated in the Republic of Singapore)

Directors

Mr. Li Xiangping (Executive Chairman and CEO)
Mr. Yan Tailing (Executive Director and Deputy CEO)
Mr. Li Zhi (Non-Executive Director)
Dr. Chen Seow Phun, John (Lead Independent Non-Executive Director)
Mr. Zhao Jinqing (Independent Non-Executive Director)
Mr. Jiang Xinglu (Independent Non-Executive Director)
Mr. Liu Xiaoyan (Independent Non-Executive Director)

Registered Office

30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

1 March 2024

To: The Shareholders of Sinostar PEC Holdings Limited

Dear Sir/ Madam

- (1) **THE PROPOSED RATIFICATION OF THE SALE OF UTILITIES BY THE GROUP TO DONGMING ZHONGYOU FUEL AND PETROCHEMICAL CO., LTD. (东明中油燃料石化有限公司) AS AN INTERESTED PERSON TRANSACTION; AND**
- (2) **THE PROPOSED AMENDMENTS TO THE EXISTING SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS.**

1. INTRODUCTION

1.1 Overview

As a result of a merger by absorption (吸收合并)¹ (the “**Merger**”) of Shandong Runze by Dongming Zhongyou, during the Relevant Period (i.e., FY2022 (specifically, since 31 October 2022 to 31 December 2022), FY2023 and FY2024 (specifically, since 1 January 2024 to the Latest Practicable Date)), the Group had entered into recurrent transactions (i.e., the sale of utilities) in the ordinary course of its business with Dongming Zhongyou (being the surviving entity following the Merger) without obtaining Shareholders’ approval/ an IPT general mandate (the “**Non-Compliant IPT**”). This was because the Company had in place the IPT General Mandate for, amongst others, the sale of utilities to Shandong Runze (which has been absorbed/ subsumed by Dongming Zhongyou following the Merger) and given that the same guidelines and review procedures of the sale of utilities by the Group to Shandong Runze under the IPT General Mandate apply to the sale of utilities to Dongming Zhongyou, the Company was of the view that the sale of utilities to Dongming Zhongyou remained the same in substance as the sale of utilities to Shandong Runze. However, due to circumstances and reasons as further elaborated under Section 3.1 of this Circular below, and given that the value of the Non-Compliant IPT on an aggregated basis during FY2023 had exceeded five per cent. (5%) of the Group’s latest audited NTA of RMB1,540,250,000 as at 31 December 2022, the Non-Compliant IPT was subject to approval of the Shareholders under Rule 906(1) of the Listing Manual. Further details on the Non-Compliant IPT are set out in Section 3.2 of this Circular.

In addition, the Company would like to propose certain amendments to the existing IPT General Mandate (the “**Proposed Amendments**”) as further elaborated in Section 4.2 of this Circular.

¹ “merger by absorption (吸收合并)” is a form of merger of companies under the PRC Company Law, and in the case of mergers by absorption, a company absorbs the other company, the absorbed company is dissolved/ deregistered, and the credits and debts of the absorbed company shall be succeeded by the surviving company after the merger. In essence, it would mean that the absorbed company would be absorbed or subsumed by the surviving company.

LETTER TO SHAREHOLDERS

1.2 2024 EGM

The Directors are convening the 2024 EGM to seek Independent Shareholders' approval for the following:

- (a) the proposed ratification of the Non-Compliant IPT (the "**Proposed Ratification**"); and
 - (b) the Proposed Amendments,
- (collectively, the "**Proposals**").

1.3 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with the relevant information relating to, and explain the rationale for, the Proposals, and to seek Independent Shareholders' approval for the resolutions in respect of the Proposals to be tabled at the 2024 EGM.

1.4 Inter-conditionality

For the avoidance of doubt, Shareholders should note that the passing of one resolution is not inter-conditional on the passing of the other resolution.

1.5 SGX-ST

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.

1.6 Advice to Shareholders

Shareholders who are in any doubt as to the course of action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser(s) immediately.

If a Shareholder has sold or transferred all your Shares represented by physical share certificate(s), you should immediately forward this Circular, together with the enclosed Notice of EGM and the Proxy Form, to the purchaser or transferee, bank, stockbroker or other agents through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

1.7 Legal adviser

Shook Lin & Bok LLP has been appointed as the legal adviser to the Company as to Singapore law in relation to the Proposals.

2. REQUIREMENTS UNDER CHAPTER 9 OF THE LISTING MANUAL WITH RESPECT TO INTERESTED PERSON TRANSACTIONS

2.1 Introduction

Chapter 9 of the Listing Manual governs transactions in which a listed company or any of its subsidiaries or associated companies, which is considered to be an "**entity at risk**" within the meaning of Rule 904(2) of the Listing Manual, enters into or proposes to enter into with a party who is an interested person of the listed company. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with them that may adversely affect the interests of the listed company or its shareholders.

When Chapter 9 of the Listing Manual applies to a transaction where the value of that transaction alone or in aggregation with other transactions conducted with the same interested person during the same financial year is equivalent to or exceeds certain financial thresholds, the listed company is required to make an immediate announcement and may additionally be required to seek shareholders' approval for that transaction.

LETTER TO SHAREHOLDERS

For the purpose of Chapter 9 of the Listing Manual:

- (a) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9 of the Listing Manual;
- (b) an “**associate**”:
 - (i) in relation to any director, chief executive officer or controlling shareholder (being an individual) means:
 - (A) his immediate family (i.e., spouse, child, adopted child, step-child, sibling and parent);
 - (B) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (C) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent. (30%) or more; and
 - (ii) in relation to a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent. (30%) or more;
- (c) an “**associated company**” means a company in which at least twenty per cent. (20%) but not more than fifty per cent. (50%) of its shares are held by the listed company or group;
- (d) the term “**control**” refers to the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company;
- (e) a “**controlling shareholder**” means a person who:
 - (i) holds directly or indirectly fifteen per cent. (15%) or more of the total number of issued shares excluding treasury shares and subsidiary holdings in a listed company (unless otherwise determined by SGX-ST); or
 - (ii) in fact exercises control over the listed company;
- (f) an “**entity at risk**” means:
 - (i) a listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group or the listed group and its interested person(s) have control over the associated company;
- (g) an “**interested person**” means:
 - (i) a director, chief executive officer or controlling shareholder of a listed company; or
 - (ii) an associate of such director, chief executive officer or controlling shareholder;

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- (h) an “**interested person transaction**” means a transaction between an entity at risk and an interested person and a “transaction” includes (i) the provision or receipt of financial assistance, (ii) the acquisition, disposal or leasing of assets, (iii) the provision or receipt of services, (iv) the issuance or subscription of securities, (v) the granting of or being granted options and (vi) the establishment of joint ventures or joint investments, whether or not in the ordinary course of business and whether or not entered into directly or indirectly;
- (i) a “**primary interested person**” means persons or entities including, amongst others, a director, chief executive officer, or controlling shareholder of the issuer; and
- (j) in interpreting the term “**same interested person**” for the purpose of aggregation as described in Section 2.2 of this Circular below, the following applies:
 - (i) transactions between (a) an entity at risk and a primary interested person; and (b) an entity at risk and an associate of that primary interested person, are deemed to be transactions between an entity at risk with the same interested person. Transactions between (i) an entity at risk and a primary interested person; and (ii) an entity at risk and another primary interested person, are deemed to be transactions between an entity at risk with the same interested person if the primary interested person is also an associate of the other primary interested person; and
 - (ii) transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person. If an interested person (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested persons and their associates and have audit committees whose members are completely different.

For the purposes of the Proposed Ratification and the Proposed Amendments, the term “**Group**” shall refer to the Company, its subsidiaries that are not listed on the SGX-ST or an approved exchange and associated companies that are not listed on the SGX-ST or an approved exchange over which the Company and its subsidiaries, or the Company and its subsidiaries and their interested person(s), have control.

2.2 Financial thresholds, Disclosure requirements and Shareholders’ approval

An immediate announcement and/or shareholders’ approval would be required in respect of the transactions with interested persons if the value of such transaction is equal to or exceeds certain financial thresholds.

In particular, pursuant to Rule 905 of the Listing Manual, an immediate announcement is required where:

- (a) the value of a proposed transaction is equal to or exceeds three per cent. (3%) of the listed group’s latest audited consolidated NTA (the “**Threshold 1**”); or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than Threshold 1. In this instance, an announcement will have to be made immediately of the latest transaction and all future transactions entered into with that same interested person during the financial year.

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Pursuant to Rule 906 of the Listing Manual, shareholders' approval (in addition to an immediate announcement) is required where:

- (a) the value of a proposed transaction is equal to or exceeds five per cent. (5%) of the listed group's latest audited consolidated NTA (the "**Threshold 2**"); or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than Threshold 2. The aggregation will exclude any transaction that has been approved by shareholders previously or is the subject of aggregation with another transaction that has been previously approved by shareholders.

The abovementioned requirements for immediate announcement and shareholders' approval do not apply to any transaction below S\$100,000. However, the Listing Manual provides that while transactions below S\$100,000 are not normally aggregated under Chapter 9 of the Listing Manual, the SGX-ST may aggregate any such transaction entered into during the same financial year and treat them as if they were one (1) transaction.

Pursuant to Rule 909 of the Listing Manual, the value of a transaction is the amount at risk to the issuer. This is illustrated by the following examples:

- (a) in the case of a partly-owned subsidiary or associated company, the value of the transaction is the issuer's effective interest in that transaction;
- (b) in the case of a joint venture, the value of the transaction includes the equity participation, shareholders' loans and guarantees given by the entity at risk;
- (c) in the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. In the case of lending of funds to an interested person, the value of the transaction is the interest payable on the loan and the value of the loan; and
- (d) in the case that the market value or book value of the asset to be disposed of is higher than the consideration from an interested person, the value of the transaction is the higher of the market value or book value of the asset.

2.3 General mandate

Part VIII of Chapter 9 of the Listing Manual allows a listed company, however, to seek a general mandate from its shareholders for recurrent transactions with interested persons where such transactions are of a revenue or trading nature or necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. Transactions conducted under such a mandate are not subject to Rules 905 and 906 of the Listing Manual. A general mandate is subject to annual renewal.

2.4 Excluded transactions

In line with the rules set out in Chapter 9 of the Listing Manual, a transaction with a value of less than S\$100,000 is not considered material and is not taken into account for the purposes of this Circular. However, while transactions below S\$100,000 are not normally aggregated, the SGX-ST may aggregate any such transaction entered into during the same financial year and treat them as if they were one (1) transaction having regard to the objective of Chapter 9 of the Listing Manual and the economic and commercial substance of the interested person transaction, instead of legal form and technicality.

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3. THE PROPOSED RATIFICATION

3.1 Background information of the Proposed Ratification

During the Relevant Period (i.e., FY2022 (specifically, since 31 October 2022 to 31 December 2022), FY2023 and FY2024 (specifically, since 1 January 2024 to the Latest Practicable Date)), the Company had in place the IPT General Mandate for, amongst others, the sale of utilities to Shandong Runze. The IPT General Mandate was last renewed at the 2023 AGM.

For the purposes of integrating business operations, Dongming Zhongyou and Shandong Runze proceeded with the Merger in December 2022. Pursuant to the Merger by Absorption Agreement (吸收合并协议) dated 5 December 2022 (the “**Merger Agreement**”) entered into between Dongming Zhongyou and Shandong Runze, Dongming Zhongyou and Shandong Runze shall merge by way of absorption, and Dongming Zhongyou shall absorb/ subsume Shandong Runze and continue to exist, while Shandong Runze shall be deregistered. Further, pursuant to the Merger Agreement, from the date of completion of the Merger, all the properties, business operations, rights and obligations of Shandong Runze shall be unconditionally succeeded by Dongming Zhongyou and all the debts of Shandong Runze shall be borne by Dongming Zhongyou and all the creditors’ rights of Shandong Runze shall be succeeded by Dongming Zhongyou.

The Merger was completed on 6 December 2022. Following the completion of the Merger, all of Shandong Runze’s assets (including the Hydrogenation Unit as mentioned in Section 3.2.1 of this Circular below), liabilities and business operations had been absorbed in their entirety by Dongming Zhongyou. Further, all relevant agreements entered into between the Group and Shandong Runze for, *inter alia*, the sale of utilities to Shandong Runze, had been novated to Dongming Zhongyou. Notwithstanding that the Merger was completed on 6 December 2022, as in the Group’s ordinary course of business, transactions with Shandong Runze constituted an important component of the Group’s business and operations and accordingly, the Group began to supply utilities to Dongming Zhongyou during the transition period (i.e., the period commencing from 31 October 2022 to 6 December 2022) and following the completion of the Merger.

As the same guidelines and review procedures of the sale of utilities by the Group to Shandong Runze under the IPT General Mandate apply to the sale of utilities to Dongming Zhongyou, the Company was of the view that the sale of utilities to Dongming Zhongyou remained the same in substance as the sale of utilities to Shandong Runze. As such, it did not occur to the Company that there was a need to update the IPT General Mandate to reflect the Merger which had already been completed when the Company convened the EGM on 28 December 2022 to seek Independent Shareholders’ approval for, amongst others, shareholders’ mandate for the sale of utilities to Shandong Runze, and subsequently when the Company convened the 2023 AGM to renew the then existing IPT General Mandate.

However, in May 2023, BDO Advisory Pte Ltd (“**BDO**”), during its internal audit on the Group, suggested the Group to seek advice from external legal advisers for the interested person transactions between the Group and Dongming Zhongyou following the Merger and the Company proceeded accordingly. Pursuant to the consultation with the SGX-ST during the period between May 2023 to September 2023, it was clarified that the mandated IPTs under the existing IPT General Mandate do not cover the sale of utilities to Dongming Zhongyou. Therefore, any sale of utilities to Dongming Zhongyou should thus be subject to the requirements under Rules 905 and 906 of the Listing Manual. Given that the value of the sale of utilities from the Group to Dongming Zhongyou during FY2023 had crossed the threshold of five per cent. (5%) of the Group’s latest audited NTA as stipulated under Rule 906 of the Listing Manual, the Company has to seek Independent Shareholders’ ratification for the sale of utilities from the Group to Dongming Zhongyou.

In view of the above, the Company is therefore seeking Independent Shareholders’ ratification for the sale of utilities to Dongming Zhongyou (i.e., the Non-Compliant IPT) at the 2024 EGM which if approved, will enable the Group to continue with the sale of utilities to Dongming Zhongyou, without the need to unwind these transactions.

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3.2 The Non-Compliant IPT

3.2.1 Information on interested persons

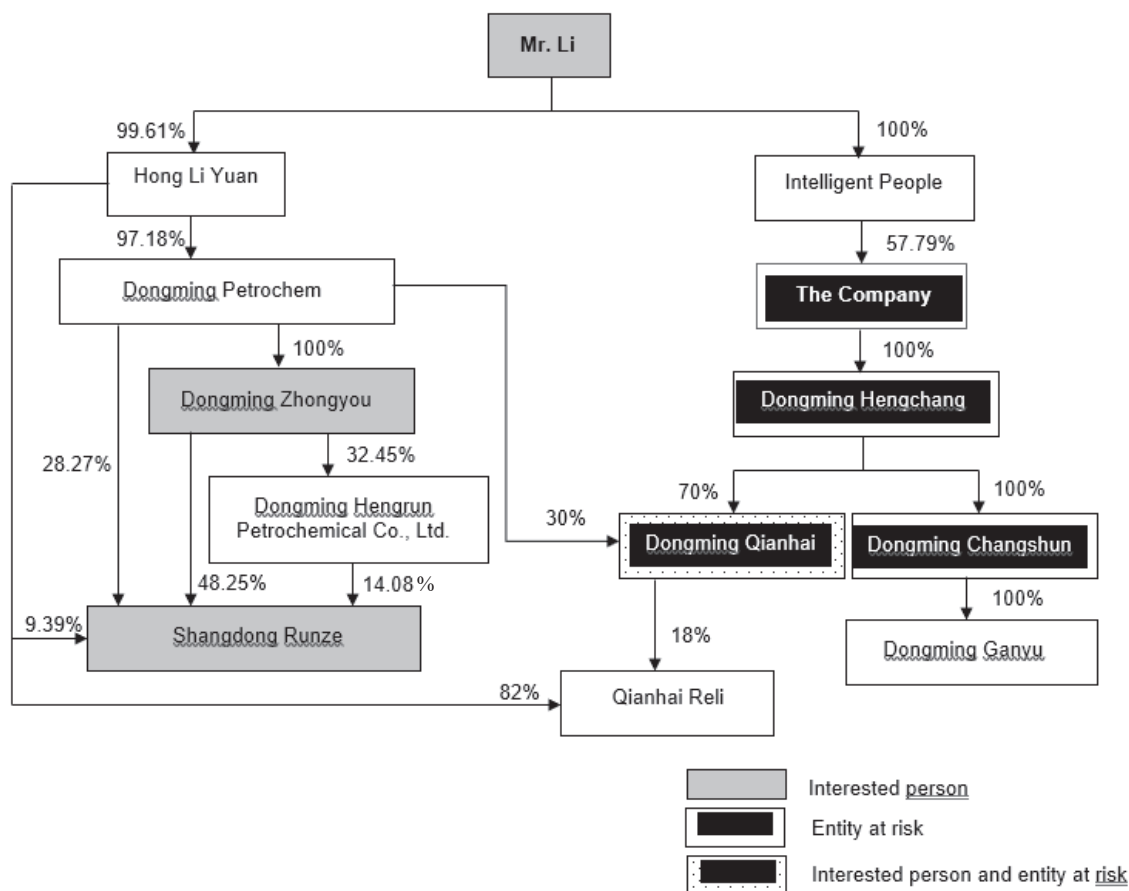
Prior to the Merger, Shandong Runze was a company incorporated in the PRC. Shandong Runze was primarily engaged in the businesses of crude oil refinery and sales of raw LPG and oil related products, and exclusively owned a hydrogenation unit used for the enhancement of the purity of petroleum and other oil products (the “**Hydrogenation Unit**”). Prior to the Merger, the shareholders of Shandong Runze were Dongming Zhongyou, Dongming Petrochem, Hong Li Yuan and Dongming Hengrun Petrochemical Co., Ltd., each of which held 48.25%, 28.27%, 9.39% and 14.08% of Shandong Runze’s equity interests respectively.

Dongming Zhongyou is a company incorporated in the PRC and is primarily engaged in the production and sale of LPG, petroleum asphalt, diesel, gasoline, naphtha, propylene and solvent oil. During the Relevant Period, Dongming Zhongyou has been a wholly-owned subsidiary of Dongming Petrochem, and Hong Li Yuan has been the majority shareholder of Dongming Petrochem with 97.18% equity interest.

During the Relevant Period, Mr. Li has been the Company’s Executive Chairman and CEO, as well as a Controlling Shareholder of the Company, and has also been the majority shareholder of Hong Li Yuan with 99.61% equity interest.

Given the foregoing, each of Shandong Runze (prior to the Merger) and Dongming Zhongyou is considered an associate of Mr. Li pursuant to the Listing Manual and therefore, an interested person of the Company. Accordingly, the relevant transactions entered into by the Company with Shandong Runze and/or Dongming Zhongyou constitute IPTs.

The diagram below sets out, *inter alia*, the shareholding relationships between the entities within the Group and the relevant interested persons prior to the Merger:



Note: To avoid confusion, only those companies (including intermediate holding entities) which are relevant to the Proposed Ratification are included.

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3.2.2 Details of the sale of utilities to Dongming Zhongyou

The Company's subsidiaries, Dongming Hengchang and Dongming Qianhai, belong to the petrochemical industry. In the production process, the Group requires a large amount of fresh water, purified air, desalinated water, nitrogen, fuel gas, electricity, and medium-pressure steam to provide energy and power for production as well as equipment protection. Meanwhile, through a certain amount of energy consumption in the production process, the Group will generate production by-products such as low-pressure steam, sewage, circulating water, and hydrogen. The said products all need to be realised through public utility systems, which the Group collectively refers to as purchase of utilities or sales of utilities. As a large petrochemical group, the Dongming Petrochem Group has many production devices and a large asset scale within its industrial park. To support the production devices in the industrial park (including those of the Group), the Dongming Petrochem Group has invested in the construction of public utility projects such as freshwater reservoir, air compression station, nitrogen production station, thermal power plant, sewage treatment plant, and system pipeline network. The aforementioned public utility projects can, on the one hand, meet the stable supply of utilities required for the Group's production, and on the other hand, can also solve the issues in relation to the energy recycling in the Group's production process. The Group's purchase of utilities from, and sale of utilities to, the Dongming Petrochem Group (in particular, Dongming Zhongyou) are driven by actual business needs and also ensure the maximisation of interests for the Company and its Shareholders.

