**THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

This Appendix is circulated to the Shareholders of Hengyang Petrochemical Logistics Limited (the "**Company**") together with, and forms a part of, the Company's Annual Report 2018 (as defined herein). Its purpose is to explain to the Shareholders the rationale and to provide information pertaining to the proposed renewal of the IPT General Mandate (as defined herein), and to seek Shareholders' approval at the Annual General Meeting to be held on **26 April 2019 at 10:00 a.m. at The Chevrons, 48 Boon Lay Way Singapore 609961 or at any adjournment thereof.**

The Notice of AGM (as defined herein) dated **11 April 2019** (the "**Notice**") and a Proxy Form are enclosed with the Annual Report 2018.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward the Annual Report 2018 (including the Notice and the Proxy Form) and this Appendix to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Appendix has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this Appendix. This Appendix has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Appendix including the correctness of any of the statements or opinions made or reports contained in this Appendix. The contact person for the Sponsor is Mr Yee Chia Hsing, Head, Catalist Investment Banking. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.

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# HENGYANG PETROCHEMICAL LOGISTICS LIMITED

(Incorporated in Singapore on 23 April 2008)
(Registration Number: 200807923K)

**APPENDIX**

**TO THE ANNUAL REPORT OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**IN RELATION TO**

**THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS**

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# DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:

| | | |
|---|---|---|
| *"AGM"* | : | Annual general meeting of the Company. Unless the context otherwise requires, "AGM" shall refer to the annual general meeting of the Company to be held on 26 April 2019 |
| *"Annual Report 2018"* | : | The annual report of the Company for the financial year ended 31 December 2018 |
| *"Appendix"* | : | This appendix to the Annual Report 2018 |
| *"Associate"* | : | (a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:–<br><br>(i) his immediate family;<br><br>(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<br><br>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more<br><br>(b) In relation to a substantial shareholder or 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 30% or more |
| *"Associated Company"* | : | A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group |
| *"Audit Committee"* | : | The audit committee of the Board |
| *"Board"* | : | The board of directors of the Company for the time being |
| *"CEO"* | : | Chief executive officer of the Company |
| *"CFO"* | : | Acting chief financial officer or the chief financial officer of the Company, as the case may be |
| *"Companies Act"* | : | The Companies Act, Chapter 50 of Singapore, as amended and modified from time to time |

| | | |
|---|---|---|
| *"Company"* | : | Hengyang Petrochemical Logistics Limited |
| *"Controlling Shareholder"* | : | A person who:–<br><br>(a) holds directly or indirectly 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 satisfies this paragraph is not a controlling shareholder; or<br><br>(b) in fact exercises control over a company |
| *"Directors"* | : | The directors of the Company as at the date of this Appendix |
| *"FM"* | : | Finance manager of the Group |
| *"Foreversun Holdings"* | : | Foreversun Holdings Co., Ltd. |
| *"Golden Hope"* | : | Golden Hope Industrial Co., Ltd. |
| *"Group"* | : | The Company and its subsidiaries |
| *"ILHK"* | : | Integrated Logistics (HK) Limited |
| *"Independent Shareholders"* | : | Shareholders other than Mr Gu Wen Long and Foreversun Holdings and their Associates (who are the interested persons under Chapter 9 of the Listing Manual) in respect of the proposed renewal of the IPT General Mandate |
| *"Interested Persons"* | : | A Director, CEO or Controlling Shareholder of the Company or an Associate of any of them |
| *"IPTs"* | : | Transactions between (i) Interested Persons and (ii) the Company, its subsidiaries (which are not listed on the SGX-ST or an approved exchange) or any Associated Companies (which are not listed on the SGX-ST or an approved exchange), provided the Group or the Group and its Interested Persons have control over the Associated Company |
| *"IPT General Mandate"* | : | The general mandate for the Company having been obtained pursuant to Rule 920 of the Listing Manual to enter into Recurrent IPTs, by reason of the information stipulated under Rule 920(1) of the Listing Manual having been included and revised in the appendix to annual report of the Company for the year ended 31 December 2017 issued by the Company |
| *"IPT Management Team"* | : | Has the meaning ascribed to it in Paragraph 5 of the Annexure to this Appendix |

