

CIRCULAR DATED 9 DECEMBER 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 RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 320,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT AN ISSUE PRICE OF S\$0.14 FOR EACH RIGHTS SHARE, ON THE BASIS OF ONE (1) RIGHTS SHARES FOR EVERY TWO (2) EXISTING ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY ENTITLED SHAREHOLDERS (AS DEFINED HEREIN) AS AT A TIME AND DATE TO BE DETERMINED BY THE BOARD FOR THE PURPOSE OF DETERMINING THE ENTITLEMENTS OF THE ENTITLED SHAREHOLDERS, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED; AND**
- (2) **THE PROPOSED RESTRUCTURING OF THE GROUP INVOLVING:**
 - (I) **THE PROPOSED DISPOSAL OF 18% OF THE EQUITY INTEREST IN THE REGISTERED CAPITAL OF DONGMING QIANHAI RELI CO., LTD. (东明前海热力有限公司) FOR A CONSIDERATION OF RMB27,911,000, BEING AN INTERESTED PERSON TRANSACTION; AND**
 - (II) **THE PROPOSED ACQUISITION OF 30% OF THE EQUITY INTEREST IN THE REGISTERED CAPITAL OF DONGMING QIANHAI PETROCHEMICAL CO., LTD. (东明前海化工有限公司) FOR A CONSIDERATION OF RMB573,598,000, BEING AN INTERESTED PERSON TRANSACTION AND A MAJOR TRANSACTION.**

Independent Financial Adviser in respect of the Proposed Restructuring

CICF

Capstone Investment Corporate Finance Pte Ltd

CAPSTONE INVESTMENT CORPORATE FINANCE PTE LTD

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

IMPORTANT DATES AND TIMES:

- | | | |
|--|---|---|
| Last date and time for lodgement of Proxy Form | : | 22 December 2024 at 10.00 a.m. |
| Date and time of Extraordinary General Meeting | : | 24 December 2024 at 10.00 a.m. |
| Place of Extraordinary General Meeting | : | Suntec Singapore Convention & Exhibition Centre,
Room MR 331, Level 3, 1 Raffles Boulevard,
Suntec City, Singapore 039593 |

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DEFINITIONS

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

- “2024 AGM”** : The Annual General Meeting of the Company for FY2023 held on 24 April 2024
- “2024 EGM”** : The 2nd Extraordinary General Meeting of the Company in FY2024 to be held on 24 December 2024 at 10.00 a.m.
- “9M2023”** : The nine-month period ended 30 September 2023
- “6M2024”** : The six-month period ended 30 June 2024
- “9M2024”** : The nine-month period ended 30 September 2024
- “Act” or “Companies Act”** : The Companies Act 1967 of Singapore, as amended, modified and/or supplemented from time to time
- “AGM” or “Annual General Meeting”** : The annual general meeting of the Company
- “Announcement”** : The announcement dated 29 October 2024 released by the Company in relation to the Proposed Restructuring
- “ARE”** : Application and acceptance form for Rights Shares and Excess Rights Shares to be issued to Entitled Depositors in respect of their provisional allotment of Rights Shares pursuant to the Proposed Rights Issue
- “ARS”** : Application and acceptance form for Rights Shares to be issued to Purchasers in respect of their purchase of Rights traded on the SGX-ST through the book-entry (scripless) settlement system
- “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

DEFINITIONS

“ATM”	:	Automated teller machine of a Participating Bank
“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. Liu Xiaoyan
“Authority”	:	Monetary Authority of Singapore
“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, which 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, which as at the Latest Practicable Date, Mr. Yan Tailing is the CFO of the Company
“Circular”	:	This circular to Shareholders dated 9 December 2024
“Closing Date”	:	The time and date to be determined by the Directors and to be announced by the Company in due course, being the last time and date for acceptance of and/or excess application and payment for, and renunciation and payment of the Rights Shares under the Proposed Rights Issue
“Code”	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
“Company”	:	Sinostar PEC Holdings Limited
“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
“Completion”	:	The completion of the Proposed Restructuring
“CPF”	:	Central Provident Fund
“CPF Funds”	:	CPF investible savings
“CPF Investment Account”	:	The investment account maintained with a CPF agent bank for the purpose of investment of CPF Funds under the CPFIS – Ordinary Account

DEFINITIONS

“CPFIS”	:	Central Provident Fund Investment Scheme
“CPF/SRS Investors”	:	Investors holding Shares under the Central Provident Fund Investment Scheme and/or the Supplementary Retirement Scheme
“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”	:	<p>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 —</p> <p>(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;</p> <p>(b) deposits book-entry securities with the Depository on behalf of the sub-account holders; and</p> <p>(c) establishes an account in its name with the Depository</p>
“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 the corporate structure of the Group before and after the Proposed Restructuring as set out in Section 3.4.1 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 the corporate structure of the Group before and after the Proposed Restructuring as set out in Section 3.4.1 of this Circular
“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 the corporate structure of the Group before and after the Proposed Restructuring as set out in Section 3.4.1 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 is held by Hong Li Yuan as at the Latest Practicable Date. Please refer to the diagram setting out, <i>inter alia</i> , Mr. Li’s indirect shareholding interest in Dongming Petrochem as set out in Section 3.2 of this Circular