The value of the sale of utilities from the Group to Dongming Zhongyou for the period from 31 October 2022 to 31 December 2022 amounted to RMB51,191,230, which accounted for 3.38% of the Group's audited NTA of RMB1,516,457,000 as at 31 December 2021. As mentioned in Section 3.1 of the Circular, the Group began to supply utilities to Dongming Zhongyou during the transition period (i.e., the period commencing from 31 October 2022 to 6 December 2022) and following the completion of the Merger. As such, the value of the sale of utilities from the Group to Dongming Zhongyou for FY2022 is the same as that for the period from 31 October 2022 to 31 December 2022, which amounted to RMB51,191,230.

The value of the sale of utilities from the Group to Dongming Zhongyou for the three (3) months ended 31 March 2023, six (6) months ended 30 June 2023 and nine (9) months ended 30 September 2023 were RMB49,413,881, RMB70,668,788 and RMB132,771,229 respectively. The value of the sale of utilities from the Group to Dongming Zhongyou for FY2023 amounted to RMB198,982,612, which accounted for approximately 12.92% of the Group's latest audited NTA of RMB1,540,250,000 as at 31 December 2022. Given that the sale of utilities from the Group to Dongming Zhongyou was an interested person transaction which exceeded the five per cent. (5%) threshold mentioned in Section 2.2 of this Circular above, the sale of utilities from the Group to Dongming Zhongyou is subject to the approval of Shareholders.

The value of the sale of utilities from the Group to Dongming Zhongyou for the period from 1 January 2024 to the Latest Practicable Date amounted to RMB25,445,131, which accounted for approximately 1.65% of the Group's audited NTA of RMB1,540,250,000 as at 31 December 2022.

The details of the sale of utilities from the Group to Dongming Zhongyou had been disclosed in the Company's financial statements announcement for FY2022, the three (3) months ended 31 March 2023, six (6) months ended 30 June 2023 and nine (9) months ended 30 September 2023 respectively.

3.2.3 Rationale for, and Benefits of, the sale of utilities to Dongming Zhongyou and the Proposed Ratification

As mentioned in Section 3.1 of this Circular, following the completion of the Merger, all of Shandong Runze's assets (in particular, the Hydrogenation Unit) and business operations had been succeeded by Dongming Zhongyou, and all relevant agreements entered into between the Group and Shandong Runze for, *inter alia*, the sale of utilities to Shandong Runze, had been novated to Dongming Zhongyou.

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Further, as mentioned in Section 3.1 of this Circular, notwithstanding that the Merger was completed on 6 December 2022, as transactions with Shandong Runze constituted an important component of the Group's business and operations in the Group's ordinary course of business, the Group begun to supply utilities to Dongming Zhongyou during the transition period (i.e., the period commencing from 31 October 2022 to 6 December 2022) and following the completion of the Merger. The sale of utilities to Dongming Zhongyou is of a recurring nature and is crucial to the day-to-day operations of the Group. Going forward, the Group anticipates that it will, in the ordinary course of business, continue to supply utilities to Dongming Zhongyou. As such, the Company wishes to seek Independent Shareholders' approval for ratification of the Non-Compliant IPT.

3.2.4 Shareholders' Approval

Rule 906(1)(b) of the Listing Manual requires the Company to seek Shareholders' approval for any interested person transaction of a value equal to, or more than five per cent. (5%) of the Group's latest audited net tangible assets when aggregated with other transactions entered into with the same interested person during the same financial year. As mentioned above, the value of the Non-Compliant IPT on an aggregated basis during FY2023 had exceeded five per cent. (5%) of the Group's latest audited NTA, Shareholders' approval is required for the Non-Compliant IPT.

3.3 Other interested person transactions during the Relevant Period

Save for transaction(s) which has been approved by Shareholders, or is the subject of aggregation with another transaction that has been approved by Shareholders, the total value of all interested person transactions entered into between the Group and Mr. Li (and/or his associates) including transactions with Dongming Zhongyou (excluding transactions which are less than S\$100,000) for FY2022 (specifically, since 31 October 2022 to 31 December 2022) was approximately RMB75,261,965, representing approximately 4.96% of the audited NTA of the Group of RMB1,516,457,000 as at 31 December 2021, FY2023 was approximately RMB223,200,618, and FY2024 (specifically, since 1 January 2024 to the Latest Practicable Date) was approximately RMB25,539,885, representing approximately 14.49% and 1.66% of the audited NTA of the Group of RMB1,540,250,000 as at 31 December 2022 respectively. Such transactions comprise:

(a) FY2022 (specially, since 31 October 2022 to 31 December 2022):

Interested person (s)	Nature of IPTs	Aggregate value	As a percentage against the audited NTA of the Group of RMB1,516,457,000 as at 31 December 2021
Dongming Zhongyou	Sale of utilities (i.e., hydrogen)	RMB51,191,230	3.38%
	Sale of obsolete assets/ waste materials (including waste oil and waste chemical additives)	RMB2,578,105	0.17%
	Maintenance of parts and machineries	RMB7,634,414	0.50%
Luban Construction	Construction costs	RMB13,858,216	0.91%
Total		RMB75,261,965	4.96%

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(b) FY2023:

Interested person (s)	Nature of IPTs	Aggregate value	As a percentage against the audited NTA of the Group of RMB1,540,250,000 as at 31 December 2022
Dongming Zhongyou	Sale of recycled propylene	RMB560,792	0.04%
	Sale of utilities (i.e., hydrogen), parts and components	RMB198,982,612	12.92%
	Maintenance of parts and machineries	RMB2,714,594	0.18%
	Sale of obsolete assets/ waste materials (including waste oil and waste chemical additives)	RMB11,396,196	0.74%
Luban Construction	Maintenance of parts and machineries	RMB5,717,792	0.37%
	Sale of obsolete assets	RMB303,240	0.02%
Dongming Jie-Yuan Environmental Technology Co., Ltd. (东明洁源环保科技有限公司)	Sewage charge	RMB3,473,003	0.23%
Dongming Petroleum Distribution Company	Sale of polypropylene	RMB52,389	0.003%
Total		RMB223,200,618	14.49%

(c) FY2024 (specially, since 1 January 2024 to the Latest Practicable Date):

Interested person (s)	Nature of IPTs	Aggregate value	As a percentage against the audited NTA of the Group of RMB1,540,250,000 as at 31 December 2022
Dongming Zhongyou	Sale of utilities (including, <i>inter alia</i> , hydrogen)	RMB25,445,131	1.65%
Luban Construction	Maintenance of parts and machineries	RMB94,754	0.006%
Total		RMB25,539,885	1.66%

Save as disclosed above, there are no other interested person transactions (excluding transactions which are less than S\$100,000) during the Relevant Period.

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4. THE PROPOSED AMENDMENTS

4.1 Background of the Company's existing IPT General Mandate

4.1.1 The Company has in place the IPT General Mandate for certain recurrent transactions with the mandated interested persons under the IPT General Mandate. The IPT General Mandate was first approved by Shareholders at the EGM held on 16 July 2014, where approval was obtained to enable the Group to enter into specified mandated transactions with specified classes of interested persons, as set out in the IPT General Mandate. Further to the foregoing, the Company had sought Shareholders' approval for, amongst others, the proposed adoption of the new general mandate for certain interested person transactions at the EGM held on 28 April 2017. Subsequently, at the EGM held on 28 December 2022, the Company sought Shareholders' approval for, amongst others, the proposed amendments of certain guidelines and review procedures under the then existing IPT General Mandate as well as the proposed adoption of the new general mandate for certain interested person transactions. Please refer to the Company's circulars dated 1 July 2014, 13 April 2017 and 13 December 2022 for further details in relation to the foregoing.

The IPT General Mandate was last renewed at the 2023 AGM, and was expressed to take effect until the next AGM of the Company is held or is required by law to be held, whichever is the earlier (unless revoked or varied by the Company in a general meeting). Please refer to the appendix to the notice of the 2023 AGM in relation to the proposed renewal of the general mandate for interested person transactions released by the Company, together with the notice of the 2023 AGM, on 11 April 2023, for further information.

4.1.2 The existing IPT General Mandate applies to the following classes of interested persons:

- (a) Dongming Petrochem, its existing and future subsidiaries, its holding company and the existing and future subsidiaries of the holding company of Dongming Petrochem, and any existing and future corporations in which Dongming Petrochem and such other related company or companies, taken together, have an interest (directly or indirectly) of thirty per cent. (30%) or more of that corporation's equity capital (i.e., the Dongming Petrochem Group); and
- (b) Jiangsu Companies.

4.1.3 The categories of interested person transactions covered by the existing IPT General Mandate are as follows:

- (a) purchase of raw LPG from the Dongming Petrochem Group;
- (b) sale of processed LPG to the Dongming Petrochem Group;
- (c) purchase of utilities, parts and components (including packaging materials) from the Dongming Petrochem Group;
- (d) provision of logistics and transport-related services and/or products to the Dongming Petrochem Group;
- (e) purchase of utilities from, and offsetting costs of said purchase against sale of utilities to the New Mandate Interested Persons;
- (f) purchase of propylene, butene, ethylene and methanol from the Dongming Petrochem Group, and purchase of propylene from the Jiangsu Companies;
- (g) sale of recycled propylene to Dongming Qianhai; and
- (h) sale of products and procurement services through Dongming Petroleum Distribution Company.

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4.2 The proposed amendments to the IPT General Mandate

4.2.1 Proposed Additional IPTs

In addition to the categories of the mandated interested person transactions covered by the existing IPT General Mandate as set out in Section 4.1.3 of this Circular above, from time to time, the Group enters into the following recurrent transactions with the Dongming Petrochem Group in relation to:

- (a) sale of utilities, parts and components (including packaging materials and chemical excipients) (i.e., an expansion from the existing sale of utilities to the New Mandate Interested Persons² to the sale of utilities, parts and components (including packaging materials and chemical excipients) to the Dongming Petrochem Group);
- (b) procurement of logistics and transport-related services and/or products;
- (c) procurement of sewage treatment services; and
- (d) procurement of machinery, equipment and instrument and meter repair services, and miscellaneous engineering services,

(collectively, the “**Proposed Additional IPTs**”).

Since the Proposed Additional IPTs are expected to be recurrent transactions and may occur at any time and from time to time, to allow the Group to undertake such transactions in a more expeditious manner, the Company wishes to seek Independent Shareholders’ approval for the expansion of the scope of the IPT General Mandate to include the Proposed Additional IPTs as additional mandated interested person transactions under the IPT General Mandate.

The proposed expansion of the IPT General Mandate to include the Proposed Additional IPTs will enable the Group to enter into the Proposed Additional IPTs that are of a revenue or trading nature with the mandated interested persons in the ordinary course of business without the need to convene a general meeting to seek Independent Shareholders’ approval each time when such potential transactions arise, provided that they are carried out on normal commercial terms and are not prejudicial to the Company and its minority Shareholders. This will substantially reduce the time and expenses associated with the convening of general meetings, improve administrative efficacy, and allow resources and time to be focused towards other corporate and business opportunities.

4.2.2 Streamlining the scope of the mandated interested person transactions with the mandated interested persons under the IPT General Mandate

Section 4.1.3 of this Circular provides for the categories of interested person transactions covered by the existing IPT General Mandate. In particular, certain categories of interested person transactions are currently only expressed to be conducted with certain entities within the Dongming Petrochem Group. Going forward, as such categories of interested person transactions may be conducted with other existing or new entities within the Dongming Petrochem Group, the Company is proposing to amend paragraph 2 of the existing IPT General Mandate to streamline the scope of the mandated interested person transactions under the IPT General Mandate such that the mandated interested person transactions may be conducted with the entire Dongming Petrochem Group as opposed to just being conducted with a specific or individual entity within the Dongming Petrochem Group.

² For the avoidance of doubt, the general mandate for the existing sale of utilities to the New Mandate Interested Persons (comprising (i) Dongming Qianhai, (ii) Qianhai Reli, (iii) Shandong Runze (which has been absorbed/ subsumed by Dongming Zhongyou following the Merger), (iv) Jiangsu Runhai, (v) Jiangsu Xinhai, and (vi) Shandong Lianhua) was obtained at the Company’s EGM held on 28 December 2022 and last renewed at the 2023 AGM.

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In addition, notwithstanding that the Jiangsu Companies are not considered companies within the Dongming Petrochem Group under normal circumstances as the Jiangsu Companies and Dongming Petrochem (the immediate holding company of the Dongming Petrochem Group) are direct or indirect subsidiaries of Hong Li Yuan as at the Latest Practicable Date, for the purposes of this Circular and the Proposed Amended IPT General Mandate, the Jiangsu Companies have been included under the Dongming Petrochem Group taking into account the definition of the Dongming Petrochem Group.

The rationale for such amendments is to ensure that the scope of the mandated interested person transactions with the mandated interested persons for the purposes of the IPT General Mandate will not be unduly restrictive, given that the Dongming Petrochem Group is one of the largest privately-owned upstream crude oil refiners in the PRC, and there are a considerable number of subsidiaries, branches, representative offices and other subsidiary undertakings under the Dongming Petrochem Group, each of which is engaged in various lines of business that are interconnected and interdependent with other subsidiary undertakings, there may be various internal corporate actions within the Dongming Petrochem Group from time to time for the purposes of integrating business operations and enhancing the overall synergy within the organisation.

4.2.3 Guidelines and review procedures under the Proposed Amended IPT General Mandate

(a) Guidelines and review procedures for the Proposed Additional IPTs

For sale of utilities, parts and components (including packaging materials and chemical excipients)³, it is proposed that:

Transaction Volume

- (i) The volume of the utilities supplied will be based on a settlement statement confirmed and signed by the Company and the Mandated Interested Persons. The transaction volume of utilities for each month will be determined based on the transaction records compiled and reconciled by both parties at the end of each month, and the transaction volume of parts and components (including chemical excipients) for each month will be determined based on the warehouse receipt. The volume records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

Transaction Price

- (ii) The Group will be engaging a local certified public accounting firm every year to compare the rates charged by the Group with those quoted by third party suppliers and certify that the rates paid by the Mandated Interested Persons to the Group were not lower than the prevailing market rates, represented by the quotes obtained by such local certified public accounting firm from selected third party suppliers. The rates chargeable for the utilities will be determined at arm's length and having regard to the prevailing market rates, as set out in the report prepared by the local certified public accounting firm. The utilities rates have been fairly stable in the last few years, and from the commercial standpoint, the Company is of the view that it is feasible for the parties to rely on the report for the purpose of determining the utilities rates chargeable. The parties will enter into a long-term framework agreement for the sale

³ The parts and components (including packaging materials and chemical excipients) mainly comprise the following products: (i) wearable parts of machinery and equipment with relatively low unit value, such as valves, flanges, bolts, nuts, instrument boxes, etc.; (ii) the packaging materials mainly refer to woven bags; (iii) chemical excipients include lubricating oil, preservatives, cleaners, liquid ammonia, additives, catalysts etc. In principle, the Company will purchase these parts and components (including packaging materials and chemical excipients) on its own. However, if the Company encounters a temporary shortage in inventory and to avoid affecting production, such parts and components (including packaging materials and chemical excipients) will be allocated from the warehouse of the Dongming Petrochem Group; and (iv) if the Company undergoes major repairs or maintenance, it will purchase the aforementioned parts and components in bulk. After the maintenance is completed, if there is a large surplus, to reduce the inventory backlog and accelerate inventory turnover, the Company will also sell the parts and components to the Dongming Petrochem Group when needed.

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of utilities and in the event that there is a significant change⁴ in the market in respect of the utilities rates chargeable, the parties will renegotiate and sign supplemental agreement(s) to adjust the utilities rates.

In this regard, the Company has commissioned Shandong Changming Accounting Firm (山东昌明会计师事务所) (“**Shandong Changming**”) to provide services for the Company. Shandong Changming usually selects price information from similar businesses in the vicinity. The Company’s appointment of a local certified public accounting firm (e.g., Shandong Changming) is based on such accounting firm’s greater understanding of the surrounding market. As at the Latest Practicable Date, the Company’s internal auditor is BDO, registered in Singapore, which has relatively less information on businesses in the vicinity. However, BDO will base on the procedures and results of the price report issued by Shandong Changming when conducting its internal audit of the Group. Shandong Changming does not have any relationship with Mr. Li and his associates, including the Dongming Petrochem Group. Through its established review procedures, Shandong Changming will (i) verify whether the financial statements for specific projects are consistent with the overall financial statements; (ii) check whether the details of the expenses or income recorded match the settlement bills; and (iii) investigate and compare the prices of three (3) similar or resembling businesses in the vicinity to determine the fairness of the price and to provide a pricing report. As mentioned above, since the utilities rates have been fairly stable in the last few years, commissioning a local certified public accounting firm for price comparison at every transaction would increase the Company’s cost of expenses and also affect the Company’s normal business operations. Although, in principle, an audit is conducted once a year, if the Company’s management has evidence of significant price changes in the surrounding market, it has the right to propose adjustments to the pricing.

- (iii) The rates payable by the Mandated Interested Persons for the parts and components (including packaging materials and chemical excipients) shall not be lower than the purchase cost (including transportation costs) of such parts and components (including packaging materials and chemical excipients) procured by the Group.

Transaction Settlement

- (iv) Generally, the settlement for the utilities, parts and components (including packaging materials and chemical excipients) takes place at the end of each month. As the transaction value of the utilities is relatively large and under normal circumstances, the Company’s sale of utilities is about RMB26 million per month, and in special cases, if the Group as the supplier encounters difficulties in the turnover of funds, it may request for the partial payment by the Mandated Interested Persons as the purchaser. The Mandated Interested Persons can make partial payment based on the actual consumed quantities on the date of the requesting for partial payment, and such partial payment will be deducted from the month-end settlement. Partial payments are made under special circumstances, taking into account the possible temporary financial needs of both the supplier and the purchaser, under equal conditions for both parties. Based on the past records, the occurrence of partial payments is extremely low. The partial payment (if any) and month-end settlement shall be jointly approved/ signed by any Director/ the CFO of the Company, and the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

⁴ A “**significant change**” refers to the situation where either party has sufficient evidence proving that there has been a significant change in the market price of public utility products. For instance, changes in the national electricity feed-in tariff due to policy adjustments, significant changes in steam production costs due to fluctuations in coal prices influenced by the market and other factors, and/or substantial changes in the production cost of hydrogen due to significant fluctuations in the price of raw LPG, etc. In such cases, upon negotiation, a supplementary agreement will be signed to adjust the prices accordingly.

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For procurement of logistics and transport-related services and/or products, it is proposed that:

Transaction Volume

- (i) The monthly statement of logistics procurement services will be reviewed and approved by any one (1) of the Directors of the Company, the CFO of the Company, or the general manager of the relevant company within the Group, or such assigned senior management personnel of the Group who is in charge of procurement business, who does not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

Transaction Price

- (ii) The prices paid by the Group for the procurement of logistics and transport-related services and/or products will be determined on an arm's length basis by the respective sales departments of the relevant Mandated Interested Persons and approved by the general manager of the relevant companies in the Group, who has no interest, direct or indirect, in the transaction and does not hold any executive position in the Mandated Interested Persons. The terms for procurement of logistics and transport-related services and/or products from the relevant Mandated Interested Persons shall not be less favourable than those extended to unrelated third parties, taking into account factors, including but not limited to fuel costs, overheads, total distance travelled, delivery volume, business relationships and payment terms.

Transaction Settlement

- (iii) Settlement for the procurement of logistics and transport-related services and/or products also takes place at the end of each month. The month-end settlement shall be jointly approved/ signed by any Director/ the CFO of the Company, and the general manager of the relevant companies in the Group, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

For procurement of sewage treatment services, it is proposed that:

Dongming Hengchang and Dongming Qianhai will generate some sewage from time to time during their respective production process. Such sewage cannot be discharged without purification treatment. The investment in sewage treatment facilities is relatively large and cannot bring direct economic benefits to the Group. As such, the Company will procure the sewage treatment service from the relevant companies within the Dongming Petrochem Group which specialise in sewage treatment.

Transaction Volume

- (i) The volume records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

Transaction Price

- (ii) Generally, the price of sewage treatment fee is relatively stable. The rates payable for procurement of sewage treatment service will be determined at arm's length and having regard to the prevailing market rates, as set out in the report prepared by the local certified public accounting firm annually. The terms for procurement of sewage treatment service shall not be less favourable than those extended to unrelated third parties, taking into account factors, including but not limited to overheads, total distance travelled, delivery volume, business relationships and payment terms.