| | | |
|---|---|---|
| *"Jinqiao Chemical"* | : | Jiangyin Golden Bridge Chemical Co., Ltd. (江阴金桥化工有限公司) |
| *"Jinqiao Group"* | : | The group of companies comprising Jinqiao Chemical and its subsidiaries and associated companies from time to time |
| *"Latest Practicable Date"* | : | 4 April 2019, being the latest practicable date prior to the printing of this Appendix |
| *"Listing Manual"* or *"Listing Rules"* | : | The rules of the listing manual of the SGX-ST applicable to an entity listed on the SGX-Catalist, as the case may be, each as amended or modified from time to time |
| *"Mandated Transactions"* | : | Has the meaning ascribed to it in Paragraph 2 of the Annexure to this Appendix |
| *"Mandated Transactions Register"* | : | Has the meaning ascribed to it in Paragraph 6 of the Annexure to this Appendix |
| *"Market Day"* | : | A day on which the SGX-ST is open for trading in securities |
| *"Recurrent IPTs"* | : | As defined in Paragraph 2 of the Annexure to this Appendix |
| *"SGX-Catalist"* | : | The Catalist Board of the SGX-ST |
| *"SGX-ST"* | : | Singapore Exchange Securities Trading Limited, including where the context so admits, the SGX-Catalist |
| *"Shareholders"* | : | Registered holders of Shares |
| *"Shares"* | : | Ordinary shares in the share capital of the Company |
| *"Substantial Shareholder"* | : | A Shareholder who has an interest in not less than 5% of the issued Shares |
| *"VGM"* | : | Vice general manager |
| *"%"* | : | Per centum or percentage |
| *"S$"* or *"$"* | : | Singapore dollars, being the official currency of the Republic of Singapore |
| *"RMB"* | : | Renminbi, being the official currency of the People's Republic of China |

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

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any reference to a time of day in this Appendix shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

# LETTER TO SHAREHOLDERS

## HENGYANG PETROCHEMICAL LOGISTICS LIMITED

(Incorporated in Singapore on 23 April 2008)
(Registration Number: 200807923K)

**Board of Directors:–**

Mr Gu Wen Long (Executive Chairman and Chief Executive Officer)
Mr Tee Tuan Sem (Executive Vice Chairman)
Mr Xie Yu (Non-Executive Director)
Mr Diong Tai Pew (Lead Independent Director)
Mr Anthony Ng Koon Leng (Independent Director)
Mr Ho Chew Thim (Independent Director)

**Registered Office:**

8 Robinson Road
#13-00 ASO Building
Singapore 048544

11 April 2019

To: The Shareholders of Hengyang Petrochemical Logistics Limited

Dear Sir/Madam

**THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (THE "IPT GENERAL MANDATE")**

### 1. INTRODUCTION

Reference is made to the Notice of AGM of the Company dated 11 April 2019, accompanying the Annual Report 2018, convening the AGM which is scheduled to be held on 26 April 2019 and the Ordinary Resolution 7 in relation to the renewal of the IPT General Mandate under the heading "Shareholders' Mandate for Interested Person Transactions" set out in the Notice of AGM.

The purpose of this Appendix is to provide the Shareholders with details in respect of the proposed renewal of the IPT General Mandate.

### 2. RENEWAL OF THE IPT GENERAL MANDATE

#### 2.1 The Existing IPT General Mandate

The IPT General Mandate was last renewed at the annual general meeting held on 23 April 2018, such renewal being expressed to take effect until the conclusion of the Company's forthcoming AGM.

The IPT General Mandate enables the Company, its subsidiaries and associated companies which are considered "entities at risk" within the meaning of Rule 904 of the Listing Manual, in their ordinary course of business, to enter into categories of transactions with specified classes of Interested Persons, provided that such transactions are entered into on an arm's length basis and on normal commercial terms.

### 2.2 Details of the IPT General Mandate

Details of the IPT General Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with Interested Persons and other general information required by Chapter 9 of the Listing Manual are set out in the Annexure to this Appendix.

### 2.3 Proposed Renewal of the IPT General Mandate

The IPT General Mandate is to take effect until the conclusion of the AGM to be held on 26 April 2019. Accordingly, the Directors propose that the IPT General Mandate be renewed at the AGM, taking effect until the conclusion of the next annual general meeting of the Company.