DEFINITIONS

- “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, when taken together, have an interest (directly or indirectly) of thirty per cent. (30%) or more of that corporation’s equity capital collectively
- “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 is held by Dongming Hengchang and thirty per cent. (30%) of its equity interest is held by Dongming Petrochem as at the Latest Practicable Date. Please refer to the diagram setting out, *inter alia*, Mr. Li’s indirect shareholding interest in Dongming Qianhai as set out in Section 3.2 of this Circular, as well as the corporate structure of the Group before and after the Proposed Restructuring as set out in Section 3.4.1 of this Circular
- “Dongming Qianhai Long-stop Date”** : The long-stop date for the satisfaction (or, where applicable, the waiver) (as the case may be) of the conditions precedent under the Dongming Qianhai SPA
- “Dongming Qianhai Purchase Consideration”** : The consideration of RMB573,598,000 for the Dongming Qianhai Sale Equity payable by Dongming Hengchang to Dongming Petrochem
- “Dongming Qianhai Sale Equity”** : Thirty per cent. (30%) of the equity interest in the registered capital of Dongming Qianhai held by Dongming Petrochem
- “Dongming Qianhai SPA”** : The sale and purchase agreement dated 29 October 2024 entered into between Dongming Hengchang and Dongming Petrochem in relation to the Proposed Acquisition of Dongming Qianhai, as further elaborated in Section 3.4.3 of this Circular
- “Dongming Qianhai Valuation Report”** : The valuation report dated 15 October 2024 issued by the Independent Valuer in relation to the market value of the Dongming Qianhai Sale Equity, the summary of which is set out in **Appendix C** to this Circular
- “EGM” or “Extraordinary General Meeting”** : The extraordinary general meeting of the Company
- “Entitled Depositor(s)”** : Shareholders with Shares standing to the credit of their Securities Accounts with CDP on the Record Date and whose registered addresses with CDP are in Singapore as at the Record Date or who have, at least three (3) Market Days prior to the Record Date, provided CDP with addresses in Singapore for the service of notices and documents
- “Entitled Scripholders”** : Shareholders whose share certificates are not deposited with CDP and transferees who have tendered to the Share Registrar valid transfers of their Shares and the certificates relating thereto for registration up to the Record Date and (a) whose registered addresses with the Share Registrar are in Singapore as at the Record Date or (b) if they have registered addresses outside Singapore, who have provided the Share Registrar with addresses in Singapore for the service of notices and documents no later than 5.00 p.m. (Singapore time) on the date being three (3) Market Days prior to the Record Date

DEFINITIONS

“Entitled Shareholders”	:	Entitled Depositors and Entitled Scripholders
“entity at risk”	:	As defined in the Listing Manual, means: <ul style="list-style-type: none">(i) the Company;(ii) a subsidiary of the Company (excluding subsidiaries listed on the SGX-ST or an approved exchange); and(iii) an associated company (other than an associated company that is listed on the SGX-ST or an approved exchange) over which the Group, or the Group and its interested person(s), has or have control
“EPS”	:	Earnings per Share
“Excess Rights Shares”	:	The provisional allotments of Rights Shares which are not subscribed by the Entitled Shareholders as at the Closing Date, and which may be applied for by Entitled Shareholders in excess of the number of Rights Shares provisionally allotted to such Entitled Shareholders
“Execution Date”	:	29 October 2024, being the date on which the Qianhai Reli SPA and Dongming Qianhai SPA were executed
“Executive Director”	:	A Director of the Company, holding office in an executive capacity
“Existing Share Capital”	:	The existing issued and paid-up share capital of the Company of 640,000,000 Shares as at the Latest Practicable Date
“Foreign Purchasers”	:	Purchasers of the Rights whose registered addresses with CDP are outside Singapore at the time of purchase through the book-entry (scripless) settlement system
“Foreign Shareholders”	:	Shareholders with registered addresses outside Singapore as at the Record Date, and who have not, at least three (3) Market Days prior to the Record Date, provided to CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents
“FY” or “Financial Year”	:	Financial year ended, or ending, as the case may be, 31 December
“FY2021”	:	Financial year ended 31 December 2021
“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 is held by Mr. Li as at the Latest Practicable Date, and Hong Li Yuan holds 97.18% of the equity interest in Dongming Petrochem as at the Latest Practicable Date. Please refer to the diagram setting out, <i>inter alia</i> , Mr. Li’s direct shareholding interest in Hong Li Yuan as set out in Sections 3.2 of this Circular
“IFA” or “Independent Financial Adviser”	:	Capstone Investment Corporate Finance Pte Ltd
“IFA Letter”	:	The IFA’s letter dated 9 December 2024 to the Non-Interested Directors in respect of the Proposed Restructuring, a copy of which is set out in Appendix D to this Circular
“Independent Shareholders”	:	Shareholders who are not Mr. Li and his associates
“Independent Valuer”	:	Savills Valuation and Professional Services (S) Pte. Ltd., the independent valuer commissioned by the Company in connection with the Proposed Restructuring
“Intelligent People”	:	Intelligent People Holdings Limited, which is a Shareholder holding 58.13% equity interests in the Company as at the Latest Practicable Date
“Interested Directors”	:	Mr. Li and Mr. Li Zhi collectively
“interested person”	:	As defined in the Listing Manual, an interested person, in the case of the Company, means: (a) a Director, CEO or Controlling Shareholder of the Company or (b) an associate of such Director, CEO or Controlling Shareholder
“IPT” or “interested person transaction”	:	A transaction between an entity at risk 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 2024 AGM
“Irrevocable Undertaking”	:	The irrevocable undertaking dated 25 April 2024 given by the Undertaking Shareholder to the Company, details of which are set out in Section 2.11 of this Circular
“Issue Price”	:	The issue price of the Rights Shares, being S\$0.14 for each Rights Share
“Latest Practicable Date”	:	28 November 2024, being the latest practicable date prior to the issuance of this Circular