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Transaction Settlement

- (iii) Generally, settlement for the sewage treatment service takes place at the end of each month due to the low transaction value. The month-end settlement shall be jointly approved/ signed by any Director/ the CFO of the Company, and the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

For procurement of machinery, equipment and instrument and meter repair service, and miscellaneous engineering services, it is proposed that:

Luban Construction, a company within the Dongming Petrochem Group, is a large-scale comprehensive construction enterprise specialising in machinery equipment, instrument and meter repair, maintenance services, engineering construction, special equipment installation, and special equipment online testing services. It holds various qualifications and licenses including, amongst others, qualification (Grade 2) for general contracting for construction, qualification (Grade 3) for electromechanical installation, and license for special equipment installation, modification and maintenance. Luban Construction is familiar with the production device and process flow of the Company. The Company may request for maintenance, overhaul and other construction services from time to time.

Transaction Volume

- (i) The Company shall appoint a site construction representative or entrust a third-party construction supervisor to be responsible for guiding and supervising the construction site. Any fee-based items such as services, consumable materials, or machinery that are included in the construction settlement require the preparation of a project visa form. The project visa form will be reviewed and approved by any one (1) of the on-site construction representative, the third-party construction supervisor appointed by the Company, or the general manager of the Company. To ensure the quality of construction materials used for construction, all major construction materials shall be supplied by our Group.

Transaction Price

- (ii) Upon the completion of the project, the Company as the construction party must entrust an independent third-party accounting firm with engineering audit qualifications to prepare a project settlement report. When evaluating the third-party auditors, the Company requires auditors to provide relevant audit qualifications, basic company information, past audit performance, billing standards, criteria for choosing quotas, and audit execution procedures, in order to ensure the auditor's independence. Additionally, in the case of the value of a single project is relatively large, it is common for the Company to commission a second auditing firm to perform a review. As agreed by the parties, the quota execution, the charging procedure, and the safety construction fees shall follow the prevailing applicable laws, regulations and normative documents. If any party has objections to the project settlement, they can independently entrust a professional institution to conduct a review. The review result shall be subject to the principle of choosing the lower price.

Transaction Settlement

- (iii) The payment of project funds shall be carried out in accordance with the construction contract. Any payment of project funds shall be jointly approved/ signed by any Director/ the CFO of the Company, and the on-site construction representative appointed by the Company, or the general manager of the relevant company within the Group, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

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(b) Proposed amendments to guidelines and review procedures in relation to certain mandated interested person transactions under the IPT General Mandate

Following a review by the Audit Committee, the Company is also proposing certain amendments to the transaction price in relation to the purchase of raw LPG that contains less than thirty per cent. (30%) propylene per tonne.

This is because raw LPG containing less than thirty per cent. (30%) propylene per tonne is generally rare in the market and it is difficult to obtain a reference transaction price for such raw LPG. As such, for supplies of raw LPG containing less than thirty per cent. (30%) propylene per tonne, it is more practical for the Group to determine the transaction prices using the average quoted selling price of processed LPG sold by the Group (excluding transportation costs) to unrelated third parties for the month (which is usually lower than that of raw LPG), as compared to using the average quoted selling price of three (3) unrelated suppliers of raw LPG containing less than thirty per cent. (30%) propylene per tonne (excluding transportation costs) for the month (which is difficult to obtain in the market). The processed LPG sold by the Group to the unrelated third parties, having had its propylene content extracted, is no longer of industrial processing value and is typically used as industrial or domestic fuel at a price lower than that of the raw LPG. Even though raw LPG containing less than thirty per cent. (30%) propylene per tonne has relatively low propylene levels, the Group can still extract and process propylene from it. Since it is challenging to find comparable products in the market, and considering the benefits to the Company and its minority Shareholders, the transaction price for raw LPG containing less than thirty per cent. (30%) propylene per tonne will be referenced against the price of processed LPG sold by the Group to the unrelated third parties.

Save as disclosed above, the guidelines and review procedures under the Proposed Amended IPT General Mandate are largely similar to the guidelines and review procedures under the IPT General Mandate.

4.2.4 Miscellaneous amendments

In addition to the proposed amendments to the existing IPT General Mandate as described above, the Company is also taking the opportunity to remove the arrangements in relation to purchase of utilities from, and offsetting costs of said purchase against sale of utilities to the New Mandate Interested Persons under the existing IPT General Mandate which are no longer applicable given that the Company has adopted the System Applications and Products (SAP) system, as well as effect certain editorial amendments to the IPT General Mandate. These editorial amendments are not substantive in nature and are essentially for drafting consistency.

The IPT General Mandate, as proposed to be amended, and any subsequent renewal on an annual basis, will eliminate the need for the Company to convene separate general meetings from time to time to seek Independent Shareholders' approval as and when potential interested person transactions under the Proposed Amended IPT General Mandate arise, thereby reducing substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

The full text of the Proposed Amended IPT General Mandate, with the proposed amendments to the IPT General Mandate as blacklined for Shareholders' ease of reference, can be found in **Appendix B** to this Circular.

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4.3 Validity Period of the Proposed Amended IPT General Mandate

If approved by the Independent Shareholders at the forthcoming 2024 EGM, the Proposed Amended IPT General Mandate will take effect from the date of the passing of the ordinary resolution for the Proposed Amendments, to be proposed at the 2024 EGM, and will continue to be in force until the next AGM of the Company is held or is required by law to be held, whichever is the earlier, unless revoked or varied by the Company in a general meeting. The Company will seek the Shareholders' approval for renewal of the Proposed Amended IPT General Mandate at each subsequent AGM. The renewal of the Proposed Amended IPT General Mandate shall be subject to the satisfactory review by the Audit Committee of its continued need and the adequacy of the review procedures for the transactions.

4.4 Disclosure of IPT in Financial Statements and Annual Report

Announcements will be made with regard to the aggregate value of transactions conducted with interested persons pursuant to the Proposed Amended IPT General Mandate for the financial periods which the Company is required to report on pursuant to Rule 705 of the Listing Manual and within the time required for the announcement of such report.

Disclosures will be made in the annual report of the Company of the aggregate value of transactions conducted with interested persons pursuant to the Proposed Amended IPT General Mandate during the financial year under review, and in the annual reports for subsequent financial years that the Proposed Amended IPT General Mandate continues in force, in accordance with the requirements of Chapter 9 of the Listing Manual.

These disclosures will be in the form set out in Rule 907 of the Listing Manual.

4.5 Plans and options of the Company

The Dongming Petrochem Group is a business partner and strategic supplier of the Group, and in the Group's ordinary course of business, transactions with the Dongming Petrochem Group constitute a core component of the Group's business and operations and occur on a regular basis. Moving forward, the Group anticipates that there will continue to be recurrent transactions of a revenue and trading nature to be entered into with the Dongming Petrochem Group (including the sale of utilities to Dongming Zhongyou). The Proposed Amended IPT General Mandate will enable the Group to enter into the mandated interested person transactions with the mandated interested persons in the ordinary course of business without the need to convene a general meeting to seek Independent Shareholders' approval each time when such potential transactions arise, provided that they are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. This will substantially reduce the time and expenses associated with the convening of general meetings, improve administrative efficacy, and allow resources and time to be focused towards other corporate and business opportunities.

In the event that the Independent Shareholders do not approve the Proposed Amendments, the transactions between the Group and the Dongming Petrochem Group will be significantly affected. In particular, in the case of the proposed sale of utilities, parts and components (including packaging materials and chemical excipients) to the Dongming Petrochem Group (including Dongming Zhongyou), the Company will have to build the hydrogen storage facilities. To this end, the Company will need to make a relatively large investment cost to build the hydrogen storage facilities, invest considerable effort and time to obtain relevant government approvals for the hydrogen storage facilities, and develop hydrogen sales markets and customers which will result in the increase in the marketing expenses and warehousing costs. If the aforesaid cannot be resolved in a short period of time, this portion of self-produced hydrogen will not be able to be sold and have to be vented into the atmosphere or burned, which would cause potential safety risks and significant economic losses to the Company and its Shareholders.

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5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

5.1 Directors' and Substantial Shareholders' interests in Shares

The interests of the Directors and Substantial Shareholders in the capital of the Company as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Directors						
Li Xiangping	–	–	372,048,500	58.13% ⁽²⁾	372,048,500	58.13%
Yan Tailing	–	–	–	–	–	–
Li Zhi	–	–	–	–	–	–
Dr. Chen Seow Phun, John	–	–	–	–	–	–
Zhao Jinqing	–	–	–	–	–	–
Jiang Xinglu	–	–	–	–	–	–
Liu Xiaoyan	–	–	–	–	–	–
Substantial Shareholder(s) (other than Directors)						
Intelligent People Holdings Limited	329,996,000	51.56%	42,052,500	6.57% ⁽³⁾	372,048,500	58.13%
UBS Group AG	–	–	56,320,400	8.8% ⁽⁴⁾	56,320,400	8.8%

Notes:

- (1) The above percentages are calculated based on the total number of 640,000,000 Shares (excluding Treasury Shares) as at the Latest Practicable Date, and rounded to the nearest two (2) decimal places.
- (2) Intelligent People is deemed to be interested in 42,052,500 Shares held on its behalf under the name of its nominee – Philip Securities Pte. Ltd.
- (3) Mr. Li Xiangping, by virtue of the provisions of Section 4 of the SFA, is deemed to have an interest in the aggregate number of 372,048,500 Shares that Intelligent People is interested or deemed to be interested in, due to his 100.0% shareholding interest in Intelligent People.
- (4) UBS Group AG, by virtue of the provisions of Section 4 of the SFA, is deemed to have an interest in the aggregate number of 56,320,400 Shares that UBS AG is interested in.

5.2 Directors' and Substantial Shareholders' interests in the Proposals

Mr. Li is the Company's Executive Chairman, CEO and a Controlling Shareholder as at the Latest Practicable Date. By virtue of his interest in the interested person(s) under the Non-Compliant IPT and the mandated interested persons under the Proposed Amended IPT General Mandate, as the case may be, Mr. Li will abstain from making any recommendation on the Proposed Ratification and the Proposed Amendments.

Mr. Li Zhi, who is a Non-Executive Director of the Company as at the Latest Practicable Date, is the son of Mr. Li and will also abstain from making any recommendation on the Proposed Ratification and the Proposed Amendments.

As at the Latest Practicable Date, save as disclosed in this Circular, to the best knowledge of the Directors, none of the Directors or Substantial Shareholders have any interest, direct or indirect, in the Proposed Ratification and/or the Proposed Amendments.

6. ABSTENTION FROM VOTING

Mr. Li, the Executive Chairman and CEO of the Company as at the Latest Practicable Date, is also a Controlling Shareholder of the Company by virtue of his deemed interest in the aggregate number of 372,048,500 Shares (representing 58.13% of the total number of Shares) held by the Company's parent company, Intelligent People, due to Mr. Li's 100% shareholding interest in Intelligent People. Accordingly, Mr Li will abstain, and procure that Intelligent People and all his

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other associates will abstain, from voting, in respect of the ordinary resolution in relation to the Proposed Ratification and the ordinary resolution in relation to the Proposed Amendments to be proposed at the 2024 EGM, and will not accept nominations as proxy or otherwise for voting at the 2024 EGM in respect of the aforementioned ordinary resolutions as set out in the enclosed Notice of EGM unless specific instructions as to voting are given by the Shareholder concerned.

7. IFA'S OPINION

7.1 Appointment of the IFA

Pursuant to Rules 921(4)(a) and 920(1)(b)(v) of the Listing Manual, CEL Investment Corporate Finance Pte. Ltd. has been appointed as the IFA to opine on:

- (a) whether the Non-Compliant IPT (being the subject of the Proposed Ratification) was on normal commercial terms and was not prejudicial to the interests of the Company and its minority Shareholders; and
- (b) whether the methods and procedures as set out in **Appendix B** to this Circular for determining the transaction prices are sufficient to ensure that the mandated interested person transactions under the Proposed Amended IPT General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and/or its minority Shareholders.

A copy of the IFA Letter is set out in **Appendix A** to this Circular. Shareholders are advised to read the IFA Letter carefully and in its entirety.

7.2 IFA's opinion on the Proposed Ratification and the Proposed Amendments

The following is an extract from paragraphs 4, 5 and 7 of the IFA Letter and should be read in conjunction with, and interpreted in, the full context of the IFA Letter. All terms and expression used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated. **Shareholders are advised to read and consider carefully the key considerations relied upon by the IFA, in arriving at its opinion.**

"4. EVALUATION OF NON-COMPLIANT IPT

In our evaluation of the Non-Compliant IPT, we have given due consideration to, inter-alia, the following factors, where applicable:

- (i) Basis for the determination of pricing in relation to the Non-Compliant IPT;*
- (ii) Application of guidelines and review procedures on the Non-Compliant IPT; and*
- (iii) Other relevant considerations*

4.1 BASIS FOR DETERMINATION OF PRICING IN RELATION TO THE NON-COMPLIANT IPT

We note that in respect of utilities rates, it has been the Group's practice to engage a local certified public accounting firm after the end of each financial year to verify the rates paid to the Group over the past financial year were not lower than those charged by other independent suppliers or prevailing market rates.

We understand from the Management that the rates were based on market prices of similar transactions by comparable companies selected from the surrounding market, taking into consideration the transportation costs, the size, reputation and market stability of such comparable companies. The Management explained that it is important to keep abreast of market information and promptly pay attention to market influencing factors which may result in a change in prices of related products. In the event where the transacted prices were found not to be at arm's length following the review by the local certified public accounting firm, the Company will settle the transactions based on the previous year's prices and adjust the difference to the settled transactions once the PRC Utility Rate Report is issued.

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We note from management that the Non-Compliant IPT relates to the sale of hydrogen to Dongming Zhongyou and the rate charged by the Group are set out as follows:

Types of Products	Rates Charged by the Group	Market Rate per PRC Utility Rate Report
Hydrogen (<99%, >95% purity)	RMB14,664.53 per tonne	RMB14,664.53 per tonne

Source: Source documents provided by management and PRC Utilities Rate Report

Based on the table above, we note that the Non-Compliant IPT was transacted at prices determined at arm's length and based on market rate per the PRC Utility Rate Report.

4.2 APPLICATION OF METHODS AND PROCEDURES ON THE NON-COMPLIANT IPT

We note that the Company had in place the existing IPT General Mandate for the sale of utilities to Shandong Runze. The Non-Compliant IPT resulted from the absorption merger of Shangdong Runze into Dongming Zhongyou, where following the completion of the Merger, all relevant agreements entered into between the Group and Shandong Runze for, inter-alia, the sale of utilities to Shandong Runze had been novated to Dongming Zhongyou.

We further note that the Group has adopted and practiced the same methods and procedures for determining the terms of the sale of utilities by the Group to Shandong Runze to determine the terms of the sale of utilities to Dongming Zhongyou. Such methods and procedures were opined by the previous independent financial advisor of the Company in its opinion set out in Appendix B of the Company's circular dated 13 December 2022 to be sufficient to ensure that the sales of utilities by the Group to its interested persons will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The existing IPT General Mandate setting out these methods and procedures was approved by Shareholders at the EGM held on 28 December 2022.

4.3 OTHER RELEVANT CONSIDERATIONS

We note from the financial results announcement during the Relevant Period and the information in Section 3.1 of the Circular that the same guidelines and review procedures for the sale of utilities to Shandong Runze were applied to the Non-Compliant IPT. Accordingly, the Audit Committee have reviewed all interested person transactions at least on a quarterly basis to ensure that they were carried out at arm's length and on normal commercial terms.

5. OUR OPINION ON THE NON-COMPLIANT IPT

In arriving at our opinion in relation to the Non-Compliant IPT, we have reviewed and evaluated all the factors, including the views and representations of the Directors and Management, which we deemed to have significant relevance to our assessment.

In arriving at our conclusion, we have also taken into account the principal factors, which are described in more detail in paragraph 4 of this Letter.

Having considered the above and all information available to us as at the Latest Practicable Date, we are of the opinion that the Non-Compliant IPT was carried out on normal commercial terms and was not prejudicial to the interests of the Company and its minority Shareholders.

...

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7. OUR OPINION ON THE PROPOSED AMENDMENTS

In arriving at our opinion in respect of the Proposed Amendments, we have considered, inter alia, the guidelines and review procedures set up by the Company, the role of the Audit Committee in enforcing the methods and procedures set out in the Proposed Amended IPT General Mandate and the rationale and benefits arising from the Proposed Amended IPT General Mandate.

Having regard to the considerations set out in this Letter and the information available to us as at the Latest Practicable Date, we are of the opinion that the methods and procedures for determining the transaction prices, if adhere to and applied consistently, are sufficient to ensure that interested person transactions under the Proposed Amended IPT General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Our opinion, as set out in paragraphs 5 and 7 of this Letter is based upon market, economic, industry, monetary and other conditions prevailing and information made available to us as at the Latest Practicable Date.”

In summary, having considered the factors set out in the IFA Letter, the IFA is of the view that:

- (a) the Non-Compliant IPT was carried out on normal commercial terms and was not prejudicial to the interests of the Company and its minority Shareholders; and**
- (b) the methods and procedures for determining the transaction prices of the mandated interested person transactions as set out in Appendix B to this Circular, if adhered to and applied consistently, are sufficient to ensure that the mandated interested person transactions with mandated interested persons under the Proposed Amended IPT General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.**

8. AUDIT COMMITTEE'S STATEMENT

8.1 Proposed Ratification

Having considered, amongst others, the terms, rationale for, and benefit of the Non-Compliant IPT, as well as the opinion of the IFA as set out in the IFA Letter at **Appendix A** to this Circular, the Audit Committee concurs with the opinion of the IFA and is of the view that the Non-Compliant IPT was on normal commercial terms and was not prejudicial to the interests of the Company and its minority Shareholders. Accordingly, the opinion of the Audit Committee on the Non-Compliant IPT does not differ from that of the IFA.

8.2 Proposed Amendments

Having considered, amongst others, the terms, rationale for, and benefits of the Proposed Amended IPT General Mandate, the methods and procedures as set out in **Appendix B** to this Circular for determining the transaction prices of the mandated interested person transactions under the Proposed Amended IPT General Mandate and the opinion of the IFA as set out in the IFA Letter at **Appendix A** to this Circular, the Audit Committee agrees with the views of the IFA and is satisfied that the methods or procedures for determining transaction prices of the mandated interested person transactions under the Proposed Amended IPT General Mandate, if adhered to and applied consistently, are sufficient to ensure that the mandated interested person transactions under the Proposed Amended IPT General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. Accordingly, the opinion of the Audit Committee on the Proposed Amendments does not differ from that of the IFA.

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However, if, during the quarterly reviews by the Audit Committee, it is of the view that the established guidelines and procedures for the Proposed Amended IPT General Mandate are no longer appropriate or adequate to ensure that the mandated interested person transactions under the Proposed Amended IPT General Mandate will be carried out on normal commercial terms and would be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from the Shareholders based on new guidelines and procedures.

9. RECOMMENDATIONS BY THE NON-INTERESTED DIRECTORS

Mr. Li and Mr. Li Zhi, being the Interested Directors, will abstain from making any recommendation on the Proposed Ratification and the Proposed Amendments.

Having considered, among others, the terms of, and rationale for, and benefit of the Non-Compliant IPT and the Proposed Amended IPT General Mandate, the opinion of the IFA as set out in the IFA Letter at **Appendix A** to this Circular, and the opinion of the Audit Committee as set out in Section 8 of this Circular, the Non-Interested Directors are of the opinion that the Proposed Ratification and the Proposed Amendments are in the best interests of the Company and not prejudicial to the interests of minority Shareholders. Therefore, the Non-Interested Directors recommend that the Independent Shareholders **VOTE IN FAVOUR** of the resolutions set out in the notice of the 2024 EGM in relation to the Proposed Ratification and the Proposed Amendments at the 2024 EGM.

10. EXTRAORDINARY GENERAL MEETING

The 2024 EGM, notice of which is set out on pages N-1 to N-3 of this Circular, will be held on at Conrad Centennial Singapore, Level 2, Salon III, 2 Temasek Boulevard, Singapore 038982 on Monday, 18 March 2024 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the ordinary resolutions set out in the notice of the 2024 EGM.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the 2024 EGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Company's registered office at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 not less than forty-eight (48) hours before the time fixed for the 2024 EGM (i.e., by **11:00 a.m. on 16 March 2024**). The completion and lodgement of the Proxy Form by a Shareholder will not prevent him from attending and voting at the 2024 EGM in person if he subsequently wishes to do so.

A Depositor shall not be regarded as a member of the Company entitled to attend the 2024 EGM and to speak and vote thereat unless his name appears on the Depository Register at least seventy-two (72) hours before the 2024 EGM.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Ratification, the Proposed Amendments, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

LETTER TO SHAREHOLDERS

13. CONSENT

The IFA has given and has not before the date of this Circular withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter reproduced in **Appendix A** to this Circular and all references thereto, in the form and context in which they appear in this Circular.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712, during normal business hours from the date of this Circular up to and including the date of the 2024 EGM:

- (a) the Merger Agreement;
- (b) the Constitution of the Company;
- (c) the annual report of the Company for FY2022;
- (d) the IFA Letter; and
- (e) the written consent of the IFA referred to in Section 13 of this Circular.