## 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Shares, based on the registers of Directors' interests in Shares and Substantial Shareholders' interests in Shares, respectively, are as follows:

| | **Direct Interest** | | **Deemed Interest** | |
|---|---|---|---|---|
| | **Number of Shares** | **%[3]** | **Number of Shares** | **%[3]** |
| **Directors** | | | | |
| Mr Gu Wen Long[1] | – | – | 114,100,000 | 56.08 |
| Mr Tee Tuan Sem[2] | – | – | – | – |
| Mr Xie Yu[3] | 1,950,000 | 0.96 | – | – |
| Mr Diong Tai Pew | 475,300 | 0.23 | – | – |
| Mr Anthony Ng Koon Leng | – | – | – | – |
| Mr Ho Chew Thim | – | – | – | – |
| **Substantial Shareholders (other than Directors)** | | | | |
| Foreversun Holdings[1] | 114,100,000 | 56.08 | – | – |
| ILHK[2] | 52,500,000 | 25.80 | – | – |

**Notes:**

(1) The Executive Chairman and CEO, Mr Gu Wen Long, holds 100% of the issued share capital of Foreversun Holdings. He is thus deemed interested in the Shares held by Foreversun Holdings (a company incorporated in the British Virgin Islands) by virtue of Section 7 of the Companies Act. The principal activity of Foreversun Holdings is investment holding. Of the 114,100,000 Shares in which Foreversun Holdings has an interest, 20,000,000 Shares are held through Citibank Nominees Singapore Pte Ltd.

(2) Mr Tee Tuan Sem, the Executive Vice Chairman of the Company, is the chief executive officer of Integrated Logistics Bhd ("**ILB**"), a logistics company listed on Bursa Malaysia. ILB has a 70% indirect effective equity interest in ILHK. ILHK is an investment holding company, incorporated in Hong Kong, with investments in logistics businesses in the People's Republic of China. The other 30% of ILHK is owned by Shun Hing China Investment Limited, an investment holding company that is indirectly owned by the family of Mr David Mong Tak-yeung and the estate of Dr William Mong Man-Wai. Mr David Mong Tak-yeung is not related to any of the Directors.

(3) Mr Xie Yu, a Non-Executive Director of the Company, is holding 1,950,000 Shares through Nomura Singapore Limited.

(4) Based on the issued share capital of the Company of 203,461,883 Shares as at the Latest Practicable Date.

## 4. ABSTENTION FROM VOTING

The Interested Persons in respect of the IPT General Mandate, comprising Foreversun Holdings and Mr Gu Wen Long, will abstain and has undertaken to ensure its/his respective Associates will abstain, from voting in respect of Ordinary Resolution 7 in relation to the renewal of the IPT General Mandate under the heading "Shareholders' Mandate for Interested Person Transactions" set out in the Notice of AGM, in respect of the Shares held by them respectively.

## 5. AUDIT COMMITTEE'S STATEMENT

The Audit Committee consists of Mr Diong Tai Pew (Chairman of the Audit Committee), Mr Xie Yu, Mr Anthony Ng Koon Leng and Mr Ho Chew Thim.

The Audit Committee has reviewed the terms of the IPT General Mandate (proposed to be renewed) and confirms that:

(a) the methods or procedures for determining the transaction prices under the IPT General Mandate have not changed since approval for the IPT General Mandate was last given; and

(b) the methods or procedures for determining the transaction prices under the IPT General Mandate 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 Company and its minority Shareholders.

If during the periodic reviews by the Audit Committee, it is of the view that the established guidelines and procedures are no longer appropriate or adequate to ensure that the Recurring IPTs (i) will be transacted on an arm's length basis and on normal commercial terms and (ii) would not 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.

## 6. DIRECTORS' RECOMMENDATIONS

The Directors who are independent for the purposes of the proposed renewal of the IPT General Mandate, namely Mr Tee Tuan Sem, Mr Xie Yu, Mr Diong Tai Pew, Mr Anthony Ng Koon Leng and Mr Ho Chew Thim, having considered, *inter alia*, the terms, the rationale and the benefits of the IPT General Mandate and the statement of the Audit Committee, are of the view that the IPT General Mandate, as proposed to be renewed, is in the best interests of the Company and accordingly recommend that the Independent Shareholders vote in favour of Ordinary Resolution 7, being the Ordinary Resolution relating to the proposed renewal of the IPT General Mandate, at the AGM. Mr Gu Wen Long, being a Director who is interested in relation to the proposed renewal of the IPT General Mandate, has abstained from making any recommendation on the same.