DEFINITIONS

“Listing Manual”	:	The listing manual of the SGX-ST, as amended, modified and/or supplemented from time to time
“LPG”	:	Liquefied petroleum gas
“Mr. Li”	:	Mr. Li Xiangping, the Executive Chairman and CEO, as well as a Controlling Shareholder of the Company who holds an indirect interest in 372,048,500 Shares through Intelligent People, representing approximately 58.13% of the total number of Shares (excluding Treasury Shares) as at the Latest Practicable Date
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Maximum Subscription Scenario”	:	For illustrative purposes, the scenario under which the Undertaking Shareholder subscribes for its <i>pro rata</i> entitlement to the Rights Shares only and not any of the excess Rights Shares pursuant to the Irrevocable Undertaking as all Entitled Shareholders had subscribed to their respective <i>pro rata</i> entitlement to the Rights Shares under the Proposed Rights Issue
“Minimum Subscription Scenario”	:	For illustrative purposes, the scenario under which the Undertaking Shareholder subscribes for its <i>pro rata</i> entitlement to the Rights Shares and all the excess Rights Shares pursuant to the Irrevocable Undertaking as none of the Entitled Shareholders had subscribed to their respective <i>pro rata</i> entitlement to the Rights Shares under the Proposed Rights Issue
“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
“NAV”	:	Net asset value
“Net Proceeds”	:	The estimated net proceeds from the Proposed Rights Issue
“Nil-Paid Rights”	:	The “nil-paid” provisional entitlements to subscribe for the Rights Shares under the Proposed Rights Issue
“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 Proposals, namely Dr. Chen Seow Phun, John, Mr. Jiang Xinglu, Mr. Liu Xiaoyan and Mr. Yan Tailing
“Notice of EGM”	:	The notice of the 2024 EGM set out on pages N-1 to N-5 of this Circular
“NTA”	:	Net tangible assets
“OIS” or “Offer Information Statement”	:	The offer information statement referred to in Section 277 of the SFA, together with (where the context requires) the PAL, the ARE, the ARS, and all other accompanying documents, including, where the context so admits, any supplementary or replacement documents to be issued by the Company in connection with the Proposed Rights Issue

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“PAL”	:	The provisional allotment letter to be issued to an Entitled Scripholder, setting out the provisional allotment of the Rights Shares of such Entitled Scripholder under the Proposed Rights Issue
“Participating Banks”	:	The banks that will be participating in the Proposed Rights Issue by making available their ATMs to Entitled Depositors and persons purchasing the provisional allotments of Rights Shares through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore, for acceptances of the Rights Shares and/or applications for Excess Rights Shares, and to be set out in the Offer Information Statement to be despatched in due course
“PRC”	:	The People’s Republic of China
“processed LPG”	:	A type of LPG supplied to end customers as a source of fuel after propylene is extracted from raw LPG
“Proposed Acquisition of Dongming Qianhai”	:	The proposed acquisition of the Dongming Qianhai Sale Equity by Dongming Hengchang from Dongming Petrochem
“Proposed Disposal of Qianhai Reli”	:	The proposed disposal of the Qianhai Reli Sale Equity from Dongming Qianhai to Hong Li Yuan
“Proposed Restructuring”	:	The proposed restructuring of the Group involving the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai, as further elaborated in Section 3 of this Circular
“Proposed Rights Issue”	:	The proposed renounceable non-underwritten rights issue of up to 320,000,000 new ordinary shares in the capital of the Company, as further elaborated in Section 2 of this Circular
“Proxy Form”	:	The proxy form in respect of the 2024 EGM
“Purchaser”	:	A purchaser of the Rights traded on the SGX-ST through the book-entry (scripless) settlement system
“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 is held by Dongming Qianhai and eighty-two per cent. (82%) of its equity interest is held by Hong Li Yuan as at the Latest Practicable Date. Please refer to the diagram setting out, <i>inter alia</i> , Mr. Li’s indirect shareholding interest in Qianhai Reli as set out in Section 3.2, as well as the corporate structure of the Group before and after the Proposed Restructuring as set out in Section 3.4.1 of this Circular
“Qianhai Reli Long-stop Date”	:	The long-stop date for the satisfaction (or, where applicable, the waiver) (as the case may be) of the conditions precedent under the Qianhai Reli SPA
“Qianhai Reli Sale Consideration”	:	The consideration of RMB27,911,000 for the Qianhai Reli Sale Equity payable by Hong Li Yuan to Dongming Qianhai
“Qianhai Reli Sale Equity”	:	Eighteen per cent. (18%) of the equity interest in the registered capital of Qianhai Reli held by Dongming Qianhai

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“Qianhai Reli SPA”	:	The sale and purchase agreement dated 29 October 2024 entered into between Dongming Qianhai and Hong Li Yuan in relation to the Proposed Disposal of Qianhai Reli, as further elaborated in Section 3.4.2 of this Circular
“Qianhai Reli Valuation Report”	:	The valuation report dated 15 October 2024 issued by the Independent Valuer in relation to the market value of the Qianhai Reli Sale Equity, the summary of which is set out in Appendix B to 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
“Record Date”	:	The time and date to be determined by the Directors to be announced by the Company in due course, at and on which, subject to the approval of the Proposed Rights Issue being obtained at the 2024 EGM, the Register of Members and share transfer books of the Company will be closed to determine the provisional allotments of Rights Shares of the Entitled Shareholders under the Proposed Rights Issue
“Register of Members”	:	The register of members of the Company, as maintained by the Share Registrar
“related corporation”	:	In relation to the Company, refers to (i) its holding company, (ii) its subsidiary; and (iii) subsidiary of its holding company
“Rights”	:	The rights to subscribe for one (1) Rights Share for every two (2) existing Shares as at the Record Date, fractional entitlements to be disregarded
“Rights Shares”	:	Up to 320,000,000 new Shares to be allotted and issued by the Company pursuant to the Proposed Rights Issue
“Securities Account”	:	A securities account maintained by a Depositor with CDP (but does not include a securities sub-account)
“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
“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
“Share Registrar”	:	In.Corp Corporate Services Pte. Ltd., at 30 Cecil Street, #19-08, Prudential Tower, Singapore 049712
“SRS”	:	Supplementary Retirement Scheme

DEFINITIONS

- “SRS Account”** : An account opened by a participant in the SRS from which money may be withdrawn for, *inter alia*, payment of the Rights Shares and/or Excess Rights Shares
- “SRS Approved Banks”** : Approved banks in which SRS Investors hold their respective SRS Accounts
- “SRS Funds”** : Monies standing to the credit of the SRS Accounts of SRS Investors under the SRS
- “SRS Investors”** : Investors who have purchased Shares pursuant to the SRS
- “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;
 - (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