Yours faithfully
For and on behalf of the Board of Directors of
SINOSTAR PEC HOLDINGS LIMITED

Li Xiangping
Executive Chairman and CEO

APPENDIX A – IFA LETTER

LETTER FROM CEL INVESTMENT CORPORATE FINANCE PTE. LTD. TO THE NON-INTERESTED DIRECTORS OF SINOSTAR PEC HOLDINGS LIMITED

1 March 2024

The Non-Interested Directors
Sinostar PEC Holdings Limited
1 Temasek Avenue
#30-01 Millenia Tower
Singapore 039192

Dear Sirs,

- (1) **THE PROPOSED RATIFICATION OF THE SALE OF UTILITIES BY THE GROUP TO DONGMING ZHONGYOU FUEL AND PETROCHEMICAL CO., LTD. (东明中油燃料石化有限公司) AS AN INTERESTED PERSON TRANSACTION; AND**
- (2) **THE PROPOSED AMENDMENTS TO THE EXISTING SHAREHOLDERS' MANDATE FOR INTERESTED PERSONS TRANSACTIONS (“THE PROPOSED AMENDMENTS”)**

Unless otherwise defined or the context requires otherwise, all terms used herein have the same meanings as defined in the Circular to Shareholders of the Company dated 1 March 2024 (the “Circular”).

1. INTRODUCTION

During the period, 31 October 2022 to the Latest Practicable Date collectively (the “**Relevant Period**”), the Group had entered into recurrent transactions relating to the sale of utilities in the ordinary course of its business with Dongming Zhongyou Fuel and Petrochemical Co., Ltd. (“**Dongming Zhongyou**”) without obtaining Shareholders’ approval or an IPT general mandate for the same (the “**Non-Compliant IPT**”) mainly due to a merger, by way of absorption merger of Shandong Runze Petrochemical Co., Ltd (“**Shandong Runze**”) into Dongming Zhongyou in December 2022 (the “**Merger**”). As a result of the Merger, all relevant agreements entered into between the Group and Shandong Runze for, *inter alia*, the sale of utilities to Shandong Runze, had been novated to Dongming Zhongyou.

As the Company applied the same guidelines and review procedures of the sale of utilities by the Group to Shandong Runze under the existing shareholders’ mandate (the “**IPT General Mandate**”) to the sale of utilities to Dongming Zhongyou, the Company was of the view that the sale of utilities to Dongming Zhongyou remained the same in substance as the sale of utilities to Shandong Runze. As such, it did not occur to the Company that there was a need to update the IPT General Mandate to reflect the Merger which had already been completed when the Company convened the EGM held on 28 December 2022 to seek Shareholders’ approval for, amongst others, shareholders’ mandate for the sale of utilities to Dongming Runze, and subsequently when the Company convened the 2023 AGM to renew the then existing IPT General Mandate.

In May 2023, during the internal audit on the Group, the Group’s internal auditors suggested to seek advice from external legal advisers for the interested person transactions between the Group and Dongming Zhongyou following the Merger and the Company proceeded accordingly. Pursuant to the consultation with the SGX-ST during the period between May 2023 to September 2023, it was clarified that the mandated IPTs under the existing IPT General Mandate do not cover the sale of utilities to Dongming Zhongyou. Therefore, any sale of utilities to Dongming Zhongyou should thus be subject to the requirements under Rules 905 and 906 of the Listing Manual. Given that the value of the sale of utilities from the Group to Dongming Zhongyou had exceeded the threshold of five per cent. (5%) of the Group’s latest audited NTA as stipulated under Rule 906 of the Listing Manual, the Company has to seek Shareholders’ ratification for the sale of utilities from the Group to Dongming Zhongyou.

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Further, the Company's existing IPT General Mandate which was last renewed at the 2023 AGM, and was expressed to take effect until the next AGM of the Company is held or is required by law to be held, whichever is the earlier (unless revoked or varied by the Company in a general meeting).

In addition to the categories of the mandated interested person transactions covered by the existing IPT General Mandate, from time to time, the Group enters into certain recurrent transactions in relation to the sale of utilities, parts and components (including packaging materials), procurement of logistics and transport-related services and/or products, procurement of sewage treatment services with the mandated interested person (the "**Proposed Amendments**").

The existing IPT General Mandate covers certain categories of interested person transactions. In particular, certain categories of interested person transactions are currently only expressed to be conducted with certain entities within the Dongming Petrochem Group.

Going forward, as such categories of interested person transactions may be conducted with other existing or new entities within the Dongming Petrochem Group, the Company is proposing to amend paragraph 2 of the existing IPT General Mandate to streamline the mandated interested person transactions under the IPT General Mandate such that the mandated interested person transactions may be conducted with the entire Dongming Petrochem Group as opposed to just being conducted with a specific or individual entity of the Dongming Petrochem Group.

In relation to the above, the Company is proposing to convene an EGM (the "**2024 EGM**"), to seek Shareholders' approval for the following:

(i) the proposed ratification of the Non-Compliant IPT (the "**Proposed Ratification**"); and

(ii) the Proposed Amendments

(collectively, the "**Proposed Transactions**")

Pursuant to Rule 921(4)(a) of the Listing Manual, except in the case of a general mandate, an opinion is required from an independent financial adviser on whether an interested person transaction (i) is on normal commercial terms and (ii) is prejudicial to the interests of the issuer and its minority Shareholders. Pursuant to Rule 920(1)(b)(v) of the Listing Manual, a circular to Shareholders seeking a general mandate must include, *inter alia*, an independent financial adviser's opinion on whether the methods or procedures for determining transaction prices are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority Shareholders.

In connection with the above and pursuant to the requirements of Chapter 9 of the Listing Manual, CEL Investment Corporate Finance Pte. Ltd. ("**CICF**") was appointed by the Company as the independent financial adviser ("**IFA**") in respect of the Proposed Transactions.

This letter ("**Letter**") sets out, *inter-alia*, our evaluation and opinion on (i) terms of the Non-Compliant IPT and (ii) the methods or procedures for determining the transaction prices are sufficient to ensure that interested person transactions under the IPT General Mandate as amended by the Proposed Amendments (the "**Proposed Amended IPT General Mandate**") are carried out on normal commercial terms and are not prejudicial to the interests of the Company and/or its minority Shareholders. This letter shall be included in the Circular which provides, *inter alia*, the details of the Proposed Ratification, Proposed Amendments, the Proposed Amended IPT General Mandate and the recommendation of the Non-Interested Directors.

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2. TERMS OF REFERENCE

CICF has been appointed as the IFA to advise on the following:

- (i) In respect of the Proposed Ratification, on whether the Non-Compliant IPT was carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority Shareholders; and
- (ii) In respect of the Proposed Amended IPT General Mandate, on whether the methods or procedures for determining the transaction prices are sufficient to ensure that interested persons transactions under the Proposed Amended IPT General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

CICF is neither a party to the negotiations or discussions in relation to the Proposed Transactions, nor were we involved in the deliberations leading up to the decision on the part of the Company to enter into the Non-Compliant IPT and to seek independent Shareholders' approval for the Proposed Amended IPT General Mandate. We do not, by this IFA Letter, in any way advise on the merits of the Non-Compliant IPT and the Proposed Amended IPT General Mandate other than to form an opinion on whether (i) for the purposes of Rule 921(4)(a) of the Listing Manual, the Non-Compliant IPT was carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority Shareholders; and (ii) for the purposes of Rule 920(1)(b)(v) of the Listing Manual, whether methods or procedures under the Proposed Amended IPT General Mandate for determining the transaction prices are sufficient to ensure that interested persons transactions under the Proposed Amended IPT General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Our terms of reference do not require us to evaluate or comment on the strategic, commercial, financial merits or risks (if any) of the Proposed Transactions or to compare their relative merits vis-à-vis alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we do not express any opinion on any of the aforesaid.

We are not required to and have not made any independent appraisal or valuation of the assets and liabilities of the Company, the Group, Dongming Zhongyou and/or Dongming Petrochem Group. Any such evaluation, comment, comparison, consideration, appraisal or valuation remains and is solely the responsibility of the Directors and the management of the Company ("**Management**"), but we may draw upon their views or make comments in respect thereof (to the extent we deem necessary or appropriate and at our sole discretion) in arriving at our opinion as set out in this Letter.

We have also relied on information on the Company, the Group, Dongming Zhongyou and/or Dongming Petrochem Group including the disclosures and representations made by the Company on the Non-Compliant IPT and the Proposed Amended IPT General Mandate, including the pricing and value of the transactions stated herein as well as the proposed methods and procedures under the Proposed Amended IPT General Mandate.

For the purpose of our advice and opinion, we have relied on publicly available information collated by us, information set out in the Circular, the report issued by the PRC certified public accounting firm, Shandong Changming Accounting Firm Pte. Ltd. (山东昌明会计事务所有限公司) in relation to the prevailing market rates of utilities during the Relevant Period (the "**PRC Utility Rate Report**"), including making comparison between the rates transacted under the Non-Compliant IPT and against the prevailing market rates of utilities set out in the report, and information (including representations, opinions, facts and statements) provided to us by the Directors, Management and the advisers of the Company. We have relied on the assurances of the Directors and Management that they jointly and severally accept full responsibility for the accuracy, truth, completeness

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and adequacy of such information. They have confirmed to us that, upon making all reasonable inquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Proposed Transactions, the Company, the Group, Dongming Zhongyou and/or Dongming Petrochem Group have been disclosed to us, that such information is true, complete, accurate and fair in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to or relied upon by us or the facts of or in relation to the Proposed Transactions, the Company, the Group, Dongming Zhongyou and/or Dongming Petrochem Group to be inaccurate, untrue, incomplete, unfair or misleading in any material respect.

We have not independently verified any of the aforesaid information whether written or verbal, and have assumed its accuracy, truth, completeness and adequacy, including without limitation any information on the assets and liabilities of the Company, the Group, Dongming Zhongyou and/or Dongming Petrochem Group. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors and the Management to us or in the Circular have been reasonably made after due and careful inquiry. Accordingly, we cannot and do not represent or warrant (expressly or impliedly), and do not accept any responsibility for the accuracy, truth, completeness or adequacy of such information. We have, however, exercised care in critically reviewing the information and documents which we have relied on, and made such reasonable enquiries and exercised our judgment on the reasonableness and sufficiency of such information as we deemed necessary for us to arrive at our opinion and have found no reason to doubt the accuracy or reliability of the information.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial conditions of the Company and/or the Group, or to express, and we do not express, any view on the future growth prospects, value and earnings potential of the Company and/or the Group. Such review or comment, if any, remains the responsibility of the Directors and the Management and/or the Group, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Listing Manual and/or deemed necessary or appropriate by us) in arriving at our advice as set out in this Letter. We have not obtained from the Company and/or the Group any projection of the future performance including financial performance of the Company and/or the Group and further, we did not conduct discussions with the Directors and management of the Company and/or the Group on, and did not have access to, any business plan and financial projections of the Company and/or the Group. We also do not express any opinion herein as to the prices at which the shares of the Company may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after completion of the Proposed Transactions.

Our advice and opinion herein is based upon market, economic, industry, monetary and other conditions prevailing on, and the information provided to us as of the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of, and this Letter does not take into account, any subsequent development after the Latest Practicable Date that may affect our opinion herein.

The Company has been separately advised by its advisers in the preparation of the Circular (other than this Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this Letter).

We have not regarded the general or specific investment objectives, financial situation, tax position, risk profile or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment portfolios and objectives, we would advise the Non-Interested Directors to recommend that any individual Shareholder who may require specific advice in relation to his or her investment portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

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This Letter is required under Rule 920(1)(b)(v) and Rule 921(4)(a) of the Listing Manual and for Independent Shareholders to make an informed voting decision. The recommendations made by the Non-Interested Directors to the Independent Shareholders, after taking into consideration our Letter, are the responsibility of the Non-Interested Directors. Shareholders should also take note of any announcements relevant to the Proposed Ratification and the Proposed Amended IPT General Mandate which may be released by the Company after the Latest Practicable.

Our opinion in respect of the Proposed Ratification and the Proposed Amended IPT General Mandate should be considered in the context of the entirety of this Letter, the Circular and the accompanying appendix.

3. PROPOSED RATIFICATION

3.1 BACKGROUND INFORMATION OF THE PROPOSED RATIFICATION

Information on the Non-Compliant IPT has been extracted from section 3.1 of the Circular and set out in italics below.

“During the Relevant Period (i.e., FY2022 (specifically, since 31 October 2022 to 31 December 2022), FY2023 and FY2024 (specifically, since 1 January 2024 to the Latest Practicable Date)), the Company had in place the IPT General Mandate for, amongst others, the sale of utilities to Shandong Runze. The IPT General Mandate was last renewed at the 2023 AGM.

For the purposes of integrating business operations, Dongming Zhongyou and Shandong Runze proceeded with the Merger in December 2022. Pursuant to the Merger by Absorption Agreement (吸收合并协议) dated 5 December 2022 (the “Merger Agreement”) entered into between Dongming Zhongyou and Shandong Runze, Dongming Zhongyou and Shandong Runze shall merge by way of absorption, and Dongming Zhongyou shall absorb/ subsume Shandong Runze and continue to exist, while Shandong Runze shall be deregistered. Further, pursuant to the Merger Agreement, from the date of completion of the Merger, all the properties, business operations, rights and obligations of Shandong Runze shall be unconditionally succeeded by Dongming Zhongyou and all the debts of Shandong Runze shall be borne by Dongming Zhongyou and all the creditors’ rights of Shandong Runze shall be succeeded by Dongming Zhongyou.

The Merger was completed on 6 December 2022. Following the completion of the Merger, all of Shandong Runze’s assets (including the Hydrogenation Unit as mentioned in Section 3.2.1 of this Circular below), liabilities and business operations had been absorbed in their entirety by Dongming Zhongyou. Further, all relevant agreements entered into between the Group and Shandong Runze for, inter alia, the sale of utilities to Shandong Runze, had been novated to Dongming Zhongyou. Notwithstanding that the Merger was completed on 6 December 2022, as in the Group’s ordinary course of business, transactions with Shandong Runze constituted an important component of the Group’s business and operations and accordingly, the Group began to supply utilities to Dongming Zhongyou during the transition period (i.e., the period commencing from 31 October 2022 to 6 December 2022) and following the completion of the Merger.

As the same guidelines and review procedures of the sale of utilities by the Group to Shandong Runze under the IPT General Mandate apply to the sale of utilities to Dongming Zhongyou, the Company was of the view that the sale of utilities to Dongming Zhongyou remained the same in substance as the sale of utilities to Shandong Runze. As such, it did not occur to the Company that there was a need to update the IPT General Mandate to reflect the Merger which had already been completed when the Company convened the EGM on 28 December 2022 to seek Independent Shareholders’ approval for, amongst others, shareholders’ mandate for the sale of utilities to Shandong Runze, and subsequently when the Company convened the 2023 AGM to renew the then existing IPT General Mandate.

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However, in May 2023, BDO Advisory Pte Ltd (“**BDO**”), during its internal audit on the Group, suggested the Group to seek advice from external legal advisers for the interested person transactions between the Group and Dongming Zhongyou following the Merger and the Company proceeded accordingly. Pursuant to the consultation with the SGX-ST during the period between May 2023 to September 2023, it was clarified that the mandated IPTs under the existing IPT General Mandate do not cover the sale of utilities to Dongming Zhongyou. Therefore, any sale of utilities to Dongming Zhongyou should thus be subject to the requirements under Rules 905 and 906 of the Listing Manual. Given that the value of the sale of utilities from the Group to Dongming Zhongyou during FY2023 had crossed the threshold of five per cent. (5%) of the Group’s latest audited NTA as stipulated under Rule 906 of the Listing Manual, the Company has to seek Independent Shareholders’ ratification for the sale of utilities from the Group to Dongming Zhongyou.

In view of the above, the Company is therefore seeking Independent Shareholders’ ratification for the sale of utilities to Dongming Zhongyou (i.e., the Non-Compliant IPT) at the 2024 EGM which if approved, will enable the Group to continue with the sale of utilities to Dongming Zhongyou, without the need to unwind these transactions.”

3.2 INFORMATION ON INTERESTED PERSONS

Information on the interested persons involved in the Non-Compliant IPT has been extracted from section 3.2.1 of the Circular and set out in italics below.

*“Prior to the Merger, Shandong Runze was a company incorporated in the PRC. Shandong Runze was primarily engaged in the businesses of crude oil refinery and sales of raw LPG and oil related products, and exclusively owned a hydrogenation unit used for the enhancement of the purity of petroleum and other oil products (the “**Hydrogenation Unit**”). Prior to the Merger, the shareholders of Shandong Runze were Dongming Zhongyou, Dongming Petrochem, Hong Li Yuan and Dongming Hengrun Petrochemical Co., Ltd., each of which held 48.25%, 28.27%, 9.39% and 14.08% of Shandong Runze’s equity interests respectively.*

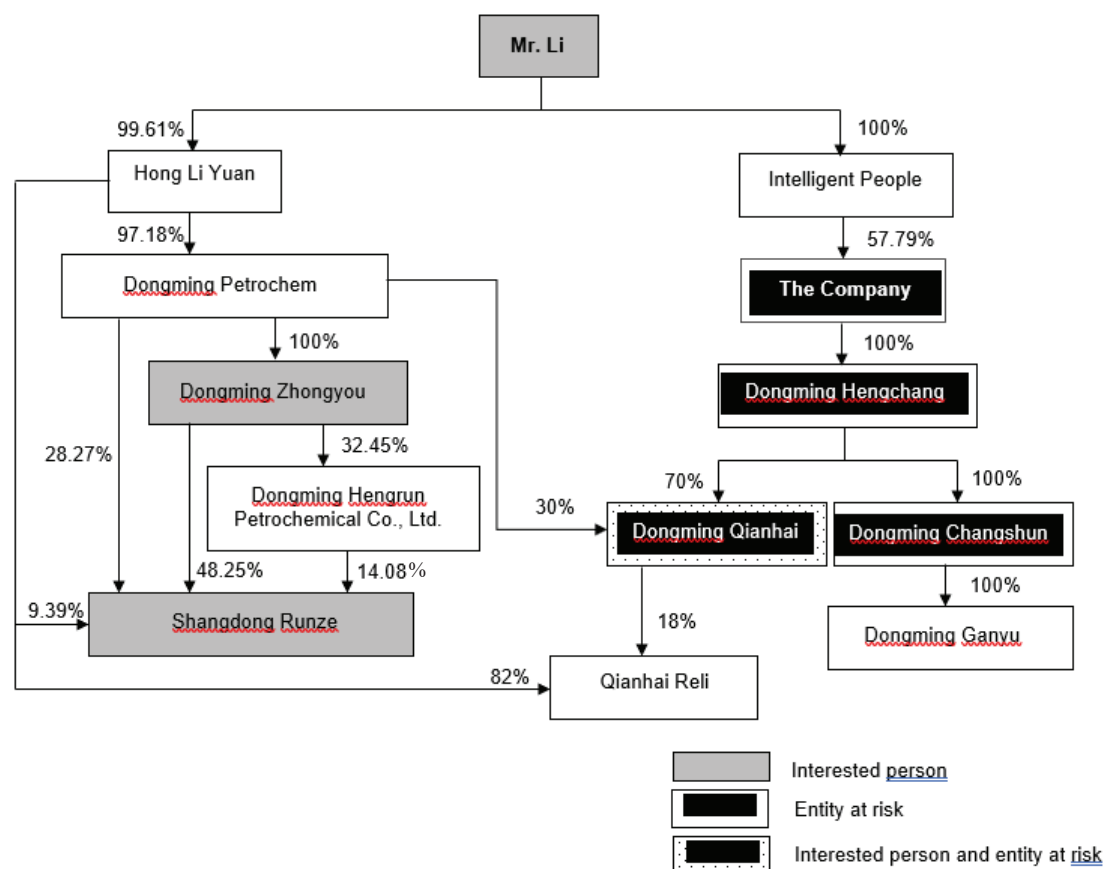
Dongming Zhongyou is a company incorporated in the PRC and is primarily engaged in the production and sale of LPG, petroleum asphalt, diesel, gasoline, naphtha, propylene and solvent oil. During the Relevant Period, Dongming Zhongyou has been a wholly-owned subsidiary of Dongming Petrochem, and Hong Li Yuan has been the majority shareholder of Dongming Petrochem with 97.18% equity interest.

During the Relevant Period, Mr. Li has been the Company’s Executive Chairman and CEO, as well as a Controlling Shareholder of the Company, and has also been the majority shareholder of Hong Li Yuan with 99.61% equity interest.