As Mr Gu Wen Long has abstained from making any recommendation in respect of Ordinary Resolution 7 as described above, he shall also decline to accept appointment as proxy for any Shareholder to vote in respect of the said Ordinary Resolution 7, unless the Shareholder concerned shall have given specific instructions in his proxy form as to the manner in which the votes are to be cast in respect of the aforesaid Ordinary Resolution.

## 7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of the preparation of this Appendix) have individually and collectively reviewed and approved the issue of this Appendix and accept full responsibility for the accuracy of the information contained in this Appendix. The Directors also confirm that, having made all reasonable enquiries and to the best of their knowledge and belief, the facts stated and opinions expressed in this Appendix are fair and accurate in all material aspects as at the Latest Practicable Date and that there are no other material facts the omission of which would make any statement in this Appendix misleading.

Where information has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources.

## 8. ADVICE TO SHAREHOLDERS

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

Yours faithfully,
For and on behalf of the Board of Directors of
**Hengyang Petrochemical Logistics Limited**

Gu Wen Long
Executive Chairman and Chief Executive Officer

**ANNEXURE**

# INTERESTED PERSON TRANSACTIONS MANDATE

## 1. CHAPTER 9 OF THE LISTING MANUAL

**1.1** Chapter 9 of the Listing Manual ("**Chapter 9**") applies to transactions which an entity at risk proposes to enter into with a counterparty who is an interested person of the entity at risk. Under Chapter 9, Shareholders' approval and/or an immediate announcement is required in respect of that transaction if its value is equal to or exceeds certain financial thresholds.

Pursuant to Rule 905 of the Listing Manual, a listed company must make an immediate announcement of any such transaction where:

(a) the value of such transaction is equal to or exceeds 3% of the group's latest audited net tangible assets; or

(b) the value of such transaction when aggregated with the values of other transactions previously entered into with the same interested person in the same financial year, equals to or exceeds 3% of the group's latest audited net tangible assets. Such aggregation need not include 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.

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

(a) the value of such transaction is equal to or exceeds 5% of the group's latest audited net tangible assets; or

(b) the value of such transaction when aggregated with the values of other transactions previously entered into with the same interested person in the same financial year, equals to or exceeds 5% of the group's latest audited net tangible assets. Such aggregation need not include 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.

Interested person transactions below $100,000 each are to be excluded.

**1.2** Chapter 9 allows a listed company to obtain a mandate from its shareholders for recurrent interested person transactions which are of a revenue or trading nature or for those necessary for its day-to-day operations. However, these transactions may not include the purchase or sale of assets, undertakings or businesses.

**1.3** As defined in the Listing Manual:

(a) an "entity at risk" means:

(i) the issuer;

(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), has control over the associated company;

(b) an "interested person" means:

(i) a director, chief executive officer or controlling shareholder of the listed company; or

(ii) an associate of such director, chief executive officer or controlling shareholder;

(c) an "associate" means:

(i) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:

(aa) an immediate family member (that is, the spouse, child, adopted child, stepchild, sibling or parent);

(bb) 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

(cc) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;

(ii) in relation to a substantial shareholder or 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 30% or more;

(d) an "interested person transaction" means a transaction between an entity at risk and an interested person; and

(e) an "approved exchange" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles of Chapter 9.

## 2. SCOPE OF THE IPT GENERAL MANDATE

The IPT General Mandate (as defined herein) was last renewed at the AGM held on 23 April 2018, such renewal being expressed to take effect until the conclusion of the Company's forthcoming AGM. The aforesaid mandate is for the Company to enter into recurrent IPTs (the "**Recurrent IPTs**") of a revenue or trading nature or for those necessary for its day-to-day operations, excluding those transactions involving the purchase or sale of assets, undertakings or businesses with the Jinqiao Group (the "**IPT General Mandate**"). The IPT General Mandate covered the following transactions (the "**Mandated Transactions**"):

(a) provision of petrochemical storage services by the Group to the Interested Persons;

(b) provision of land transport services by the Group to the Interested Persons; and

(c) receiving financing support in the form of borrowing of funds from the Interested Persons.