DEFINITIONS

- (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 subparagraph (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
- “Undertaking Shareholder”** : Intelligent People
- “Undertaking Shares”** : Collectively, (a) the Undertaking Shareholder’s *pro rata* entitlement to the Rights Shares; and (b) any unsubscribed Rights Shares remaining after the fulfilment of valid applications by other Shareholders (other than the Undertaking Shareholder) under the terms of the Proposed Rights Issue, pursuant to the Irrevocable Undertaking
- “Valuation Date”** : 30 June 2024
- “Waiver”** : The waiver from the SGX-ST received on 21 October 2024 informing the Company that it had no objection for the Proposed Acquisition of Dongming Qianhai to be treated as a “major transaction” under Rule 1014 of the Listing Manual, and in connection, granting the Company waiver from compliance with Rule 1015 of the Listing Manual, as further elaborated in Section 3.7.3 of this Circular

DEFINITIONS

- “Waiver Application”** : The application from the Company to the SGX-ST on 4 October 2024 for a waiver from compliance with certain rules in the Listing Manual in respect of the Proposed Acquisition of Dongming Qianhai, as further elaborated in Section 3.7.3 of this Circular
- “Waiver Conditions”** : The conditions that the Waiver is subject to as set out in the letter from the SGX-ST received by the Company on 21 October 2024. Each of such Waiver Conditions shall be referred to as a **“Waiver Condition”**, as further elaborated in Section 3.7.3 of this Circular

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

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 in this Circular to a time of day or date 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.

The English names of certain PRC companies, entities and authorities in this Circular have been translated from their Chinese names, as there is no requirement for these companies, entities and authorities to have official English names. In case of any inaccuracy, conflict or inconsistency between the English translations, please refer to the original Chinese names.

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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. Jiang Xinglu (Independent Non-Executive Director)
Mr. Liu Xiaoyan (Independent Non-Executive Director)

Registered Office

30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

9 December 2024

To: **The Shareholders of Sinostar PEC Holdings Limited**

Dear Sir/ Madam

- (1) **THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 320,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT AN ISSUE PRICE OF S\$0.14 FOR EACH RIGHTS SHARE, ON THE BASIS OF ONE (1) RIGHTS SHARES FOR EVERY TWO (2) EXISTING ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY ENTITLED SHAREHOLDERS (AS DEFINED HEREIN) AS AT A TIME AND DATE TO BE DETERMINED BY THE BOARD FOR THE PURPOSE OF DETERMINING THE ENTITLEMENTS OF THE ENTITLED SHAREHOLDERS, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED; AND**
- (2) **THE PROPOSED RESTRUCTURING OF THE GROUP INVOLVING:**
- (I) **THE PROPOSED DISPOSAL OF 18% OF THE EQUITY INTEREST IN THE REGISTERED CAPITAL OF DONGMING QIANHAI RELI CO., LTD. (东明前海热力有限公司) FOR A CONSIDERATION OF RMB27,911,000, BEING AN INTERESTED PERSON TRANSACTION; AND**
- (II) **THE PROPOSED ACQUISITION OF 30% OF THE EQUITY INTEREST IN THE REGISTERED CAPITAL OF DONGMING QIANHAI PETROCHEMICAL CO., LTD. (东明前海化工有限公司) FOR A CONSIDERATION OF RMB573,598,000, BEING AN INTERESTED PERSON TRANSACTION AND A MAJOR TRANSACTION.**

1. INTRODUCTION

1.1 Overview

1.1.1 The Proposed Rights Issue

On 28 September 2023, the Company announced that it is proposing to undertake a renounceable non-underwritten rights issue (the “**Proposed Rights Issue**”) of up to 320,000,000 new ordinary shares in the capital of the Company (the “**Rights Shares**”) at an issue price of S\$0.14 for each Rights Share (“**Issue Price**”), on the basis of one (1) Rights Shares for every two (2) existing Shares held by Shareholders who are eligible to participate in the Proposed Rights Issue (“**Entitled Shareholders**”) as at a time and date to be determined for the purpose of determining the entitlements of the Entitled Shareholders (the “**Record Date**”), fractional entitlements to be disregarded.

LETTER TO SHAREHOLDERS

On 29 April 2024, the Company submitted an additional listing application to the SGX-ST for the listing of the Rights Shares. On 20 May 2024, the SGX-ST granted its approval in-principle to the Company for, *inter alia*, the dealing in, listing of and quotation for up to 320,000,000 Rights Shares on the Mainboard of the SGX-ST, subject to certain conditions, details of which are set out in Section 2.5 of this Circular. Shareholders should note that the approval in-principle granted by the SGX-ST shall not be taken as an indication of the merits of the Proposed Rights Issue, the Rights Shares, the Shares, the Company and/or its subsidiaries.

1.1.2 The Proposed Restructuring

On 29 October 2024, the Company announced that:

- (a) Dongming Qianhai, a 70%-owned subsidiary of Dongming Hengchang as at the Latest Practicable Date, had, on 29 October 2024, entered into a sale and purchase agreement (the “**Qianhai Reli SPA**”) with Hong Li Yuan to provide for the disposal of eighteen per cent. (18%) of the equity interest in the registered capital of Qianhai Reli (the “**Qianhai Reli Sale Equity**”) from Dongming Qianhai to Hong Li Yuan (the “**Proposed Disposal of Qianhai Reli**”); and
- (b) Dongming Hengchang, a wholly-owned subsidiary of the Company as at the Latest Practicable Date, had, on 29 October 2024, entered into a sale and purchase agreement (the “**Dongming Qianhai SPA**”) with Dongming Petrochem to provide for the acquisition of the remaining thirty per cent. (30%) of the equity interest in the registered capital of Dongming Qianhai¹ (the “**Dongming Qianhai Sale Equity**”) by Dongming Hengchang from Dongming Petrochem (the “**Proposed Acquisition of Dongming Qianhai**”),

(collectively, the “**Proposed Restructuring**”).

Each of the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai constitutes an interested person transaction under Chapter 9 of the Listing Manual, and as the aggregate value of the Proposed Restructuring exceeds five per cent. (5%) of the Group’s latest audited NTA, the Proposed Restructuring is subject to the approval of the Independent Shareholders under Rule 906(1) of the Listing Manual. Please refer to Section 3.6 of this Circular for further details on the Proposed Restructuring involving interested person transactions under Chapter 9 of the Listing Manual.