Given the foregoing, each of Shandong Runze (prior to the Merger) and Dongming Zhongyou is considered an associate of Mr. Li pursuant to the Listing Manual and therefore, an interested person of the Company. Accordingly, the relevant transactions entered into by the Company with Shandong Runze and/or Dongming Zhongyou constitute IPTs.

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The diagram below sets out, *inter alia*, the shareholding relationships between the entities within the Group and relevant interested persons prior to the Merger:



Note: To avoid confusion, only those companies (including intermediate holding entities) which are relevant to the Proposed Ratification are included.”

3.3 INFORMATION ON NON-COMPLIANT IPT

Information on Non-Compliant IPT has been extracted from section 3.2.2 of the Circular and set out in italics below.

“The Company’s subsidiaries, Dongming Hengchang and Dongming Qianhai, belong to the petrochemical industry. In the production process, the Group requires a large amount of fresh water, purified air, desalinated water, nitrogen, fuel gas, electricity, and medium-pressure steam to provide energy and power for production as well as equipment protection. Meanwhile, through a certain amount of energy consumption in the production process, the Group will generate production by-products such as low-pressure steam, sewage, circulating water, and hydrogen. The said products all need to be realised through public utility systems, which the Group collectively refers to as purchase of utilities or sales of utilities. As a large petrochemical group, the Dongming Petrochem Group has many production devices and a large asset scale within its industrial park. To support the production devices in the industrial park (including those of the Group), Dongming Petrochem Group has invested in the construction of public utility projects such as freshwater reservoir, air compression station, nitrogen production station, thermal power plant, sewage treatment plant, and system pipeline network. The aforementioned public utility projects can, on the one hand, meet the stable supply of utilities required for the Group’s production, and on the other hand, can also solve the issues in relation to the energy recycling in the Group’s production process. The Group’s purchase of utilities from, and sale of utilities to, the Dongming Petrochem Group (in particular, Dongming Zhongyou) are driven by actual business needs and also ensure the maximisation of interests for the Company and its Shareholders.”

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The value of the sale of utilities from the Group to Dongming Zhongyou for the period from 31 October 2022 to 31 December 2022 amounted to RMB51,191,230, which accounted for 3.38% of the Group's audited NTA of RMB1,516,457,000 as at 31 December 2021. As mentioned in Section 3.1 of the Circular, the Group began to supply utilities to Dongming Zhongyou during the transition period (i.e., the period commencing from 31 October 2022 to 6 December 2022) and following the completion of the Merger. As such, the value of the sale of utilities from the Group to Dongming Zhongyou for FY2022 is the same as that for the period from 31 October 2022 to 31 December 2022, which amounted to RMB51,191,230.

The value of the sale of utilities from the Group to Dongming Zhongyou for the three (3) months ended 31 March 2023, six (6) months ended 30 June 2023 and nine (9) months ended 30 September 2023 were RMB49,413,881, RMB70,668,788 and RMB132,771,229 respectively. The value of the sale of utilities from the Group to Dongming Zhongyou for FY2023 amounted to RMB198,982,612, which accounted for approximately 12.92% of the Group's latest audited NTA of RMB1,540,250,000 as at 31 December 2022. Given that the sale of utilities from the Group to Dongming Zhongyou was an interested person transaction which exceeded the five per cent. (5%) threshold mentioned in Section 2.2 of this Circular above, the sale of utilities from the Group to Dongming Zhongyou is subject to the approval of Shareholders.

The value of the sale of utilities from the Group to Dongming Zhongyou for the period from 1 January 2024 to the Latest Practicable Date amounted to RMB25,445,131, which accounted for approximately 1.65% of the Group's audited NTA of RMB1,540,250,000 as at 31 December 2022.

The details of the sale of utilities from the Group to Dongming Zhongyou had been disclosed in the Company's financial statements announcement for FY2022, the three (3) months ended 31 March 2023, six (6) months ended 30 June 2023 and nine (9) months ended 30 September 2023 respectively.

3.4 RATIONALE FOR, AND BENEFITS OF, THE SALE OF UTILITIES TO DONGMING ZHONGYOU AND THE PROPOSED RATIFICATION

Information on rationale for the Non-Compliant IPT and benefits of the Proposed Ratification has been extracted from section 3.2.3 of the Circular and set out in italics below.

"As mentioned in Section 3.1 of this Circular, following the completion of the Merger, all of Shandong Runze's assets (in particular, the Hydrogenation Unit) and business operations had been succeeded by Dongming Zhongyou, and all relevant agreements entered into between the Group and Shandong Runze for, inter alia, the sale of utilities to Shandong Runze, had been novated to Dongming Zhongyou.

Further, as mentioned in Section 3.1 of this Circular, notwithstanding that the Merger was completed on 6 December 2022, as transactions with Shandong Runze constituted an important component of the Group's business and operations in the Group's ordinary course of business, the Group began to supply utilities to Dongming Zhongyou during the transition period (i.e., the period commencing from 31 October 2022 to 6 December 2022) and following the completion of the Merger. The sale of utilities to Dongming Zhongyou is of a recurring nature and is crucial to the day-to-day operations of the Group. Going forward, the Group anticipates that it will, in the ordinary course of business, continue to supply utilities to Dongming Zhongyou. As such, the Company wishes to seek Independent Shareholders' approval for ratification of the Non-Compliant IPT."

4. EVALUATION OF NON-COMPLIANT IPT

In our evaluation of the Non-Compliant IPT, we have given due consideration to, *inter-alia*, the following factors, where applicable:

- (i) Basis for the determination of pricing in relation to the Non-Compliant IPT;
- (ii) Application of guidelines and review procedures on the Non-Compliant IPT; and
- (iii) Other relevant considerations

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4.1 BASIS FOR DETERMINATION OF PRICING IN RELATION TO THE NON-COMPLIANT IPT

We note that in respect of utilities rates, it has been the Group's practice to engage a local certified public accounting firm after the end of each financial year to verify the rates paid to the Group over the past financial year were not lower than those charged by other independent suppliers or prevailing market rates.

We understand from the Management that the rates were based on market prices of similar transactions by comparable companies selected from the surrounding market, taking into consideration the transportation costs, the size, reputation and market stability of such comparable companies. The Management explained that it is important to keep abreast of market information and promptly pay attention to market influencing factors which may result in a change in prices of related products. In the event where the transacted prices were found not to be at arm's length following the review by the local certified public accounting firm, the Company will settle the transactions based on the previous year's prices and adjust the difference to the settled transactions once the PRC Utility Rate Report is issued.

We noted from management that the Non-Compliant IPT relates to the sale of hydrogen to Dongming Zhongyou and the rate charged by the Group are set out as follows:

Types of Products	Rates Charged by the Group	Market Rate per PRC Utility Rate Report
Hydrogen (<99%, >95% purity)	RMB14,664.53 per tonne	RMB14,664.53 per tonne

Source: Source documents provided by management and PRC Utilities Rate Report

Based on the table above, we note that the Non-Compliant IPT was transacted at prices determined at arm's length and based on market rate per the PRC Utility Rate Report.

4.2 APPLICATION OF METHODS AND PROCEDURES ON THE NON-COMPLIANT IPT

We note that the Company had in place the existing IPT General Mandate for the sale of utilities to Shandong Runze. The Non-Compliant IPT resulted from the absorption merger of Shangdong Runze into Dongming Zhongyou, where following the completion of the Merger, all relevant agreements entered into between the Group and Shandong Runze for, *inter-alia*, the sale of utilities to Shandong Runze had been novated to Dongming Zhongyou.

We further note that the Group has adopted and practiced the same methods and procedures for determining the terms of the sale of utilities by the Group to Shandong Runze to determine the terms of the sale of utilities to Dongming Zhongyou. Such methods and procedures were opined by the previous independent financial advisor of the Company in its opinion set out in Appendix B of the Company's circular dated 13 December 2022 to be sufficient to ensure that the sales of utilities by the Group to its interested persons will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The existing IPT General Mandate setting out these methods and procedures was approved by Shareholders at the EGM held on 28 December 2022.

4.3 OTHER RELEVANT CONSIDERATIONS

We note from the financial results announcement during the Relevant Period and the information in Section 3.1 of the Circular that the same guidelines and review procedures for the sale of utilities to Shandong Runze were applied to the Non-Compliant IPT. Accordingly, the Audit Committee have reviewed all interested person transactions at least on a quarterly basis to ensure that they were carried out at arm's length and on normal commercial terms.

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5. OUR OPINION ON THE NON-COMPLIANT IPT

In arriving at our opinion in relation to the Non-Compliant IPT, we have reviewed and evaluated all the factors, including the views and representations of the Directors and Management, which we deemed to have significant relevance to our assessment.

In arriving at our conclusion, we have also taken into account the principal factors, which are described in more detail in paragraph 4 of this Letter.

Having considered the above and all information available to us as at the Latest Practicable Date, we are of the opinion that the Non-Compliant IPT was carried out on normal commercial terms and was not prejudicial to the interests of the Company and its minority Shareholders.

6. THE PROPOSED AMENDMENTS

6.1 BACKGROUND OF THE EXISTING IPT GENERAL MANDATE

Information on the Company's existing IPT General Mandate has been extracted from section 4.1 of the Circular and set out in italics below.

“4.1.1 The Company has in place the IPT General Mandate for certain recurrent transactions with the mandated interested persons under the IPT General Mandate. The IPT General Mandate was first approved by Shareholders at the EGM held on 16 July 2014, where approval was obtained to enable the Group to enter into specified mandated transactions with specified classes of interested persons, as set out in the IPT General Mandate. Further to the foregoing, the Company had sought Shareholders' approval for, amongst others, the proposed adoption of the new general mandate for certain interested person transactions at the EGM held on 28 April 2017. Subsequently, at the EGM held on 28 December 2022, the Company sought Shareholders' approval for, amongst others, the proposed amendments of certain guidelines and review procedures under the then existing IPT General Mandate as well as the proposed adoption of the new general mandate for certain interested person transactions. Please refer to the Company's circulars dated 1 July 2014, 13 April 2017 and 13 December 2022 for further details in relation to the foregoing.

The IPT General Mandate was last renewed at the 2023 AGM, and was expressed to take effect until the next AGM of the Company is held or is required by law to be held, whichever is the earlier (unless revoked or varied by the Company in a general meeting). Please refer to the appendix to the notice of the 2023 AGM in relation to the proposed renewal of the general mandate for interested person transactions released by the Company, together with the notice of the 2023 AGM, on 11 April 2023, for further information.

4.1.2 The existing IPT General Mandate applies to the following classes of interested persons:

- (a) Dongming Petrochem, its existing and future subsidiaries, its holding company and the existing and future subsidiaries of the holding company of Dongming Petrochem, and any existing and future corporations in which Dongming Petrochem and such other related company or companies, taken together, have an interest (directly or indirectly) of thirty per cent. (30%) or more of that corporation's equity capital (i.e., the Dongming Petrochem Group); and*
- (b) Jiangsu Companies.*

4.1.3 The categories of interested person transactions covered by the existing IPT General Mandate are as follows:

- (a) purchase of raw LPG from the Dongming Petrochem Group;*
- (b) sale of processed LPG to the Dongming Petrochem Group;*
- (c) purchase of utilities, parts and components (including packaging materials) from the Dongming Petrochem Group;*

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- (d) *provision of logistics and transport-related services and/or products to the Dongming Petrochem Group;*
- (e) *purchase of utilities from, and offsetting costs of said purchase against sale of utilities to the New Mandate Interested Persons;*
- (f) *purchase of propylene, butene, ethylene and methanol from the Dongming Petrochem Group, and purchase of propylene from the Jiangsu Companies;*
- (g) *sale of recycled propylene to Dongming Qianhai; and*
- (h) *sale of products and procurement services through Dongming Petroleum Distribution Company.”*

6.2 PROPOSED ADOPTION OF THE AMENDED IPT GENERAL MANDATE

The proposed amendments to the existing IPT General Mandate are extracted from section 4.2.1 and 4.2.2 of the Circular and set out in italics below. Shareholders are advised to read the information contained therein carefully.

“4.2.1 Proposed Additional IPTs

In addition to the categories of the mandated interested person transactions covered by the existing IPT General Mandate as set out in Section 4.1.3 of this Circular above, from time to time, the Group enters into certain recurrent transactions with the Dongming Petrochem Group in relation to:

- (a) *sale of utilities, parts and components (including packaging materials and chemical excipients) (i.e., an expansion from the existing sale of utilities to the New Mandate Interested Persons to the sale of utilities, parts and components (including packaging materials and chemical excipients) to the Dongming Petrochem Group);*
- (b) *procurement of logistics and transport-related services and/or products;*
- (c) *procurement of sewage treatment services; and*
- (d) *procurement of machinery, equipment and instrument and meter repair services, and miscellaneous engineering services,*

*(collectively, the “**Proposed Additional IPTs**”).*

Since the Proposed Additional IPTs are expected to be recurrent transactions and may occur at any time and from time to time, to allow the Group to undertake such transactions in a more expeditious manner, the Company wishes to seek Independent Shareholders’ approval for the expansion of the scope of the IPT General Mandate to include the Proposed Additional IPTs as additional mandated interested person transactions under the IPT General Mandate.

4.2.2 Streamlining the scope of the mandated interested person transactions with the mandated interested person under the IPT General Mandate

Section 4.1.3 of this Circular provides for the categories of interested person transactions covered by the existing IPT General Mandate. In particular, certain categories of interested person transactions are currently only expressed to be conducted with certain entities within the Dongming Petrochem Group. Going forward, as such categories of interested person transactions may be conducted with other existing or new entities within the Dongming Petrochem Group, the Company is proposing to amend paragraph 2 of the existing IPT

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General Mandate to streamline the scope of the mandated interested person transactions under the IPT General Mandate such that the mandated interested person transactions may be conducted with the entire Dongming Petrochem Group as opposed to just being conducted with a specific or individual entity within the Dongming Petrochem Group.

In addition, notwithstanding that the Jiangsu Companies are not considered companies within the Dongming Petrochem Group under normal circumstances as the Jiangsu Companies and Dongming Petrochem (the immediate holding company of the Dongming Petrochem Group) are direct or indirect subsidiaries of Hong Li Yuan as at the Latest Practicable Date, for the purposes of this Circular and the Proposed Amended IPT General Mandate, the Jiangsu Companies have been included under the Dongming Petrochem Group taking into account the definition of the Dongming Petrochem Group.”

6.3 RATIONALE AND BENEFITS OF THE PROPOSED AMENDED IPT GENERAL MANDATE

The rationale and benefits of the proposed amendments to the existing IPT General Mandate are extracted from sections 4.2.1 and 4.2.2 of the Circular and set out in italics below. Shareholders are advised to read the information contained therein carefully.

“4.2.1 Proposed Additional IPTs

The proposed expansion of the IPT General Mandate to include the Proposed Additional IPTs will enable the Group to enter into the Proposed Additional IPTs that are of a revenue or trading nature with the mandated interested persons in the ordinary course of business without the need to convene a general meeting to seek Independent Shareholders’ approval each time when such potential transactions arise, provided that they are carried out on normal commercial terms and are not prejudicial to the Company and its minority Shareholders. This will substantially reduce the time and expenses associated with the convening of general meetings, improve administrative efficacy, and allow resources and time to be focused towards other corporate and business opportunities.

4.2.2 Streamlining the scope of the mandated interested person transactions with the mandated interested person under the IPT General Mandate

The rationale for such amendments is to ensure that the scope of the mandated interested person transactions with the mandated interested persons for the purposes of the IPT General Mandate will not be unduly restrictive, given that the Dongming Petrochem Group is one of the largest privately-owned upstream crude oil refiners in the PRC, and there are a considerable number of subsidiaries, branches, representative offices and other subsidiary undertakings under the Dongming Petrochem Group, each of which is engaged in various lines of business that are interconnected and interdependent with other subsidiary undertakings, there may be various internal corporate actions within the Dongming Petrochem Group from time to time for the purposes of integrating business operations and enhancing the overall synergy within the organisation.”

6.4 GUIDELINES AND REVIEW PROCEDURES FOR THE PROPOSED ADDITIONAL IPTS UNDER THE PROPOSED AMENDED IPT GENERAL MANDATE

The details of the proposed guidelines and review procedures for the Proposed Additional IPTs under the Proposed Amended IPT General Mandate are set out in Section 4.2.3 of the Circular. Shareholders are advised to read the information contained therein carefully.

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“4.2.3 Guidelines and review procedures under the Proposed Amended IPT General Mandate

(a) Guidelines and review procedures for the Proposed Additional IPTs

For sale of utilities, parts and components (including packaging materials and chemical excipients), it is proposed that:

Transaction Volume

- (i) The volume of the utilities supplied will be based on a settlement statement confirmed and signed by the Company and the Mandated Interested Persons. The transaction volume of utilities for each month will be determined based on the transaction records compiled and reconciled by both parties at the end of each month, and the transaction volume of parts and components (including chemical excipients) for each month will be determined based on the warehouse receipt. The volume records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

Transaction Price

- (ii) The Group will be engaging a local certified public accounting firm every year to compare the rates charged by the Group with those quoted by third party suppliers and certify that the rates paid by the Mandated Interested Persons to the Group were not lower than the prevailing market rates, represented by the quotes obtained by such local certified public accounting firm from selected third party suppliers. The rates chargeable for the utilities will be determined at arm's length and having regard to the prevailing market rates, as set out in the report prepared by the local certified public accounting firm. The utilities rates have been fairly stable in the last few years, and from the commercial standpoint, the Company is of the view that it is feasible for the parties to rely on the report for the purpose of determining the utilities rates chargeable. The parties will enter into a long-term framework agreement for the sale of utilities and in the event that there is a significant change in the market in respect of the utilities rates chargeable, the parties will renegotiate and sign supplemental agreement(s) to adjust the utilities rates.

In this regard, the Company has commissioned Shandong Changming Accounting Firm (山东昌明会计师事务所) (“**Shandong Changming**”) to provide services for the Company. Shandong Changming usually selects price information from similar businesses in the vicinity. The Company's appointment of a local certified public accounting firm (e.g., Shandong Changming) is based on such accounting firm's greater understanding of the surrounding market. As at the Latest Practicable Date, the Company's internal auditor is BDO, registered in Singapore, which has relatively less information on businesses in the vicinity. However, BDO will base on the procedures and results of the price report issued by Shandong Changming when conducting its internal audit of the Group. Shandong Changming does not have any relationship with Mr. Li and his associates, including the Dongming Petrochem Group. Through its established review procedures, Shandong Changming will (i) verify whether the financial statements for specific projects are consistent with the overall financial statements; (ii) check whether the details of the expenses or income recorded match the settlement bills; and (iii) investigate and compare the prices of three (3) similar or resembling businesses in the vicinity to determine the fairness of the price and to provide a pricing report. As mentioned above, since the utilities rates have been fairly stable in the last few years, commissioning a local certified public accounting firm for

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price comparison at every transaction would increase the Company's cost of expenses and also affect the Company's normal business operations. Although, in principle, an audit is conducted once a year, if the Company's management has evidence of significant price changes in the surrounding market, it has the right to propose adjustments to the pricing.

- (iii) *The rates payable by the Mandated Interested Persons for the parts and components (including packaging materials and chemical excipients) shall not be lower than the purchase cost (including transportation costs) of such parts and components (including packaging materials and chemical excipients) procured by the Group.*

Transaction Settlement

- (iv) *Generally, the settlement for the utilities, parts and components (including packaging materials and chemical excipients) takes place at the end of each month. As the transaction value of the utilities is relatively large and under normal circumstances, the Company's sale of utilities is about RMB26 million per month, and in special cases, if the Group as the supplier encounters difficulties in the turnover of funds, it may request for the partial payment by the Mandated Interested Persons as the purchaser. The Mandated Interested Persons can make partial payment based on the actual consumed quantities on the date of the requesting for partial payment, and such partial payment will be deducted from the month-end settlement. Partial payments are made under special circumstances, taking into account the possible temporary financial needs of both the supplier and the purchaser, under equal conditions for both parties. Based on the past records, the occurrence of partial payments is extremely low. The partial payment (if any) and month-end settlement shall be jointly approved/ signed by any Directors/ the CFO of the Company, and the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.*

For procurement of logistics and transport-related services and/or products, it is proposed that:

Transaction Volume

- (i) *The monthly statement of logistics procurement services will be reviewed and approved by any one (1) of the Directors of the Company, the CFO of the Company, or the general manager of the relevant company within the Group, or such assigned senior management personnel of the Group who is in charge of procurement business, who does not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.*

Transaction Price

- (ii) *The prices paid by the Group for the procurement of logistics and transport-related services and/or products will be determined on an arm's length basis by the respective sales departments of the relevant Mandated Interested Persons and approved by the general manager of the relevant companies in the Group, who has no interest, direct or indirect, in the transaction and does not hold any executive position in the Mandated Interested Persons. The terms for procurement of logistics and transport-related services and/or products from the relevant Mandated Interested Persons and the Group shall not be less favourable than those extended to unrelated third parties, taking into account factors, including but not limited to fuel costs, overheads, total distance travelled, delivery volume, business relationships and payment terms.*

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Transaction Settlement

- (iii) Settlement for the procurement of logistics and transport-related services and/or products also takes place at the end of each month. The month-end settlement shall be jointly approved/ signed by any Director/ the CFO of the Company, and the general manager of the relevant companies in the Group, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

For procurement of sewage treatment services, it is proposed that:

For supplies that contain thirty per cent. (30.0%) or more of propylene per tonne of raw LPG, their pricing will be determined based on the average quoted selling price (excluding transportation costs) of three (3) unrelated suppliers of raw LPG for the month. The three (3) unrelated suppliers will be selected randomly by the sales director of Dongming Hengchang from those who have had past transactions with Dongming Hengchang and their quoted prices are to be obtained weekly from the website of an independent industry data and information provider.