## 3. CLASS OF INTERESTED PERSONS

The IPT General Mandate will apply to our Group's IPTs that are carried out between any member of the Group, with Mr Gu Wen Long and/or his Associates, including but not limited to, Golden Hope and/or any member of the Jinqiao Group, as the case may be. The background information of Mr Gu Wen Long, Golden Hope and the Jinqiao Group is provided as follows.

### (a) Mr Gu Wen Long

Mr Gu Wen Long is the Company's Executive Chairman and CEO. He is a controlling shareholder of the Company with approximately 56.08% equity interest in the Company, held through his wholly owned investment holding vehicle, Foreversun Holdings. As such, Mr Gu Wen Long is considered an Interested Person pursuant to Chapter 9 of the Listing Manual. Associates of Mr Gu Wen Long shall include any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

### (b) Golden Hope

Golden Hope is a private limited company incorporated in the People's Republic of China. It is presently involved in the business of trading petrochemical products. As Mr Gu Wen Long, the Company's Executive Chairman and CEO owns the entire equity interest in Golden Hope, Golden Hope is an Interested Person pursuant to Chapter 9 of the Listing Manual.

### (c) The Jinqiao Group

The Jinqiao Group comprises Jinqiao Chemical, its subsidiaries and associated companies. Jinqiao Chemical is a private limited company incorporated in the People's Republic of China. It is presently involved in the business of import, export and distribution of chemical products as well as sea and river transportation of such chemical products. As at the Latest Practicable Date, Ms Sun Fang, the spouse of the Company's Executive Chairman and CEO, Mr Gu Wen Long, owns the entire equity interest in Jinqiao Chemical. As such, Jinqiao Group is an Associate of Mr Gu Wen Long, and is therefore considered an Interested Person pursuant to Chapter 9 of the Listing Manual.

## 4. RATIONALE FOR AND BENEFITS OF THE IPT GENERAL MANDATE

The IPTs are entered into or to be entered into by the Group in its ordinary course of business or are necessary for its day-to-day operations. They are recurring transactions which are likely to occur with some degree of frequency and arise at any time and from time to time.

The IPT General Mandate and the renewal of the IPT General Mandate on an annual basis will eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential IPTs with the Interested Persons 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 Directors are of the view that it will be beneficial to the Group to transact or continue to transact with the Interested Persons for the above reasons.

The IPT General Mandate is intended to facilitate transactions in the Group's normal course of business which are transacted from time to time with the Interested Persons, provided that they are carried out on normal commercial terms and are not prejudicial to the Company and its minority Shareholders. Disclosure will be made in the annual report of the Company of the aggregate value of the IPTs conducted pursuant to the IPT General Mandate during the current financial year, and in the annual reports of the Company for the subsequent financial years during which an IPT General Mandate is in force.

## 5. REVIEW PROCEDURES FOR RECURRENT IPTS

### 5.1 Review Procedures for Recurrent IPTs Covered by the IPT General Mandate

To ensure that transactions with Interested Persons are made on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, the Company has in place the following review procedures which the relevant employees shall adhere to prior to entering into any contract or transaction with the Interested Person.

As a general rule:

(a) the fees for the petrochemical storage services and land transport services charged to the Interested Persons shall always be consistent with that charged to unrelated third parties; and

(b) the provision of financial support by way of the extension of borrowings by the Interested Persons should be at rates and on conditions no less favourable than those quoted by independent third party banks or financial institutions.

In particular, the following review procedures for the provision have been implemented.

*A.* *Interested Person Transaction Management Team (the "**IPT Management Team**")*

The Group has established an IPT Management Team comprising its VGM, its FM and its CFO. The IPT Management Team shall be responsible for the monitoring of the Mandated Transactions. The IPT Management Team shall report on matters relating to Mandated Transactions directly to the Audit Committee. The main responsibilities of the IPT Management Team are as follows:

(a) reviewing, evaluating and approving all proposed contracts that are to be entered into with the Interested Persons, in accordance with guidelines and procedures established by the Group. Any significant deviation from the established guidelines and procedures will require the Audit Committee's approval;

(b) monitoring the services provided by the Group to the Interested Persons; in particular material procedures will include reviewing the independent third party inspection reports provided by the Group's storage department and the account receivable statements provided by the Group's finance department regularly; and

(c) reviewing the records in relation to the Mandated Transactions to ensure that the transactions are made on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders. The IPT Management Team shall keep a record of the date, terms and basis for entering into the contracts as well as all relevant records or documents such as the contracts, third party shipping documents, ship-in certification (referred to below), electronic dipstick records and confirmations of receipt of goods from end customers, and these records will be reviewed by the Audit Committee periodically to ensure that the contracts are entered into validly in accordance with the guidelines and procedures established, including the reasonableness of the duration, terms and basis of the contracts.