In addition, as the relative figure computed based on Rule 1006(c) of the Listing Manual exceeds a hundred per cent. (100%), the Proposed Acquisition of Dongming Qianhai *prima facie* constitutes a “very substantial acquisition” under Rule 1015 of the Listing Manual. Notwithstanding, as set out in Section 3.7.3 of this Circular, in light of the Waiver granted by the SGX-ST, the Proposed Acquisition of Dongming Qianhai shall, subject to the conditions stated in the Waiver, instead be regarded as a “major transaction” under Rule 1014 of the Listing Manual. Accordingly, the Proposed Acquisition of Dongming Qianhai is also subject to the approval of the Shareholders pursuant to Rule 1014(2) of the Listing Manual. Please refer to Section 3.7 of this Circular for further details on the Proposed Acquisition of Dongming Qianhai being regarded as a major transaction under Chapter 10 of the Listing Manual.

¹ For the avoidance of doubt, as at the Latest Practicable Date, Dongming Hengchang, a wholly-owned subsidiary of the Company, holds 70% equity interest in Dongming Qianhai. Accordingly, Dongming Qianhai forms part of the Group. Please refer to Section 3.1(d) of this Circular for further information on Dongming Qianhai.

Through the Proposed Acquisition of Dongming Qianhai, the Company is seeking to indirectly own 100% of the equity interest in Dongming Qianhai. Subject to Shareholders’ approval being obtained at the 2024 EGM, following the completion of the Proposed Acquisition of Dongming Qianhai, Dongming Qianhai will become a wholly-owned indirect subsidiary of the Company, with the Company gaining full control and management of Dongming Qianhai. Furthermore, the financial statements of Dongming Qianhai will continue to be consolidated into the financial statements of the Group.

LETTER TO SHAREHOLDERS

1.2 2024 EGM

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

- (a) the Proposed Rights Issue; and
- (b) the Proposed Restructuring,

(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 Shareholders' approval for the resolutions in respect of the Proposals to be tabled at the 2024 EGM.

1.4 Inter-conditionality

Shareholders' approval for the Proposed Restructuring is sought in separate resolutions, namely, Ordinary Resolution 2 to approve the Proposed Disposal of Qianhai Reli and Ordinary Resolution 3 to approve the Proposed Acquisition of Dongming Qianhai. The Directors wish to highlight that, in voting for the resolutions set out in the Notice of EGM, Ordinary Resolution 2 and Ordinary Resolution 3 are conditional upon the passing of Ordinary Resolution 1, being the Proposed Rights Issue, but NOT *vice versa*. This is as the Company intends to finance the Proposed Acquisition of Dongming Qianhai with the Net Proceeds raised from the Proposed Rights Issue, as stated in Section 2.10 of this Circular. This means that if Ordinary Resolution 1 is not passed, none of the resolutions set out in the Notice of EGM will be carried. However, the passing of Ordinary Resolution 1 is not conditional upon the passing of Ordinary Resolution 2 and/or Ordinary Resolution 3 as well as the Completion.

Further, Ordinary Resolution 2 and Ordinary Resolution 3 are inter-conditional to one another. This means that if either Ordinary Resolution 2 or Ordinary Resolution 3 is not passed, both resolutions will not be carried, and the Company shall not proceed with the Proposed Restructuring. This is as the Company intends to finance the Proposed Acquisition of Dongming Qianhai with the Qianhai Reli Sale Consideration, as stated in Section 3.7.6 of this Circular.

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 you have 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.

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2. THE PROPOSED RIGHTS ISSUE

2.1 Overview of the Proposed Rights Issue

As at the Latest Practicable Date, the Company has an issued and paid-up share capital comprising 640,000,000 Shares (excluding Treasury Shares and subsidiary holdings, if any) (“**Existing Share Capital**”). Purely for illustration purposes, if the Proposed Rights Issue is approved by Shareholders at the 2024 EGM and assuming there is no change in the Company’s total issued share capital from the Latest Practicable Date to the Record Date, up to 320,000,000 Rights Shares will be offered at the Issue Price of S\$0.14 for each Rights Share, on the basis of one (1) Rights Share for every two (2) existing Shares held by Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded.

2.2 Size of the Proposed Rights Issue

For illustrative purposes only, based on the Existing Share Capital and:

- (a) assuming all the Entitled Shareholders subscribe and pay for their *pro rata* entitlements of Rights Shares, the Company will issue 320,000,000 Rights Shares and the resultant enlarged issued and paid-up share capital of the Company will be 960,000,000 Shares (excluding Treasury Shares and subsidiary holdings, if any);
- (b) assuming none of the other Entitled Shareholders subscribe for their *pro rata* entitlements of Rights Shares (save for the Undertaking Shareholder (as defined herein) who subscribe and pay for its full entitlement of Rights Shares and all of the excess Rights Shares pursuant to the Irrevocable Undertaking), the Company will issue 320,000,000 Rights Shares and the resultant enlarged issued and paid-up share capital of the Company will be 960,000,000 Shares (excluding Treasury Shares and subsidiary holdings, if any).

For the avoidance of doubt, as Intelligent People Holdings Limited (the “**Undertaking Shareholder**”) has given an undertaking to the Company (the “**Irrevocable Undertaking**”) to, *inter alia*, subscribe for or procure the subscription of its own *pro rata* entitlement to the Rights Shares and subscribe for or procure the subscription of any unsubscribed Rights Shares remaining after the fulfilment of valid applications by other Shareholders for the same under the terms of the Proposed Rights Issue (together, the “**Undertaken Shares**”), the Company will issue 320,000,000 Rights Shares and the resultant enlarged issued and paid-up share capital of the Company will be 960,000,000 Shares (excluding Treasury Shares and subsidiary holdings, if any), regardless whether all Entitled Shareholders subscribe for their *pro rata* entitlements of Rights Shares.

2.3 Principal Terms of the Proposed Rights Issue

Number of Rights Shares to be issued	:	Based on the Existing Share Capital of the Company of 640,000,000 Shares (excluding Treasury Shares and subsidiary holdings, if any) as at the Latest Practicable Date, up to 320,000,000 Rights Shares will be issued.
Basis of provisional allotment	:	One (1) Rights Share for every two (2) existing Shares held by Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded.
Issue Price	:	S\$0.14 for each Rights Share, payable in full on acceptance and/or application.