Transaction Volume

- (i) The volume records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

Transaction Price

- (ii) Generally, the price of sewage treatment fee is relatively stable. The rates payable for procurement of sewage treatment service will be determined at arm's length and having regard to the prevailing market rates, as set out in the report prepared by the local certified public accounting firm annually. The terms for procurement of sewage treatment service shall not be less favourable than those extended to unrelated third parties, taking into account factors, including but not limited to overheads, total distance travelled, delivery volume, business relationships and payment terms.

Transaction Settlement

- (iii) Generally, settlement for the sewage treatment service takes place at the end of each month due to the low transaction value. The month-end settlement shall be jointly approved/ signed by any Director/ the CFO of the Company, the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

For procurement of machinery, equipment and instrument and meter repair service, and miscellaneous engineering services, it is proposed that:

Luban Construction, a company within the Dongming Petrochem Group, is a large-scale comprehensive construction enterprise specialising in machinery equipment, instrument and meter repair, maintenance services, engineering construction, special equipment installation, and special equipment online testing services. It holds various qualifications and licenses including, amongst others, qualification (Grade 2) for general contracting for construction, qualification (Grade 3) for electromechanical

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installation, and license for special equipment installation, modification and maintenance. Luban Construction is familiar with the production device and process flow of the Company. The Company may request for maintenance, overhaul and other construction services from time to time.

Transaction Volume

- (i) The Company shall appoint a site construction representative or entrust a third-party construction supervisor to be responsible for guiding and supervising the construction site. Any fee-based items such as services, consumable materials, or machinery that are included in the construction settlement require the preparation of a project visa form. The project visa form will be reviewed and approved by any one (1) of the on-site construction representative, the third-party construction supervisor appointed by the Company, or the general manager of the Company. To ensure the quality of construction materials used for construction, all major construction materials shall be supplied by our Group.

Transaction Price

- (ii) Upon the completion of the project, the Company as the construction party must entrust an independent third-party accounting firm with engineering audit qualifications to prepare a project settlement report. When evaluating the third-party auditors, the Company requires auditors to provide relevant audit qualifications, basic company information, past audit performance, billing standards, criteria for choosing quotas, and audit execution procedures, in order to ensure the auditor's independence. Additionally, in the case of the value of a single project is relatively large, it is common for the Company to commission a second auditing firm to perform a review. As agreed by the parties, the quota execution, the charging procedure, and the safety construction fees shall follow the prevailing applicable laws, regulations and normative documents. If any party has objections to the project settlement, they can independently entrust a professional institution to conduct a review. The review result shall be subject to the principle of choosing the lower price.

Transaction Settlement

- (iii) The payment of project funds shall be carried out in accordance with the construction contract. Any payment of project funds shall be jointly approved/ signed by any Director/ the CFO of the Company, and the on-site construction representative appointed by the Company, or the general manager of the relevant company within the Group, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.
- (b) Proposed amendments to guidelines and review procedures in relation to certain mandated interested person transactions under the IPT General Mandate

Following a review by the Audit Committee, the Company is also proposing certain amendments to the transaction price in relation to purchase of raw LPG that contains less than thirty per cent. (30%) propylene per tonne.

This is because raw LPG containing less than thirty per cent. (30%) propylene per tonne is generally rare in the market and it is difficult to obtain a reference transaction price for such raw LPG. As such, for supplies of raw LPG containing less than thirty per cent. (30%) propylene per tonne, it is more practical for the Group to determine the transaction prices using the average quoted selling price of processed LPG sold by the Group (excluding transportation costs) to unrelated third parties for the month (which is usually lower than that of raw LPG), as compared to using the average quoted selling price of three (3) unrelated suppliers of raw LPG containing less than thirty per cent. (30%) propylene per tonne (excluding transportation costs) for the month (which is difficult to obtain in the market). The processed LPG sold by the

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Group to the unrelated third parties, having had its propylene content extracted, is no longer of industrial processing value and is typically used as industrial or domestic fuel at a price lower than that of the raw LPG. Even though raw LPG containing less than thirty per cent. (30%) propylene per tonne has relatively low propylene levels, the Group can still extract and process propylene from it. Since it is challenging to find comparable products in the market, and considering the benefits to the Company and its minority Shareholders, the transaction price for raw LPG containing less than thirty per cent. (30%) propylene per tonne will be referenced against the price of processed LPG sold by the Group to the unrelated third parties.

Save as disclosed above, the guidelines and review procedures under the Proposed Amended IPT General Mandate are largely similar to the guidelines and review procedures under the IPT General Mandate.”

6.5 DISCLOSURE OF IPT IN FINANCIAL STATEMENTS AND ANNUAL REPORT

We note from Section 4.4 of the Circular that the Company will comply with the requirements of the Listing Manual with regards to the disclosure of IPTs pursuant to the Proposed Amended IPT General Mandate for the financial periods which the Company is required to report and the annual report.

6.6 PLANS AND OPTIONS OF THE COMPANY

We note from Section 4.5 of the Circular that in the event the Proposed Amendments are not approved by the Shareholders in the 2024 EGM, the Company may have to (i) incur relatively large capital investments to build hydrogen storage facilities and invest considerable effort and time to obtain regulatory approval for the facilities; or (ii) bear potential safety risks and significant economic losses for the Company and its Shareholders. Please refer to Section 4.5 of the Circular for further details.

7. OUR OPINION ON THE PROPOSED AMENDMENTS

In arriving at our opinion in respect of the Proposed Amendments, we have considered, *inter alia*, the guidelines and review procedures set up by the Company, the role of the Audit Committee in enforcing the methods and procedures set out in the Proposed Amended IPT General Mandate and the rationale and benefits arising from the Proposed Amended IPT General Mandate.

Having regard to the considerations set out in this Letter and the information available to us as at the Latest Practicable Date, we are of the opinion that the methods and procedures for determining the transaction prices, if adhere to and applied consistently, are sufficient to ensure that interested person transactions under the Proposed Amended IPT General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Our opinion, as set out in paragraphs 5 and 7 of this Letter is based upon market, economic, industry, monetary and other conditions prevailing and information made available to us as at the Latest Practicable Date.

This Letter is required under Rule 920(1)(b)(v) and Rule 921(4)(a) of the Listing Manual for Independent Shareholders to make an informed voting decision. It is addressed to the Non-Interested Directors in connection with and for the purposes of their consideration of the Proposed Ratification and the Proposed Amended IPT General Mandate. Their recommendations to the Independent Shareholders in respect of the Proposed Ratification and the Proposed Amended IPT General Mandate shall remain their responsibility. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than for the purpose of the Proposed Ratification and the Proposed Amended IPT General Mandate, at any time in any manner without our prior written consent in each specific case.

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This IFA Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully,
For and on behalf of,
CEL Investment Corporate Finance Pte. Ltd.

Ng Boon Eng
Chief Executive Officer

Ashton Chang
Associate Director, Corporate Finance

APPENDIX B – THE IPT GENERAL MANDATE (AS AMENDED)

The amendments proposed to be made to the IPT General Mandate which was approved for renewal by Shareholders on 26 April 2023 are set out below in blackline (with amendments in underline and deletions in strikethrough).

GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. Rationale for, and Benefits of, the Proposed Renewal of the IPT General Mandate

It is anticipated that in the ordinary course of business, transactions of a revenue or trading nature between the Company, its subsidiaries ~~that are not listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) or an approved exchange and associated companies that are not listed on the SGX-ST or an approved exchange over which the Company and its subsidiaries, or the Company and its subsidiaries and their interested person(s), have control (collectively, the “Group”)~~ and the Mandated Interested Persons (as defined in paragraph 2 below) are likely to occur from time to time.

The ~~Proposed Renewal of the IPT General Mandate~~ will enable the ~~Company, its subsidiaries and associated companies~~ Group to enter into certain types of transactions that are of a revenue or trading nature with the Mandated Interested Persons in the ordinary course of business without the need to convene a general meeting to seek Shareholders’ approval each time when such potential transactions arise, provided that they are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. This will substantially reduce the time and expenses associated with the convening of general meetings, improve administrative efficacy, and allow resources and time to be focused towards other corporate and business opportunities.

2. Classes of Mandated Interested Persons under the Proposed Renewal of the IPT General Mandate

The IPT General Mandate, ~~if renewed,~~ will apply to the following classes of Interested Persons:

(a) Shandong Dongming Petrochem Group Co., Ltd. (山东东明石化集团有限公司) (“Dongming Petrochem”), its existing and future subsidiaries, its holding company and the existing and future subsidiaries of the holding company of Dongming Petrochem, and any existing and future corporations in which Dongming Petrochem and such other related company or companies, taken together, have an interest (directly or indirectly) of thirty per cent. (30.0%) or more of that corporation’s equity capital (the **“Dongming Petrochem Group”**)¹; and

~~(b) — Jiangsu Companies,~~

(collectively, the **“Mandated Interested Persons”**).

Mr Li Xiangping, the Company’s Executive Chairman and CEO ~~as well as a Controlling Shareholder of the Company as at the Latest Practicable Date,~~ is a 99.61% shareholder of Shandong Hong Li Yuan Stock Limited Company (山东宏利源股份有限公司) (“Hong Li Yuan”), which holds 97.18% equity interest in Dongming Petrochem ~~(the immediate holding company of the Dongming Petrochem Group).~~

The ~~Jiangsu Companies~~ are “Interested Persons” of the Company by way of Mr Li’s indirect shareholding in the ~~Jiangsu Companies~~ through Hong Li Yuan.

Please refer to the diagram as set out in **Schedule 1** to this Appendix for a detailed account of Mr Li’s indirect shareholding interests in the ~~Dongming Petrochem Group~~.

1. For the avoidance of doubt, notwithstanding that the Jiangsu Companies (i.e., Jiangsu Runhai Oil Products Distribution Co., Ltd. (江苏润海油品销售有限公司) and Jiangsu Xinhai Petrochem Co., Ltd. (江苏新海化工有限公司)) are not considered companies within the Dongming Petrochem Group under normal circumstances as the Jiangsu Companies and Dongming Petrochem (the immediate holding company of the Dongming Petrochem Group) are direct or indirect subsidiaries of Hong Li Yuan, for the purposes of this Circular and the Proposed IPT General Mandate, the Jiangsu Companies have been included under the Dongming Petrochem Group taking into account the definition of the Dongming Petrochem Group.

APPENDIX B – THE IPT GENERAL MANDATE (AS AMENDED)

Transactions with interested persons that do not fall within the ambit of the IPT General Mandate will be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Listing Manual.

3. **Categories of Mandated Interested Person Transactions under the ~~Proposed Renewal of the IPT General Mandate~~**

The Group envisages that in the ordinary course of their business, transactions between the Company, ~~its subsidiaries and associated companies~~ Group and the Mandated Interested Persons will be likely to occur from time to time. Such transactions would include:

- (a) ~~purchase of raw LPG from the Dongming Petrochem Group;~~
- (b) ~~sale of processed LPG to the Dongming Petrochem Group;~~
- (c) ~~purchase of utilities², parts and components (including packaging materials and chemical excipients) from the Dongming Petrochem Group;~~
- (d) ~~sale of utilities, parts and components (including packaging materials and chemical excipients);~~
- (e)(d) ~~provision and/or procurement of logistics and transport-related services and/or products to the Dongming Petrochem Group;~~
- (e) ~~purchase of utilities¹ from, and offsetting costs of said purchase against sale of utilities² to the New Mandate Interested Persons;~~
- (f) ~~purchase of propylene, butene, ethylene (including C2 components), residual C4 (剩余 C4)³ and methanol from the Dongming Petrochem Group, and purchase of propylene from the Jiangsu Companies;~~
- (g) ~~sale of recycled propylene to Dongming Qianhai; and~~
- (h) ~~commissioned sale of products and procurement services through Dongming Petroleum Distribution Company;~~
- (i) ~~procurement of sewage treatment services; and~~
- (j) ~~procurement of machinery, equipment and instrument and meter repair services, and miscellaneous engineering services.~~

The Group may transact with one (1) or more entities which are Mandated Interested Persons for each category of the Mandated Interested Person Transactions set out above.

4. **Guidelines and ~~R~~review ~~P~~rocedures under the ~~Proposed Renewal of the IPT General Mandate~~**

In general, ~~I~~nterested ~~P~~erson ~~T~~ransactions shall be carried out on normal commercial terms which are consistent with the Group's usual business practices and on terms that are not prejudicial to the interests of the Company and its minority Shareholders.

21. For the purposes of the IPT General Mandate, "Utilities" include fresh water, recycled water, condensation water, electricity, purified air, steam, fuel gas, nitrogen and hydrogen.

32. ~~Ibid.~~ LPG mainly consists of a mixture of C3 (propane, propylene) and C4 (butane, isobutane, butene). The raw LPG required for the production of propylene and polypropylene in the Company primarily contains a higher proportion of C3 propylene. The residual C4 (剩余C4) with a higher content of butene offers a cost advantage for the production of MTBE. Generally, the Company's production process will be adjusted appropriately based on product efficiency in the market. For example, if MTBE has better market efficiency, while ensuring normal and stable production, the Company will purchase some residual C4 (剩余 C4) to improve the yield of MTBE.

APPENDIX B – THE IPT GENERAL MANDATE (AS AMENDED)

In particular, the Group has implemented the following procedures to ensure that the transactions with the Mandated Interested Persons are undertaken on an arm's length basis and on normal commercial terms and establish a structured system of transparency and accountability in the Group's transactions with these Mandated Interested Persons and that all Mandated Interested Person Transactions IPTs with the Mandated Interested Persons ~~Dongming Petrochem Group and Jiangsu Companies~~ would be properly documented, accounted for and fully disclosed to the shareholders as necessary:

(a) Purchase of raw LPG from the ~~Dongming Petrochem Group~~

Transaction Volume

- (i) The volume records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in ~~Dongming Petrochem Group~~ the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

Transaction Price

- (ii) Under normal circumstances, the price of raw LPG is closely related to its propylene content. On the open market, raw LPG generally refers to LPG containing thirty per cent. (30%) or more of propylene content per tonne. This type of LPG, after being processed and having its propylene components extracted for use in polypropylene production by the Company, can be turned into polypropylene.

~~For supplies that contain thirty per cent. (30-0%) or more of propylene per tonne of raw LPG, their pricing will be determined based on the average quoted selling price (excluding transportation costs) of three (3) unrelated suppliers of raw LPG (excluding transportation costs) for the month. The three (3) unrelated suppliers will be selected randomly by the sales director of Dongming Hengchang from those who have had past transactions with Dongming Hengchang and their quoted prices are to be obtained weekly from the website of an independent industry data and information provider.~~

~~The three (3) unrelated suppliers will be selected randomly by the sales director of Dongming Hengchang from those who have had past transactions with Dongming Hengchang and their quoted prices are to be obtained weekly from the website of an independent industry data and information provider.~~

For supplies that contain less than thirty per cent. (30%) propylene per tonne of raw LPG, their pricing will be determined based on the average quoted selling price (excluding transportation costs) of processed LPG sold by the Group to unrelated third parties for the month. This is because raw LPG containing less than thirty per cent. (30%) propylene per tonne is generally rare in the market and it is difficult to obtain a reference transaction price for such raw LPG. As such, for supplies of raw LPG containing less than thirty per cent. (30%) propylene per tonne, it is more practical for the Group to determine the transaction prices using the average quoted selling price of processed LPG sold by the Group (excluding transportation costs) to unrelated third parties for the month (which is usually lower than that of raw LPG), as compared to using the average quoted selling price of three (3) unrelated suppliers of raw LPG containing less than thirty per cent. (30%) propylene per tonne (excluding transportation costs) for the month (which is difficult to obtain in the market). The processed LPG sold by the Group to the unrelated third parties, having had its propylene content extracted, is no longer of industrial processing value and is typically used as industrial or domestic fuel at a price lower than that of the raw LPG. Even though raw LPG containing less than thirty per cent. (30%) propylene per tonne has relatively low propylene levels, the Group can still extract and process propylene from it. Since it is challenging to find comparable products in the market, and considering

APPENDIX B – THE IPT GENERAL MANDATE (AS AMENDED)

the benefits to the Company and its minority Shareholders, the transaction price for raw LPG containing less than thirty per cent. (30%) propylene per tonne will be referenced against the price of processed LPG sold by the Group to the unrelated third parties.

Transaction Settlement

(iii) The partial payment, if any, will be set off against the month-end settlement. The ~~approving authority for the partial payment (if any) and month-end settlement shall be jointly approved/ signed by~~ comprise any two (2) of the any Directors/ the CFO of the Company, CFO, or and the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in ~~Dongming Petrochem Group~~ the Mandated Interested Persons.

(b) Sale of processed LPG to the ~~Dongming Petrochem Group~~

Transaction Volume

(i) The ~~month-end settlement statement volume records~~ will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in ~~Dongming Petrochem Group~~ the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

Transaction Price

(ii) ~~The transaction price shall be determined based on the month-end average price of daily quotes from three (3) unrelated suppliers for the month, which shall be obtained from the industry data and information available on the websites of the independent supplier.~~

Transaction Settlement

~~(iii)(ii)~~ ~~The approving authority for the month-end~~ remittance order settlement shall be jointly approved/ signed by ~~comprise any two (2) of the any Directors/ the CFO of the Company, CFO, and or~~ the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in ~~Dongming Petrochem Group~~ the Mandated Interested Persons.

(c) Purchase of utilities, parts and components (including packaging materials and chemical excipients) from the ~~Dongming Petrochem Group~~

Transaction Volume

(i) The volume records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in ~~Dongming Petrochem Group~~ the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

Transaction Price

(ii) The rates payable for the utilities will be determined at arm's length and having regard to the prevailing market rates, as set out in the report prepared by the local certified public accounting firm. ~~As at the Latest Practicable Date,~~ ~~t~~he utilities rates have been fairly stable in the last few years, from the commercial standpoint, the Company is of the view that it is feasible for the parties to rely on the report for the purpose of determining the utilities rates payable unless there are any material changes to the prevailing market rates, in which case both parties will re-negotiate the rates payable based on the then prevailing market rates.

APPENDIX B – THE IPT GENERAL MANDATE (AS AMENDED)

Transaction Settlement

(iii) ~~The approving authority for the partial payment (if any) and month-end settlement shall be jointly approved/ signed by comprise any two (2) of the any Directors/ the CFO of the Company, and or the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in Dongming Petrochem Group the Mandated Interested Persons.~~

(d) ~~Sale of utilities, parts and components (including packaging materials and chemical excipients)~~

Transaction Volume

(i) ~~The volume of the utilities supplied will be based on a settlement statement confirmed and signed by the Company and the Mandated Interested Persons. The transaction volume of utilities for each month will be determined based on the transaction records compiled and reconciled by both parties at the end of each month, and the transaction volume of parts and components (including chemical excipients) for each month will be determined based on the warehouse receipt. The volume records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.~~

Transaction Price

(ii) ~~The Group will be engaging a local certified public accounting firm every year to compare the rates charged by the Group with those quoted by third party suppliers and certify that the rates paid by the Mandated Interested Persons to the Group were not lower than the prevailing market rates, represented by the quotes obtained by such local certified public accounting firm from selected third party suppliers. The rates chargeable for the utilities will be determined at arm's length and having regard to the prevailing market rates, as set out in the report prepared by the local certified public accounting firm. The utilities rates have been fairly stable in the last few years, and from the commercial standpoint, the Company is of the view that it is feasible for the parties to rely on the report for the purpose of determining the utilities rates chargeable. The parties will enter into a long-term framework agreement for the sale of utilities and in the event that there is a significant change⁴ in the market in respect of the utilities rates chargeable, the parties will renegotiate and sign supplemental agreement(s) to adjust the utilities rates.~~

(iii) ~~The rates payable by the Mandated Interested Persons for the parts and components (including packaging materials and chemical excipients) shall not be lower than the purchase cost (including transportation costs) of such parts and components (including packaging materials and chemical excipients) procured by the Group.~~

4. A "significant change" refers to the situation where either party has sufficient evidence proving that there has been a significant change in the market price of public utility products. For instance, changes in the national electricity feed-in tariff due to policy adjustments, significant changes in steam production costs due to fluctuations in coal prices influenced by the market and other factors, and/or substantial changes in the production cost of hydrogen due to significant fluctuations in the price of raw LPG, etc. In such cases, upon negotiation, a supplementary agreement will be signed to adjust the prices accordingly.