*B. Guidelines and Procedures for the Provision of Petrochemical Storage Services and Land Transport Services to the Interested Persons*

The head of the Company's Sales Department (or, in his absence, other employee of the Group of an equivalent designation), who should have no interest, direct or indirect, in the Mandated Transactions, and who is familiar with the terms and complexity of contracts or transactions of similar nature to that of the Mandated Transactions shall review such transactions for the provision of services to the Interested Persons, in compliance with the following review procedures:

(a) All contracts entered into or transactions with the Interested Persons are to be carried out either:

(i) within the price ranges stated in the price list for all customers updated on a half-yearly basis and approved by the VGM (the "**Approved Price List**"); or

(ii) at prices and terms not more favourable to the Interested Persons than that being offered to other unrelated third party customers within the last three months, generally having regards to the type, quantity and quality, and route of the petrochemical products being stored or transported ("**Similar Transactions**").

(b) In respect of a transaction carried out in accordance with (a)(ii) above, at least two Similar Transactions shall be used for comparison. In addition, when reviewing the prices and terms, all pertinent factors, including but not limited to specifications and requirements, duration and volume of contracts, credit terms and track record of the counterparty will be taken into consideration.

(c) In the event that there is no similar service in the Approved Price List or Similar Transactions within the last three months, the pricing for such services to be provided to Interested Persons shall be determined in accordance with usual business practices and pricing policies and consistent with the usual margins and/or terms to be obtained for the same or substantially similar types of transactions. Pertinent factors to be considered for pricing include but are not limited to the competitive environment, the ability to fulfil the contract, availability of resources and capacity, availability of alternative potential contracts with unrelated third parties, and the Group's ability to optimise operational efficiency.

The purpose of the aforesaid procedures is to ensure that the relevant transaction is made on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

*C. Guidelines and Procedures for receiving financing support in the form of borrowing of funds from the Interested Persons*

In relation to the intended borrowings by the Group from the Interested Persons, the Company shall obtain market interest rates or quotations for commercial loans for an equivalent amount and on similar terms from independent third party banks or financial institutions to ensure that the price and terms of the loan from Interested Persons are not less favourable than any similar loans being offered to the Group contemporaneous in time by other unrelated parties.

In considering whether the terms of the loan from Interested Persons are in the interest of the Company, factors which will be taken into consideration by the Company include, but are not limited to, the principal amount and duration of the loan, any guarantee or security required for the loan, the penalty for early repayment and any restrictive covenants of the loan.

### 5.2 Approval Limits for Mandated Transactions

In addition, the following review and approval procedures shall be implemented for the Mandated Transactions:

| | **Value of Transaction**[(1)] | **Approved by**[(2)] |
|---|---|---|
| 1. | Less than or equal to RMB3 million | VGM + FM |
| 2. | More than RMB3 million but less than or equal to RMB5 million | VGM + CFO |
| 3. | More than RMB5 million but less than 3% of the latest audited net tangible assets ("**NTA**") of the Group | VGM + CFO + an Audit Committee member |
| 4. | Equal to or more than 3% of the latest audited NTA of the Group, or any amount for a new contract, the contractual term of which is longer than 12 months | Audit Committee |

**Notes:**

(1) For the avoidance of doubt, in terms of provision of loans to the Group by the Interested Persons, the value of the transaction is the amount at risk to the Group, i.e., the interest imposed by the loans.

(2) If any person specified above is absent or not approachable, the transaction will be reviewed and approved by a person of the next highest authority or a Director of the Company who does not have any interest in the transaction.

If any person specified above has an interest in a Mandated Transaction to be reviewed and approved by him, he will abstain from any decision making in respect of that transaction, and such transaction will be reviewed and approved by a person of the next highest seniority or a Director of the Company who does not have any interest in that transaction.