The Issue Price represents a discount of approximately:

- (a) a discount of 0% to the closing price of S\$0.14 per Share on the SGX-ST on 28 September 2023 (being the full market day on which the Proposed Rights Issue is announced) (“**Last Traded Price**”) and;

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- (b) a discount of 0% to the theoretical ex-rights price (“**TERP**”)⁽¹⁾ of approximately S\$0.14 per Share based on the Last Traded Price.

The Board is of the view that the Proposed Rights Issue is in the interest of the Company. In arriving at this view, as stated in the Company’s response to queries received from the SGX-ST in the Company’s announcement dated 3 October 2023, as the average trading volume of the Shares is low, shareholders who wish to obtain further equity participation in the Company may not be able to purchase the Shares from the market at the market price. The Proposed Rights Issue is hence undertaken at market price to allow such investors to procure further Shares in the Company. Further, given the low market price, the Board is of the view that the Shares are currently undervalued. As such, the Board decided that a discount is not necessary for the Proposed Rights Issue.

Status of the Rights Shares

- : The Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares, except that they will not rank for any dividends, rights, allotments, or other distributions, that may be declared or paid, the record date for which falls before the date of allotment and issue of the Rights Shares.

Eligibility to participate in the Proposed Rights Issue

- : As there may be prohibitions or restrictions against the offering of Rights Shares in certain jurisdictions, only Entitled Shareholders are eligible to participate in the Proposed Rights Issue. Please refer to Section 2.8 of this Circular for details on the eligibility of Shareholders to participate in the Proposed Rights Issue.

Acceptance, excess application and payment procedures

- : Entitled Shareholders will be at liberty to accept (in full or in part), decline or otherwise renounce their entire provisional allotment of Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Proposed Rights Issue (“**Excess Rights Shares**”). Entitled Depositors will also be able to trade their provisional allotments of Rights Shares on the SGX-ST during the provisional allotment trading period prescribed by the SGX-ST.

Fractional entitlements to the Rights Shares will be disregarded in arriving at Entitled Shareholders’ entitlements and together with provisional allotments which are not taken up for any reason shall be aggregated and used to satisfy applications for Excess Rights Shares (if any) or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company.

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The basis of allotting any Excess Rights Shares will be determined at the absolute discretion of the Directors. In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Proposed Rights Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares.

The procedures for, and the terms and conditions applicable to, acceptances, renunciation and/or sales of the provisional allotment of Rights Shares and for the applications for Excess Rights Shares, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement to be despatched, or as the case may be, disseminated by, and in the ARE, the ARS and the PAL to be despatched by, the Company in due course.

Listing of the Rights Shares

- : On 20 May 2024, the SGX-ST granted its approval in-principle to the Company for the dealing in, listing of and quotation of the Rights Shares on the Mainboard of the SGX-ST, subject to certain conditions, details of which are set out in Section 2.5 of this Circular.

The approval in-principle granted by the SGX-ST is not to be taken as an indication of the merits of the Proposed Rights Issue, the Rights Shares, the Shares, the Company, its subsidiaries and/or their securities. The SGX-ST assumes no responsibility for the correctness or accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

Trading of the Rights Shares

- : Upon the listing of and quotation for the Rights Shares on the SGX-ST, the Rights Shares will be traded on the SGX-ST under the book-entry (scripless) settlement system. All dealings in and transactions (including transfers) in relation to the Rights Shares effected through the SGX-ST and/or CDP shall be made in accordance with CDP's "Terms and Conditions for Operation of Securities Account with The Central Depository (Pte) Limited", as the same may be amended from time to time, copies of which are available from CDP. For the purpose of trading on SGX-ST, each board lot of Rights Shares will consist of 100 Shares.

Shareholders who hold odd lots of Shares (that is, lots other than board lots of 100 Shares) are able to trade odd lots of Shares in board lots of one Share on the Unit Share Market. Shareholders who hold odd lots of Shares may have difficulty and/or have to bear disproportionate transaction costs in realising the fair market price of such Shares.

Trading of Nil-Paid Rights

- : Entitled Depositors who wish to trade all or part of their provisional allotments of Rights Shares on the SGX-ST can do so during the provisional allotment trading period prescribed by the SGX-ST.

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Non-underwritten basis

- : The Proposed Rights Issue will not be underwritten, after taking into consideration the Irrevocable Undertaking and the cost savings to the Company in underwriting fees.

Use of CPF Funds

- : Shareholders who have previously purchased Shares using their CPF Funds under the CPFIS:
 - (a) and who wish to accept provisional allotments of the Rights Shares or apply for Excess Rights Shares will need to contact their respective approved CPF agent banks with whom they hold their CPF Investment Account on how they may do so; and
 - (b) may not use their CPF Funds to purchase provisional allotments of Nil-Paid Rights directly from the market.

Use of SRS Funds

- : SRS Investors who wish to accept their provisional allotments of Rights Shares and apply for Excess Rights Shares (if applicable) can only do so, subject to applicable SRS rules and regulations as well as terms and conditions that may be imposed by the respective SRS Approved Banks, using monies standing to the credit of their respective SRS Accounts.

Such SRS Investors who wish to accept their provisional allotments of Rights Shares and apply for Excess Rights Shares using SRS monies (if applicable), must instruct the relevant SRS Approved Banks in which they hold their SRS Accounts to accept their provisional allotments of Rights Shares and apply for Excess Rights Shares (if applicable) on their behalf in accordance with the OIS. Any application made directly to CDP or through automated teller machines of any participating bank appointed and named in the OIS by such SRS Investors will be rejected. For the avoidance of doubt, SRS Funds may not be used for the purchase of provisional allotments of Rights Shares directly from the market. Notwithstanding the foregoing, SRS Investors should consult their respective SRS Approved Banks for information and directions as to the use of SRS Funds.