APPENDIX B – THE IPT GENERAL MANDATE (AS AMENDED)

Transaction Settlement

(iv) Generally, the settlement for the utilities, parts and components (including packaging materials and chemical excipients) takes place at the end of each month. As the transaction value of the utilities is relatively large and under normal circumstances, the Company's sale of utilities is about RMB26 million per month, and in special cases, if the Group as the supplier encounters difficulties in the turnover of funds, it may request for the partial payment by the Mandated Interested Persons as the purchaser. The Mandated Interested Persons can make partial payment based on the actual consumed quantities on the date of the requesting for partial payment, and such partial payment will be deducted from the month-end settlement. Partial payments are made under special circumstances, taking into account the possible temporary financial needs of both the supplier and the purchaser, under equal conditions for both parties. Based on the past records, the occurrence of partial payments is extremely low. The partial payment (if any) and month-end settlement shall be jointly approved/signed by any Director/ the CFO of the Company, and the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

~~(e)(d)~~ Provision and/or procurement of logistics and transport-related services and/or products to the Dongming Petrochem Group

Transaction Volume

(i) The monthly settlement statement for logistics procurement services will be reviewed and approved by any one (1) of the Directors of the Company, the CFO of the Company, or the general manager of the relevant company within the Group, or such assigned senior management of the Group who is in charge of procurement business, who does not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

Transaction Price

(ii) The Company's subsidiary, Dongming Changshun and its branch office, Dongming Ganyu, provide logistics and transport-related services and/or products to Dongming Petrochem Group as well as unrelated third parties. Such transport-related services and/or products including the provision of truck maintenance and repair services and transport services for petroleum goods. The prices charged by the Group or the Mandated Interested Persons Dongming Changshun and Dongming Ganyu to Dongming Petrochem Group for provision of the logistics and transport-related services and/or products will be determined on an arm's length basis by the respective sales departments of the relevant companies in the Group or the Dongming Petrochem Group as Mandated Interested Persons respectively Dongming Changshun and Dongming Ganyu and approved by the general manager of the relevant companies in the Group, who has no interest, direct or indirect, in the transaction and does not hold any executive position in the relevant Mandated Interested Persons Dongming Petrochem Group or of the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons respectively. The terms for provision of logistics and transport-related services and/or products to the relevant Mandated Interested Persons offered to Dongming Petrochem Group shall not be more favourable than those extended to unrelated third parties and the terms for procurement of logistics and transport-related services and/or products from the relevant Mandated Interested Persons shall not be less favourable than those extended to unrelated third parties, taking into account factors, including but not limited to fuel costs, overheads, total distance travelled, delivery volume, business relationships and payment terms.

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- (iii) The prices paid by the Group for the procurement of logistics and transport-related services and/or products will be determined on an arm's length basis by the respective sales departments of the relevant Mandated Interested Persons and approved by the general manager of the relevant companies in the Group, who has no interest, direct or indirect, in the transaction and does not hold any executive position in the Mandated Interested Persons. The terms for procurement of logistics and transport-related services and/or products between the relevant Mandated Interested Persons and the Group shall not be less favourable than those extended to unrelated third parties, taking into account factors, including but not limited to fuel costs, overheads, total distance travelled, delivery volume, business relationships and payment terms.

Transaction Settlement

- (iii) Settlement for the provision and/or procurement of logistics and transport-related services and/or products also takes place at the end of each month. The month-end settlement shall be jointly approved/ signed by any Director/ the CFO of the Company, and the general manager of the relevant companies in the Group, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.
- ~~(e) — Purchase of utilities from, and offsetting costs of said purchase against sale of utilities to the New Mandate Interested Persons~~
- ~~(i) — The transaction volume of utilities supplied to the New Mandate Interested Persons for each month will be determined based on the relevant meter readings taken jointly and compiled by representatives from the Group and the respective New Mandate Interested Persons, in the form of a utilities consumption table (the “Table”), at the end each month. The Table prepared will be reviewed and approved by the general manager or such other authorised manager of the respective New Mandate Interested Persons and the CFO, Director or general manager of the respective Group company, who does not have an interest, direct or indirect, or hold any executive position in Dongming Petrochem Group, before they are forwarded to the finance department for processing of settlement.~~
- ~~(ii) — The general manager of the respective New Mandate Interested Persons and the Group's assigned representative shall each sign off on the agreed settlement sheet (the “Signed Confirmation”), reflecting details including (without limitation to) the utilities provided and/or consumed and the respective costs incurred by each party for said consumption, which shall be prepared based on the Table. Generally, settlement of the utilities charges takes place at the end of each month. The approving authority for the month-end settlements shall comprise any two (2) of the Directors, the CFO of the Company or the general manager of respective the Group companies (who do not have an interest, direct or indirect, or hold any executive position in Dongming Petrochem Group).~~
- ~~(iii) — The Group will continue its current practice of engaging a local certified public accounting firm every year to compare the utilities rates with those quoted by third-party suppliers and certify that the rates charged by the Group to the New Mandate Interested Persons were not lower than the prevailing market rates, represented by the quotes obtained by such local certified public accounting firm from select third party suppliers. The rates charged for the utilities will be determined at arm's length and having regard to the prevailing market rates, with reference to the report prepared by the local certified public accounting firm. The Company is of the view that it is feasible for the parties to make reference to the report for the purpose of determining the utilities rates payable unless there are any material changes to the prevailing market rates, in which case both parties will re-negotiate the rates payable based on the then prevailing market rates.~~

APPENDIX B – THE IPT GENERAL MANDATE (AS AMENDED)

- (f) Purchase of propylene, butene, ethylene (including C2 components), residual C4 (剩餘C4) and methanol ~~from the Dongming Petrochem Group and purchase of propylene from the Jiangsu Companies~~
- (i) ~~Dongming Hengchang and Dongming Qianhai have~~ entered into a framework agreement with the ~~Jiangsu Companies and Dongming Qianhai relevant companies within the Dongming Petrochem Group as Mandated Interested Persons~~ for the supply of propylene, whereby Dongming Hengchang shall purchase part of the propylene produced by the ~~Jiangsu Companies and Dongming Qianhai the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons~~ (the “**Propylene Purchase**”). In addition to propylene, the Group may also purchase butene, ethylene (including C2 components), residual C4 (剩餘 C4) and methanol from companies within the Dongming Petrochem Group which are used for the production of premier-grade polypropylene and MTBE (collectively with the Propylene Purchase, shall be referred to herein as the “**Raw Materials Purchase**”);
- (ii) In determining the transaction price of the Raw Materials Purchase, the Company shall use the prevailing market price as a benchmark, and the following factors shall be taken into consideration (and for comparison):
- (A) at least three (3) prices quoted by other suppliers who are non-~~Mandated Interested~~Interested Persons;
- (B) the quality of propylene, butene, ethylene and methanol supplied which shall be determined based on their purity levels (their purity levels will be derived from sample testing); and
- (C) all other relevant factors (e.g., costs of transport and taxation matters relating to the invoicing for these purchases).

Transaction Volume

- (iii) The transaction volume for each month will be determined based on the transaction records compiled and reconciled by both parties at the end of each month (the “**Transaction Record**”). The Transaction Records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in ~~Dongming Petrochem Group~~ the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

Transaction Price

- (iv) The price per unit for the Raw Materials Purchase shall be calculated based on the prevailing market price for products with similar purity levels. The Raw Material Purchase price will be determined based on the average quoted selling price of three (3) unrelated suppliers of propylene, butene, ethylene and methanol of similar purity levels for the month. The three (3) unrelated suppliers will be selected randomly by the sales director of Dongming Hengchang from those who have had past transactions with Dongming Hengchang and their quoted prices are to be obtained weekly from the website of an independent industry data and information provider.

The key commercial rationale in respect of selecting these suppliers relates to the location of these suppliers, which will affect the costs of transporting the Company’s purchases.

APPENDIX B – THE IPT GENERAL MANDATE (AS AMENDED)

Transaction Settlement

- (v) It is not unusual in practice for suppliers to the Group to request for security like partial payments or even full payment for raw materials purchases prior to the actual delivery. With regards to the purchase of propylene and methanol from the ~~Dongming Petrochem Group Mandated Interested Persons~~, although settlement generally takes place at the end of each month after the transaction volume and price are duly agreed upon by both parties, the respective companies within the Dongming Petrochem Group may request the Group to make partial payment for the propylene and methanol delivered or expected to be delivered prior to the month-end settlement. The amount of partial payment is usually based on an estimated transaction volume and price for the month as agreed in writing by the parties when such requests are made, taking into account the average volume for the past three (3) months and the transaction price for the previous month. The partial payment, if any, will be set off against the month-end settlement. If the partial payment exceeds the month-end settlement, it will be refunded immediately upon confirmation of the amount of the month-end settlement. With regards to the purchase of butene and ethylene from the ~~Dongming Petrochem Group Mandated Interested Persons~~, settlement takes place at the end of each month after the transaction volume and price are duly agreed upon by both parties. The ~~approving authority for the partial payment (if any) and month-end settlement shall be jointly approved/ signed by~~ comprise any two (2) of the any Directors/ the CFO of the Company, CFO, and or the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in Dongming Petrochem Group the Mandated Interested Persons.

Similar to the arrangement which allows for partial payments for the purchase of raw LPG from ~~Dongming Petrochem Group the Mandated Interested Persons~~ under the Existing IPT General Mandate, the key reason for providing for partial payments in relation to the purchase of propylene is due to the larger expected transaction sizes and thus, it is common practice for the suppliers to request for partial payments for raw material purchases delivered prior to the month-end settlement.

- (vi) Should the aggregate value of any partial payment and/or settlement exceed RMB80 million in a particular month, the Company shall seek approval for the partial payment and/or settlement from the Audit Committee. The aforesaid approval limit has been arrived at by the Group after taking into consideration the nature and size of the Mandated Interested Person Transactions, so as to provide for business efficiency and at the same time provide additional safeguards to ensure that transactions of exceptional amounts with the Mandated Interested Person are reviewed and approved by the Audit Committee.

The amount of RMB80 million which represents around 5.19% of the Group's latest audited NTA as at 31 December 2022 is derived by the Group based on ~~80%~~ 78% of its projected cost of purchasing propylene to fulfil the production capacity of its newly constructed polypropylene plant. Provided that the newly constructed polypropylene plant requires approximately 160,000 tonnes of propylene annually, its projected costs of purchase is approximately RMB100 million per month.

- (g) Sale of recycled propylene to ~~Dongming Qianhai~~

- (i) In its production process, Dongming Hengchang may generate a portion of substandard propylene or recycled propylene, which cannot be sold directly or used in the production of polypropylene and requires to be reprocessed by blending with other raw materials from the Mandated Interested Persons to produce qualified propylene ~~Dongming Hengchang has entered into a framework agreement with Dongming Qianhai for the supply of recycled propylene, whereby Dongming Hengchang shall supply recycled propylene, which is a by-product produced by Dongming Hengchang during its production of polypropylene, to Dongming Qianhai (the "Recycled Propylene Sale").~~

APPENDIX B – THE IPT GENERAL MANDATE (AS AMENDED)

Transaction Volume

- (ii) The transaction volume for each month will be determined based on the transaction records compiled and reconciled by both parties at the end of each month (the “**Recycled Propylene Transaction Record**”). The Recycled Propylene Transaction Records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in ~~Dongming Petrochem Group~~ the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

Transaction Price

- (iii) The price per unit for the ~~R~~recycled ~~P~~propylene shall be calculated based on eighty per cent. (80%) of the price per unit for the Propylene Purchase (as defined under sub-paragraph (f) above) (which corresponds to the expected propylene content of such by-products) in the same month.

The Group derived the figure of eighty per cent (80%) of the price per unit for the Propylene Purchase from the fact that the Rrecycled Ppropylene (which has a purity level of eighty per cent (80%)) would not meet industrial standards, and thus there is a lack of demand for the Rrecycled Ppropylene. Provided that industrial standard propylene has a purity level of 99.5% purity, the Group is of the view that it is reasonable to ~~sell purchase~~ the Rrecycled Ppropylene at a discounted price in reference to the price of industrial propylene.

Transaction Settlement

- (iv) Although settlement generally takes place at the end of each month after the transaction volume and price are duly agreed upon by both parties, Dongming Hengchang may request the respective ~~Dongming Petrochem Group companies~~ Mandated Interested Persons to make partial payment for the ~~R~~recycled ~~P~~propylene delivered prior to the month-end settlement. The amount of the partial payment will be based on an estimated transaction volume and price for the month, taking into account the average volume for the past three (3) months and the transaction price for the previous month.

The Group notes that this method of settlement is not provided under a framework agreement due to the low frequency of the Group’s sale of the Rrecycled Ppropylene coupled with the low transaction values. Accordingly, each transaction’s settlement will take place in accordance with the foregoing at the end of each month and the likelihood of requiring partial payment for larger expected transaction sizes is low.

- (h) Commissioned sale of products and procurement services through ~~Dongming Petroleum Distribution Company~~
- (i) Pursuant to the ~~Amended Master Co-operative Agreement entered into between Dongming Petroleum Distribution Company and Dongming Qianhai, Dongming Petroleum Distribution Company~~ The relevant companies within the Dongming Petrochem Group as Mandated Interested Persons will agree, on a non-exclusive basis, ~~act to~~ (a) as an agent of the Group, sell the products produced by the Group (including MTBE, purified isobutylene and polypropylene) at prevailing market prices and on a consignment basis, and (b) as an agent of the Group, provide procurement services to the Group for the procurement of raw materials such as propylene, methanol and ethylene at prevailing market prices.

APPENDIX B – THE IPT GENERAL MANDATE (AS AMENDED)

- (ii) The respective Group companies will be responsible for any credit risks for amounts due and payable from the end customers for the products sold through ~~Dongming Petroleum Distribution Company~~ the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons and the general manager of the Group who is in charge of sales and procurement will be responsible for the credit risk management process.

Transaction Price

- (iii) Furthermore, to ensure that the selling prices/procurement cost of the products sold through/procured through ~~Dongming Petroleum Distribution Company~~ the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons is in line with prevailing market prices, the ~~g~~General ~~m~~Manager of Dongming Hengchang or such assigned senior management of the Group who is in charge of sales and procurement will participate in the price determination process to ensure that the selling prices/procurement cost (taking into account the consignment/procurement fees which are derived from factors such as the costs of transport) is no less favourable to the Group as compared to selling/procuring such products directly or through unrelated third parties by obtaining three (3) quotes from non-Mandated Interested Persons. Furthermore, ~~Dongming Petroleum Distribution Company~~ the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons shall also provide the Group with access to the sale and purchase invoices of, and the right to review and monitor cash receipts from, the products sold/purchased through ~~Dongming Petroleum Distribution Company~~ the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons, in order for the Group to ascertain that the selling prices/purchase costs are consistent with the Group's records for the purpose of the monthly-end settlements and for the Group to ascertain the amount of trade receivables that is outstanding (if any).
- (iv) The Audit Committee will assess on an annual basis whether it is necessary to negotiate for a revision of the consignment/procurement fees charged by the ~~Dongming Petroleum Distribution Company~~ relevant companies within the Dongming Petrochem Group as Mandated Interested Persons to ensure that such fees are not higher than the then prevailing market rates for such services.

Transaction Settlement

- (v) Settlement of the aggregate sales proceeds collected for the products sold and raw materials purchased through ~~Dongming Petroleum Distribution Company~~ the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons less the consignment/procurement fees payable to ~~Dongming Petroleum Distribution Company~~ the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons will be done on a monthly basis but the Group may request for partial payments for products sold through ~~Dongming Petroleum Distribution Company~~ the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons prior to the month-end. The approving authority for the partial payments and/or month-end settlements with ~~Dongming Petroleum Distribution Company~~ the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons shall comprise any two (2) persons (not being Mandated Interested Persons or their associates) holding the following positions:
- (A) ~~Executive~~ a Directors of the Company; or
- (B) the CFO of the Company; and or
- (C) ~~g~~General manager of Dongming Hengchang or such assigned senior management of the Group who is in charge of sales and procurement.

APPENDIX B – THE IPT GENERAL MANDATE (AS AMENDED)

(i) Procurement of sewage treatment services

Dongming Hengchang and Dongming Qianhai will generate some sewage from time to time during their respective production process. Such sewage cannot be discharged without purification treatment. The investment in sewage treatment facilities is relatively large and cannot bring direct economic benefits to the Group. As such, the Company will procure the sewage treatment service from the relevant companies within the Dongming Petrochem Group which specialise in sewage treatment.

Transaction Volume

(i) The volume records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

Transaction Price

(ii) Generally, the price of sewage treatment fee is relatively stable. The rates payable for procurement of sewage treatment service will be determined at arm's length and having regard to the prevailing market rates, as set out in the report prepared by the local certified public accounting firm annually. The terms for procurement of sewage treatment service shall not be less favourable than those extended to unrelated third parties, taking into account factors, including but not limited to overheads, total distance travelled, delivery volume, business relationships and payment terms.

Transaction Settlement

(iii) Generally, settlement for the sewage treatment service takes place at the end of each month due to the low transaction value. The month-end settlement shall be jointly approved/ signed by any Director/ the CFO of the Company, and the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

(j) Procurement of machinery, equipment and instrument and meter repair services, and miscellaneous engineering services

Shandong Dongming Petrochemical Group Luban Construction Co., Ltd. (山东东明石化集团鲁班建筑有限公司) (“Luban Construction”), a company within the Dongming Petrochem Group, is a large-scale comprehensive construction enterprise specialising in machinery equipment, instrument and meter repair, maintenance services, engineering construction, special equipment installation, and special equipment online testing services. It holds various qualifications and licenses including, amongst others, qualification (Grade 2) for general contracting for construction, qualification (Grade 3) for electromechanical installation, and license for special equipment installation, modification and maintenance. Luban Construction is familiar with the production device and process flow of the Company. The Company may request for maintenance, overhaul and other construction services from time to time.

APPENDIX B – THE IPT GENERAL MANDATE (AS AMENDED)

Transaction Volume

- (i) The Company shall appoint a site construction representative or entrust a third-party construction supervisor to be responsible for guiding and supervising the construction site. Any fee-based items such as services, consumable materials, or machinery that are included in the construction settlement require the preparation of a project visa form. The project visa form will be reviewed and approved by any one (1) of the on-site construction representative, the third-party construction supervisor appointed by the Company, or the general manager of the Company. To ensure the quality of construction materials used for construction, all major construction materials shall be supplied by our Group.

Transaction Price

- (ii) Upon the completion of the project, the Company as the construction party must entrust an independent third-party accounting firm with engineering audit qualifications to prepare a project settlement report. When evaluating the third-party auditors, the Company requires auditors to provide relevant audit qualifications, basic company information, past audit performance, billing standards, criteria for choosing quotas, and audit execution procedures, in order to ensure the auditor's independence. Additionally, in the case of the value of a single project is relatively large, it is common for the Company to commission a second auditing firm to perform a review. As agreed by the parties, the quota execution, the charging procedure, and the safety construction fees shall follow the prevailing applicable laws, regulations and normative documents. If any party has objections to the project settlement, they can independently entrust a professional institution to conduct a review. The review result shall be subject to the principle of choosing the lower price.

Transaction Settlement

- (iii) The payment of project funds shall be carried out in accordance with the construction contract. Any payment of project funds shall be jointly approved/ signed by any Director/ the CFO of the Company, and the on-site construction representative appointed by the Company, or the general manager of the relevant company within the Group, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

5. General IPT Guidelines

To ensure that the Mandated Interested Person Transactions are conducted on normal commercial terms consistent with the Group's usual business practices and on terms which are generally no more favourable than those extended to unrelated third parties, the Group will monitor all Mandated Interested Person Transactions by categorising the transactions as follows:

- (a) an-a Mandated Interested Person Transaction of a value equal to or more than three per cent. (3.0%) of the Group's latest audited net tangible assets ("NTA") (the "Category 1 Mandated Interested Person Transaction") shall be approved by the Audit Committee prior to the entry into such transactions; and
- (b) an-a Mandated Interested Person Transaction of a value below three per cent. (3.0%) of the Group's latest audited NTA (the "Category 2 Mandated Interested Person Transaction") need not have the prior approval of the Audit Committee but shall be reviewed on a quarterly basis by the Audit Committee to ensure that they are carried out on normal commercial terms, in accordance with the procedures outlined above. All relevant non-quantitative factors such as the nature of services provided and prevailing market conditions will also be taken into account and recorded accordingly.