The Audit Committee may, in the review of the Mandated Transactions included in the above categories, require the IPT Management Team to provide (to the extent that it is commercially practicable and appropriate) statistics (including historical and projected price trends or information) and market information and, if available, advice from experts on such matters.

## 6. MANDATED TRANSACTIONS REGISTER AND PERIODIC REVIEW

The head of the Company's Sales Department is required to inform the IPT Management Team of any significant upcoming transactions with Interested Persons so that the review procedures for the Mandated Transactions can be complied with.

The IPT Management Team shall ensure that a register of all transactions carried out with Interested Persons is properly maintained ("**Mandated Transactions Register**"), and that such Mandated Transactions Register contains accurate, complete and up-to-date information. Where applicable, the Mandated Transactions Register shall record information including but not limited to a record of the dates, prices, terms and basis for entering into the contracts with the Interested Persons and the approval or review by the IPT Management Team, as well as all relevant records or documentations such as the original contracts, the accompanying third party shipping documents (such as the bills-of-lading and insurance documents), ship-in certification for each batch of petrochemicals shipped-in by the Interested Persons, electronic dip-stick records and confirmations of receipt of goods from the unrelated end customers. These records will be reviewed by the Audit Committee periodically to ensure that transactions with Interested Persons are made on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The IPT Management Team shall update the Audit Committee of the Mandated Transactions entered into during the preceding quarter for their review on a quarterly basis (or whenever deemed necessary by the Audit Committee). The Audit Committee shall review such Mandated Transactions during its quarterly meetings except for those Mandated Transactions where the Audit Committee's approvals have been obtained in advance pursuant to the review procedures.

In addition, the annual internal audit plan shall include a section on review of all the Mandated Transactions. Such internal audit plan is subject to the approval of the Audit Committee and the Board. The scope of the internal audit, to be carried out periodically, shall include the review and examination of the internal controls and established review procedures for the monitoring of such Mandated Transactions to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions have been complied with and are adequate. The Internal Auditors shall report directly to the Audit Committee.

If the Audit Committee is of the view that the internal controls and review procedures for the Mandated Transactions are inappropriate or insufficient to ensure that the Mandated Transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Group and its minority Shareholders, the Audit Committee will (pursuant to Rule 920(1)(b)(iv) and (vii) of the Listing Manual) require the Company to, and the Company shall, seek a fresh shareholders' mandate based on new internal controls and review procedures for transactions with Interested Persons. All Mandated Transactions shall be reviewed and approved by the IPT Management Team prior to entry while a fresh mandate is being sought from Shareholders.

For the purposes of the above review of the internal audit plan, any of the Directors or a member of the Audit Committee who has an interest, direct or indirect in the Mandated Transactions, will abstain from participating in the review of the internal audit plan.

The Board will also ensure that all disclosure, approval and other requirements with respect to the Mandated Transactions, including those required by prevailing legislation, the Listing Manual and relevant accounting standards, are complied with.

## 7. EXPIRY AND SUBSEQUENT RENEWAL OF THE IPT GENERAL MANDATE

If approved by the Shareholders at the AGM which is scheduled to be held on 26 April 2019, the IPT General Mandate will take effect from the date of passing of the ordinary resolution relating thereto and will continue in force until the next annual general meeting or the date by which the next annual general meeting is required by law to be held, whichever is earlier, unless revoked or varied by the Company in a general meeting.

## 8. DISCLOSURE OF INTERESTED PERSON TRANSACTIONS PURSUANT TO THE IPT GENERAL MANDATE

The Company will announce the aggregate value of transactions conducted with Interested Persons pursuant to the IPT General Mandate for the quarterly financial periods which the Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.

Disclosure has been made in the Annual Report 2018 of the aggregate value of the transactions conducted with Interested Persons pursuant to the IPT General Mandate during the financial year ended 31 December 2018, and will be made in the Company's annual reports for subsequent financial years that the IPT General Mandate continues to be in force, in accordance with the requirements of Chapter 9.

The name of the Interested Person and the corresponding aggregate value of the IPTs will be presented in the following format (or in such other form as the Listing Manual may require from time to time):

| Name of Interested Person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) |
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