Option to scale down

- : Depending on the level of subscription for the Rights Shares, the Company may, if necessary, scale down the subscription and/or excess applications for the Rights Shares by any of the Shareholders (if such Shareholder chooses to subscribe for his/her/its *pro rata* Rights Share entitlements and/or apply for Excess Rights Shares) to avoid placing the relevant Shareholder and parties acting in concert with him/her/it (as defined in the Singapore Code of Take-overs and Mergers (the “**Code**”)) in the position of incurring a mandatory general offer obligation under the Code, as a result of other Shareholders not taking up, whether partly or in full, their Rights Shares entitlements fully, and/or to avoid the transfer of a controlling interest in the Company, which is prohibited under Rule 803 of the Listing Manual, unless prior approval of the Shareholders is obtained in a general meeting.

In respect of the Undertaking Shareholder, as Intelligent People currently holds over 50% of the shares in the Company, it will not incur an obligation to make a mandatory general offer under Rule 14.1 of the Code.

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Irrevocable Undertaking

: Intelligent People, being the Undertaking Shareholder, has furnished the Irrevocable Undertaking in favour of the Company to, *inter alia*, subscribe for, or procure the subscription of its own *pro rata* entitlement to the Rights Shares and subscribe for or procure the subscription of any unsubscribed Rights Shares remaining after the fulfilment of valid applications by other Shareholders for the same under the terms of the Proposed Rights Issue.

The Undertaking Shareholder has provided a letter from a financial institution evincing that it has sufficient financial resources to fund the subscriptions of the Undertaken Shares. Given the provision of the Irrevocable Undertaking, the Company has certainty that the Proposed Rights Issue will be fully subscribed for.

Governing Law

: Laws of the Republic of Singapore.

The above terms and conditions of the Proposed Rights Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Proposed Rights Issue including procedures, acceptances and renunciations of applications for the Rights Shares will be contained in the Offer Information Statement to be lodged with the Authority and despatched by the Company to Entitled Shareholders in due course, subject to, *inter alia*, the Proposed Rights Issue being approved by the Shareholders at the 2024 EGM. For the avoidance of doubt, the Proposed Rights Issue cannot be withdrawn after the commencement of ex-rights trading.

Note:

- (1) TERP of each Share is calculated based on the following formula, assuming completion of the Proposed Rights Issue

$$\text{TERP} = \frac{\text{Market Capitalisation of the Company based on the Last Traded Price} + \text{Gross proceeds from the Proposed Rights Issue}}{\text{Number of Shares after completion of the Proposed Rights Issue}}$$

2.4 Conditions to the Proposed Rights Issue

Shareholders should note that the Proposed Rights Issue is subject to, *inter alia*, the following conditions:

- (a) the receipt of the approval in-principle of the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Mainboard of the SGX-ST and if such approval is granted to subject to conditions, such conditions being acceptable to and fulfilled the Company, and such approval not having been withdrawn or revoked on or prior to the date of completion of the Proposed Rights Issue;
- (b) the Proposed Rights Issue and the allotment and issue of the Rights Shares being approved by Shareholders at the 2024 EGM; and
- (c) the lodgement of the Offer Information Statement, with all other accompanying documents (if applicable) in connection with the Proposed Rights Issue, with the Authority.

2.5 SGX-ST Approval

On 20 May 2024, SGX-ST granted its approval in-principle for the listing and quotation of, *inter alia*, the Rights Shares on the Mainboard of the SGX-ST, subject to, *inter alia*, the following conditions:

- (a) compliance with the SGX-ST's listing requirement for the Proposed Rights Issue;

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- (b) a written undertaking from the Company that it will comply with Rules 704(30) and 1207(20) of the Listing Manual in relation to the use of the proceeds from the Proposed Rights Issue and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company announcements on use of proceeds and in the annual report;
- (c) a written undertaking from the Company that it will comply with Rule 877(10) of the Listing Manual with regards to the allotment of any excess Rights Shares;
- (d) a written confirmation from financial institution(s) as required under Rule 877(9) of the Listing Manual that the undertaking shareholder who have given the irrevocable undertakings have sufficient financial resources to fulfil their obligations under its undertakings;
- (e) independent shareholders' approval on the Proposed Rights Issue (where the Undertaking Shareholder, controlling shareholder of the Company and his associates will abstain from the voting);
- (f) a cash audit and quarterly audit on the utilisation of proceeds from the Proposed Rights Issue by the Company's independent auditor; and
- (g) Company to announce on SGXNET the opinion of the independent auditor with respect to the disbursement or accumulation of cash, as well as justifications for any material deviation from the use of proceeds disclosed in the announcement of the Company in relation to the Proposed Rights Issue dated 28 September 2023², where applicable and at least on a quarterly basis until the proceeds have been fully deployed.

The Company has provided the written undertakings and confirmations referred to in subparagraphs (b), (c) and (d) above to the SGX-ST. The conditions (f) and (g) have not been fulfilled as they can only be undertaken after the Company receives the Net Proceeds from the Rights Issue. The Company anticipates that these conditions would be fulfilled on or around June 2025, as the Company intends to channel the Net Proceeds from the Proposed Rights Issue towards the payment of the second tranche of the Dongming Qianhai Purchase Consideration, which is anticipated to occur around April 2025. Shareholders should note that the approval in-principle of the SGX-ST shall not be taken as an indication of the merits of the Proposed Rights Issue, the Rights Shares, the Shares, the Company and/or its subsidiaries.

2.6 Notification under Section 309B of the SFA

The Nil-Paid Rights and the Rights Shares are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products Regulations 2018)) and Excluded Investment Products (as defined in the Authority's Notice on the Sale of Investment Products (Notice No.: SFA 04-N12) and the Authority's Notice on Recommendations on Investment Products (Notice No.: FAA-N16)).

2.7 Prior Equity Fundraising

The Company has not undertaken any equity fundraising in the past twelve (12) months prior to the date of this Circular.

2.8 Eligibility of Shareholders to participate in the Proposed Rights Issue

2.8.1 Entitled Shareholders

The Entitled Shareholders will be entitled to participate in the Proposed Rights Issue and to receive the OIS, together with the PAL or the ARE, as the case may be, and other accompanying documents at their respective addresses in Singapore.