APPENDIX B – THE IPT GENERAL MANDATE (AS AMENDED)

6. General Administrative Procedures for all IPTs

The Company has also implemented the following procedures for the identification of ~~h~~interested ~~P~~persons and the recording of all ~~h~~interested ~~P~~person ~~T~~transactions (including the Mandated Interested Person Transactions with the Dongming Petrochem Group and the Jiangsu Companies under the IPT General Mandate):-

- (a) the Company will set up a joint management committee for IPTs, which comprises ~~a~~ an Executive Director, the CFO of the Company and the finance and legal affairs manager of the relevant subsidiaries of the Group. The joint management committee will meet every quarter to jointly review the (i) past monthly IPTs and (ii) proposed monthly IPTs for the next quarter, and update the Audit Committee on the outcome of such review. The purpose of such review is to ensure the Group's compliance with Chapter 9 of the Listing Manual by (i) ensuring adequate assessment of the past monthly IPTs, (ii) adequate planning with respect to proposed monthly IPTs, (iii) adequate supervision of the Group's compliance with Chapter 9 of the Listing Manual, (iv) ensuring that the employees, who may be involved in the execution and authorisation of IPTs, receive adequate training to enhance their knowledge, awareness and understanding of the Group's IPT compliance obligations pursuant to Chapter 9 of the Listing Manual;
- (b) the Company's Finance Department will maintain a list of the Group's CEO, Directors and Controlling Shareholders and their direct and indirect business interests (including those held by their immediate family) based on quarterly declarations from the Group's CEO, Directors and Controlling Shareholders, which is to be updated immediately if there are any changes. The list shall be disclosed to the relevant personnel (such as the board of directors, the procurement manager and marketing manager of each subsidiary) by email on a monthly basis to enable the identification of ~~h~~interested ~~P~~persons. The master list of ~~h~~interested ~~P~~persons shall be reviewed by the Audit Committee on a quarterly basis. This master list will also be circulated to the relevant persons (i.e., the Group's CEO, Directors, etc.) for their confirmation on a quarterly basis;
- (c) subsidiaries and associated companies of the Group are required to inform the Company's Finance Department of any significant upcoming transactions with ~~h~~interested ~~P~~persons so as to obtain the prior approval of the Audit Committee or Shareholders, where necessary. The determination of significance is a decision made by the joint management committee, which will consider the nature (i.e., whether of a revenue and recurring nature) and the aggregate value of the transactions in comparison with previous transactions;
- (d) the Company's Finance Department will maintain a register of all Mandated Interested Person Transactions pursuant to the IPT General Mandate, including the factors that have been taken into account in arriving at the purchase/sales terms and supporting documents). The CFO of the Company will review the aforesaid register of the Mandated Interested Person Transactions on a quarterly basis and report to the Audit Committee if there are transactions which are not carried out in accordance with the aforesaid review procedures. Transactions below S\$100,000 shall be recorded and maintained in a separate register and submitted to the Audit Committee for review upon request;
- (e) the register of the Mandated Interested Person Transactions will also be submitted to the Audit Committee for review on a quarterly basis as part of its standard procedures while examining the adequacy of the Group's internal controls including those relating to the Mandated Interested Person Transactions;
- (f) in the event that the CFO of the Company, a Director of the Company or a member of the Audit Committee (where applicable) has an interest in any ~~h~~interested ~~P~~person ~~T~~transaction, he or she will abstain from reviewing and/or approving that particular transaction;
- (g) the Board will ensure that all disclosure requirements on ~~h~~interested ~~P~~person ~~T~~transaction, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with; and

APPENDIX B – THE IPT GENERAL MANDATE (AS AMENDED)

- (h) the Audit Committee shall have overall responsibility for the determination of the review procedures and shall have the authority to delegate such responsibility to individuals or committees within the Company as they deem appropriate.

7. Internal Audit

The Company's annual internal audit plan will incorporate a review of all interested Person Transactions and if applicable, the adequacy of the internal control procedures established in respect of interested Person Transactions. The internal auditors, being an external audit firm appointed or to be appointed by the Company, shall carry out such tests as they deem necessary on the Mandated Interested Person Transactions entered into pursuant to the IPT General Mandate. The internal audit report will be forwarded to the Audit Committee for review.

The Group and the Audit Committee will have members in the joint management committee, which meets at least twice per financial year to provide oversight over the Group's IPTs and to be kept informed of any internal audit observations on the IPT monitoring process.

8. Review by the Audit Committee

The Audit Committee's review of all interested Person Transactions, if any, will be done at least quarterly to ensure that they are carried out at arm's length and in accordance with the procedures outlined above. Such review includes the examination of the transactions and their supporting documents or such other data deemed necessary by the Audit Committee. In its review, the Audit Committee will take into account all relevant non-quantitative factors. The Audit Committee may request for additional information pertaining to the transaction under review from independent sources, advisers or valuers as they deem fit.

The Audit Committee shall also review the annual internal audit report on interested Person Transactions to ascertain that the established review procedures to monitor interested Person Transactions have been complied with.

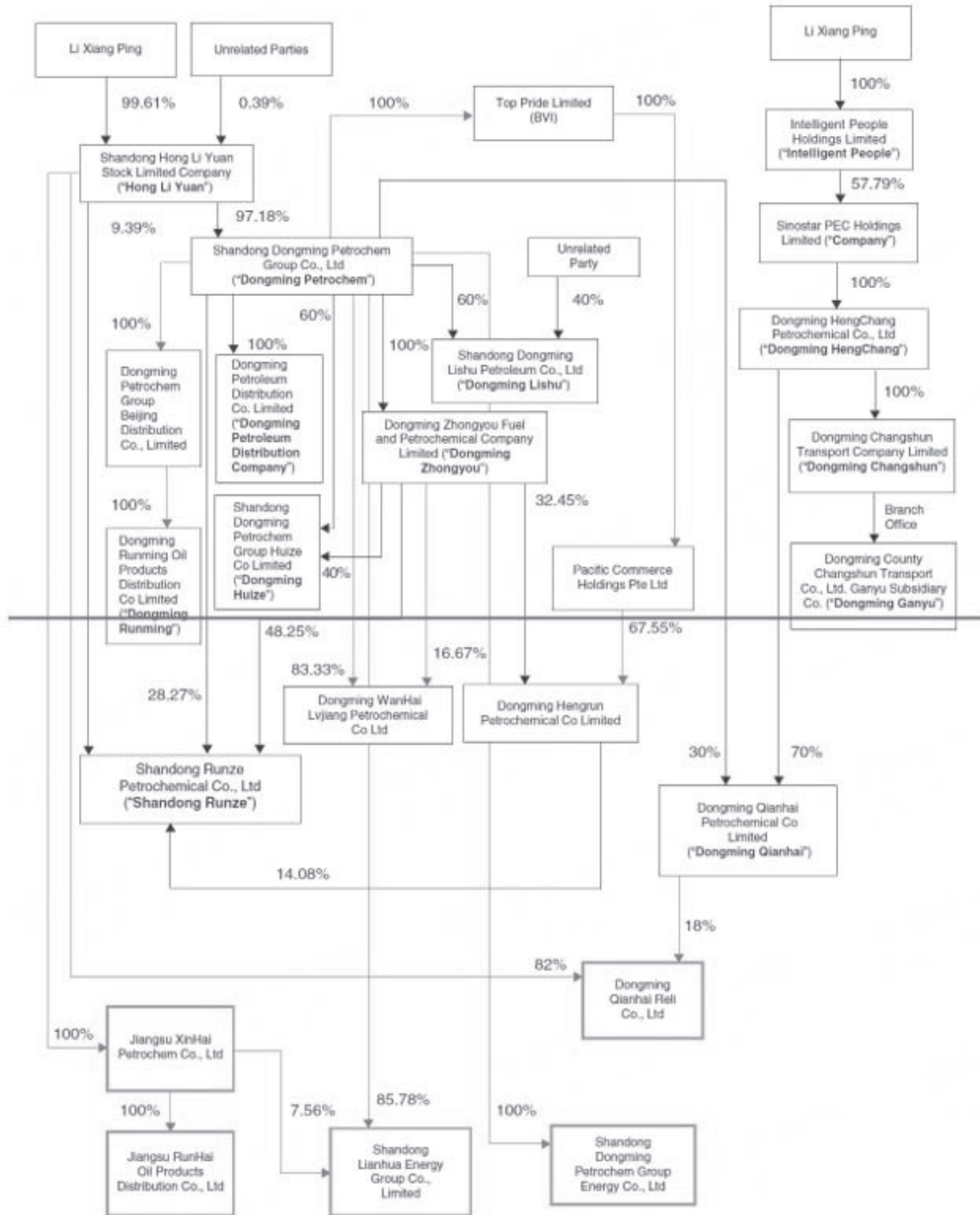
In the event a member of the Audit Committee is interested in any interested Person Transaction, he will abstain from participating in the review and approval process in relation to that particular transaction. Approval of that transaction will accordingly be undertaken by the remaining members of the Audit Committee.

If during these quarterly periodic reviews by the Audit Committee, the Audit Committee is of the view that the existing guidelines and review procedures as stated above have become inappropriate or insufficient to ensure that the Mandated Interested Person Transactions will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek approval from Shareholders for a fresh mandate based on new guidelines and review procedures for transactions to be entered into with the Mandated Interested Person. During the period prior to obtaining a fresh mandate from Shareholders, all transactions with the Mandated Interested Persons will be subject to prior review and approval by the Audit Committee.

APPENDIX B – THE IPT GENERAL MANDATE (AS AMENDED)

SCHEDULE 1

SHAREHOLDING INTERESTS OF MR. LI AND THE SHAREHOLDING STRUCTURE OF THE DONGMING PETROCHEM GROUP AND THE JIANGSU COMPANIES



NOTICE OF EXTRAORDINARY GENERAL MEETING

SINOSTAR PEC HOLDINGS LIMITED

(Company Registration Number 200609833N)
(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**EGM**”) of Sinostar PEC Holdings Limited (the “**Company**”) will be held at Conrad Centennial Singapore, Level 2, Salon III, 2 Temasek Boulevard, Singapore 038982 on Monday, 18 March 2024 at 11:00 a.m., for the purpose of considering and, if thought fit, passing with or without any modifications, the following ordinary resolutions:

*Unless otherwise defined, all capitalised terms used in this Notice of EGM which are not defined herein shall have the same meanings ascribed to them in the circular issued by the Company to its Shareholders dated 1 March 2024 (the “**Circular**”).*

ORDINARY RESOLUTION 1: THE PROPOSED RATIFICATION OF THE SALE OF UTILITIES BY THE GROUP TO DONGMING ZHONGYOU FUEL AND PETROCHEMICAL CO., LTD. (东明中油燃料石化有限公司) AS AN INTERESTED PERSON TRANSACTION

RESOLVED THAT:

- (a) the sale of utilities by the Group to Dongming Zhongyou, details of which are set out in the Circular, being an interested person transaction for the purposes of Chapter 9 of the Listing Manual, be and is hereby approved, ratified and confirmed in all respects; and
- (b) the Directors of the Company and each of them be and are hereby authorised to take such steps, approve all matters and enter into all such transactions, arrangements and agreements and execute all such documents and notices as may be necessary or expedient for the purposes of giving effect to this Resolution and the transactions contemplated and/or authorised by this Resolution.

ORDINARY RESOLUTION 2: THE PROPOSED AMENDMENTS TO THE EXISTING SHAREHOLDERS’ MANDATE FOR INTERESTED PERSON TRANSACTIONS

RESOLVED THAT:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual, for the Company, its subsidiaries or associated companies that are considered “entities at risk” under Chapter 9 of the Listing Manual or any of them, to enter into any of the transactions falling within the categories of interested person transactions and with interested persons set out under the Proposed Amended IPT General Mandate (particulars of which are set out in the **Appendix B** to the Circular), provided that such transactions are made on normal commercial terms, are not prejudicial to the interests of the Company and its minority shareholders, and are in accordance with the methods and procedures for interested person transactions as set out in **Appendix B** to the Circular;
- (b) the Proposed Amended IPT General Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier;
- (c) the Audit Committee of the Company be and is hereby authorised to take such actions as it deems proper in respect of the methods and procedures for the Proposed Amended IPT General Mandate and/or to modify or implement such methods and procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by the SGX-ST from time to time; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) the Directors of the Company and each of them be and are hereby authorised to take such steps, approve all matters and enter into all such transactions, arrangements and agreements and execute all such documents and notices as may be necessary or expedient for the purposes of giving effect to the approval and adoption of the Proposed Amended IPT General Mandate as such Directors or any of them may deem fit or expedient or give effect to the Proposed Amended IPT General Mandate and/or this Resolution.

BY ORDER OF THE BOARD

Tan Chee How
Company Secretary
1 March 2024

NOTES:

1. The members of the Company are invited to attend physically at the EGM. **There will be no option for shareholders to participate virtually.**
2. Printed copies of this Notice of EGM, the Circular and the Proxy Form will be sent by post to members. These documents will also be published on the Company's website at the <http://www.sinostar-pec.com/html/ir.php> and on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>.
3. Members may participate in the EGM by:
 - (a) attending the EGM in person;
 - (b) raising questions at the EGM or submitting questions in advance of the EGM; and/or
 - (c) voting at the EGM:
 - (i) themselves personally; or
 - (ii) through their duly appointed proxy(ies).

An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPFIS Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) who wishes to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **11:00 a.m.** on **6 March 2024**, (being seven (7) working days prior to the date of the EGM).

Please bring along your NRIC/ passport so as to enable the Company to verify your identity. Members are requested to arrive early to facilitate the registration process.

4. A member who is not a Relevant Intermediary (as defined below) is entitled to appoint not more than two (2) proxies to attend, speak and vote on his/ her/ its behalf at the EGM. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

Where such member appoints two (2) proxies, the proportion of his/ her/ its shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/ her/ its name in the Depository Register and any second named proxy as an alternate to the first named.

5. A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore:

- (a) a banking corporation licensed under the Banking Act 1970 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital market services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the CPF Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act 1953 of Singapore providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.
6. A member can appoint the Chairman of the EGM as his/ her/ its proxy but this is not mandatory.
- If a member wishes to appoint the Chairman of the EGM as proxy, such member (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution in the instrument appointing the Chairman of the EGM as proxy. **If no specific direction as to voting or abstentions from voting in respect of a resolution in the form of proxy, the appointment of the Chairman of the EGM as proxy for that resolution will be treated as invalid.**
7. The instrument appointing a proxy or proxies, duly executed, must be submitted to the Company in the following manner:
- (a) if submitted by post, be lodged at the office of the Company's Share Registrar at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or
- (b) if submitted electronically, be submitted via email to the Company's Share Registrar at shareregistry@incorp.asia,
- in either case, by **11:00 a.m.** on **16 March 2024** (being no later than forty-eight (48) hours before the time set for the EGM).
8. The Chairman of the EGM, as proxy, need not be a member of the Company.
9. Members submit questions relating to the resolutions to be tabled for approval at the EGM in advance of the EGM in the following manner seven (7) calendar days from the date of this Notice of EGM (i.e., by **11:00 a.m.** on **9 March 2024**):
- (a) by email to shareregistry@incorp.asia; or
- (b) by post to the office of the Company's Share Registrar at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712.
- The Company will endeavour to address all substantial and relevant questions relating to the resolutions to be tabled for approval at the EGM submitted prior to the EGM by publishing the responses to such questions on the Company's corporate website and on SGXNET by **13 March 2024** after trading hours (being not later than forty-eight (48) hours before the closing date and time for the lodgement of the Proxy Forms). **Where substantially similar questions are received, the Company may consolidate such questions and consequently not all questions may be individually addressed.**
10. The Company will, within one (1) month after the date of the EGM, publish the minutes of the EGM, together with substantial and relevant questions from shareholders relating to the agenda of the EGM, and responses from the Board or management on SGXNET and the Company's website.

Personal Data Privacy

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, or submitting any question prior to the EGM in accordance with this Notice of EGM, a member of the Company:

- (a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), the addressing of substantial and relevant questions relating to the resolutions to be tabled for approval at the EGM from Shareholders received prior to and/or at the EGM and if necessary, the following up with members in relation to such questions, and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");
- (b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and
- (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

SINOSTAR PEC HOLDINGS LIMITED

Company Registration Number: 200609833N
(Incorporated in the Republic of Singapore)

PROXY FORM EXTRAORDINARY GENERAL MEETING

(Please read the notes overleaf before
completing this Proxy Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPFIS Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) who wishes to vote at the EGM should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the date of the EGM (i.e., by 11:00 a.m. on 6 March 2024).
2. This Proxy Form is not valid for use by CPFIS Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PERSONAL DATA PRIVACY

By submitting this proxy form, the member of the Company accepts and agrees to the personal data privacy terms as set out in the Company's Notice of EGM dated 1 March 2024.

*I/We, _____ (Name),

_____ (*NRIC/ Passport/ Company Registration No.)

of _____ (Address)

being a *member/ members of SINOSTAR PEC HOLDINGS LIMITED (the "Company"), hereby appoint(s):

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

or failing him/ her/ them, the Chairman of the Extraordinary General Meeting (the "EGM") of the Company, as *my/ our proxy(ies) to attend, speak and vote for *me/ us on *my/ our behalf at the EGM to be held at Conrad Centennial Singapore, Level 2, Salon III, 2 Temasek Boulevard, Singapore 038982 on Monday, 18 March 2024 at 11:00 a.m. and at any adjournment thereof.

*I/ We direct *my/ our proxy(ies) to vote for or against, or abstain from voting on the resolution(s) to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, (i) the proxy(ies) (except for the Chairman of the EGM) will vote or abstain from voting at *his/ her/ their discretion, as *he/she/they will on any other matter arising at the EGM and at any adjournment thereof; or (ii) the appointment of Chairman of the EGM as proxy for the resolutions will be treated as invalid at the EGM and at any adjournment thereof.

No.	Resolution(s) relating to:	For	Against	Abstain
1.	The proposed ratification of the sale of utilities by the Group to Dongming Zhongyou Fuel and Petrochemical Co., Ltd. (东明中油燃料石化有限公司) as an interested person transaction			
2.	The proposed amendments to the existing shareholders' mandate for interested person transactions			

(Voting will be conducted by poll. Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the resolutions as set out in the Notice of the EGM. Alternatively, please indicate the number of votes as appropriate. If you mark "abstain" you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.)

Dated this _____ day of _____.

Total no. of Shares in:	No. of Shares
(a) Depository Register	
(b) Register of Members	

Signature(s) of Member(s)/ Common Seal of
Corporate Members(s)

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES FOR PROXY FORM OVERLEAF



PROXY FORM

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares registered in your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.
2. A member of the Company who is not a Relevant Intermediary (as defined below) entitled to attend, speak and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote on his/ her/ its behalf. A proxy need not be a member of the Company.
3. Where a member who is not a Relevant Intermediary appoints two (2) proxies, the proportion of his/ her/ its shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/ her/ its name in the Depository Register and any second named proxy as an alternate to the first named.
4. A member who is a Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member (which number and class of shares shall be specified).
5. Subject to paragraph below, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person, and in such an event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
6. The instrument appointing a proxy or proxies must be submitted to the Company in the following manner:
 - (a) if submitted by post, be lodged at the office of the Company's Share Registrar at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or
 - (b) if submitted electronically, be submitted via email at shareregistry@incorp.asia,

in either case by no later than **11:00 a.m. on 16 March 2024** (being no later than forty-eight (48) hours before the time set for the EGM).

A member who wishes to submit an instrument of proxy must first complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

Members are strongly encouraged to submit completed proxy forms electronically through email to shareregistry@incorp.asia.

7. The instrument appointing the proxy or proxies must be under the hand of the appointor or of his/ her/ its attorney duly authorised in writing. Where the instrument appointing the proxy or proxies is executed by a corporation, it must be executed either under its common seal or signed on its behalf by its attorney duly authorised in writing or by an authorised officer of the corporation.

Where the instrument appointing the proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.

8. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPFIS Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) and wishes to vote at the EGM should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes at least seven (7) working days before the EGM (i.e., by **11:00 a.m. on 6 March 2024**).

*"**Relevant Intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore:

- (a) a banking corporation licensed under the Banking Act 1970 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital market services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or
- (c) the CPF Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act 1953 of Singapore providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her/its name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the EGM (i.e., by **11:00 a.m. on 15 March 2024**, as certified by The Central Depository (Pte) Limited to the Company).

Personal Data Privacy

By submitting an instrument appointing the proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 1 March 2024.