² Following the announcement made by the Company on 28 September 2023 in relation to the Proposed Rights Issue, the Company had, on 29 October 2024, announced that it, following discussions within the Board, intends to adjust the utilisation of the Net Proceeds for the expansion of business and the potential acquisition(s) to expand the business (i.e., the Proposed Acquisition of Dongming Qianhai) and the costs incurred in connection with the Proposed Rights Issue. Please refer to Section 2.10 of this Circular for further details on the use of proceeds from the Proposed Rights Issue.

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Entitled Shareholders will be provisionally allotted the Rights Shares under the Proposed Rights Issue on the basis of their shareholdings as at the Record Date. Entitled Shareholders will be at liberty to accept (in full or in part), decline, renounce or, in the case of Entitled Depositors only, trade their provisional allotments of the Rights Shares on the SGX-ST (during the provisional allotment trading period prescribed by the SGX-ST), and will be eligible to apply for Excess Rights Shares in excess of their provisional allotments under the Proposed Rights Issue. For avoidance of doubt, only Entitled Shareholders (and not purchasers of the provisional allotment of Rights Shares traded on the SGX-ST during the provisional allotment trading period or the renounees of Entitled Shareholders) shall be entitled to apply for additional Rights Shares in excess of their provisional allotment.

All dealings in and transactions of the provisional allotments of Rights Shares through the SGX-ST will be effected under the book-entry (scripless) settlement system. Accordingly, the PALs to be issued to Entitled Scripholders will not be valid for delivery pursuant to trades done on the SGX-ST.

In the allotment of the Excess Rights Shares, preference will be given to the rounding of odd lots. Directors and Substantial Shareholders (including the Undertaking Shareholder) who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Proposed Rights Issue, or have representation (direct or through a nominee) on the board of the Company, will rank last in priority for the rounding of odd lots and allotment of the Excess Rights Shares.

The Company will not make any allotment and issue of Rights Shares that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

The procedures for, and the terms and conditions applicable to, acceptances, splitting and/or renunciation of the Rights Shares and sales of the Nil-Paid Rights and for the applications for Excess Rights Shares, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement and in the ARE, the ARS and the PAL to be despatched by the Company to the Entitled Shareholders in due course.

Entitled Shareholders with registered addresses outside Singapore who wish to participate in the Proposed Rights Issue should provide CDP or the Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents, at least three (3) Market Days prior to the Record Date.

(a) Entitled Depositors

Entitled Depositors who do not receive the ARE may obtain it from CDP or the Share Registrar during the period up to the Closing Date.

Entitled Depositors should note that all correspondences and notices will be sent to their last registered addresses with CDP. Entitled Depositors are reminded that any request to CDP to update their records or effect any change in address must reach CDP at 11 North Buona Vista Drive, #06-07 The Metropolis Tower 2, Singapore 138589, not later than 5.00 p.m. (Singapore time) on the date falling at least three (3) Market Days before the Record Date.

(b) Entitled Scripholders

Entitled Scripholders who do not receive the PAL may obtain them from the Share Registrar during the period up to the Closing Date.

Entitled Scripholders should note that all correspondence and notices will be sent to their last registered addresses with the Company. Entitled Scripholders are reminded that any request to the Company to update their records or effect any change in address must reach the Share Registrar at 30 Cecil Street, #19-08, Prudential Tower, Singapore 049712 not later than 5.00 p.m. on the date falling at least three (3) Market Days prior to the Record Date.

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Entitled Scripholders are encouraged to open Securities Accounts if they have not already done so and to deposit their share certificates with CDP before the Record Date so that their Securities Accounts may be credited by CDP with their Shares and the provisional allotments of Rights Shares. Such Shareholders should note that their Securities Accounts will only be credited with the Shares on the twelfth (12th) Market Day from the date of lodgement of the share certificates with CDP or such later date as CDP may determine, subject to the completion of the lodgment process.

2.8.2 Foreign Shareholders

The OIS and its accompanying documents relating to the Proposed Rights Issue have not been and will not be lodged, registered or filed in any jurisdiction other than Singapore. The distribution of the OIS and accompanying documents may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions.

For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Proposed Rights Issue is only made in Singapore and the Rights Shares will **NOT** be offered to Shareholders with registered addresses outside Singapore as at the Record Date and who have not, at least three (3) market days prior to the Record Date, provided CDP or the Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents (the “**Foreign Shareholders**”).

Accordingly, Foreign Shareholders will not be entitled to participate in the Proposed Rights Issue. No provisional allotment of the Rights Shares will be made to Foreign Shareholders and no purported acceptance of Rights Shares or application for Excess Rights Shares by Foreign Shareholders will be valid.

The OIS and its accompanying documents in relation to the Proposed Rights Issue will also not be despatched to Foreign Purchasers. Foreign Purchasers who wish to accept the Rights credited to their Securities Accounts should make the necessary arrangements with their respective Depository Agents or stockbrokers in Singapore. It is also the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside Singapore who wishes to take up his/her/its provisional allotment of Rights Shares and (if applicable), apply for Excess Rights Shares under the Proposed Rights Issue to satisfy himself/herself/itself as to the full observance of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes in such territories. The comments set out in this section are intended as a general guide only and any Foreign Shareholder who is in doubt as to his position should consult his professional advisers without delay. Further, any renounee of an Entitled Scripholder, whose address as stated in the PAL is outside Singapore, will not be entitled to accept the provisional allotment of the Rights Shares renounced to him.

The Company reserves the right to reject any acceptances of Rights Shares and/or applications for Excess Rights Shares where it believes, or has reason to believe, that such acceptances and (if applicable) applications may violate the applicable legislation of any jurisdiction.

The Company further reserves the right to treat as invalid any ARE, ARS or PAL or decline to register such application or purported application which (a) appears to the Company or its agents to have been executed in any jurisdiction outside Singapore which may violate the applicable legislation of such jurisdiction; (b) provides an address outside Singapore for the receipt of the share certificate(s) for the Rights Shares or which requires the Company to despatch the share certificate(s) to an address in any jurisdiction outside Singapore; or (c) purports to exclude any deemed representation, warranty or confirmation.

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Foreign Shareholders who wish to be eligible to participate in the Proposed Rights Issue may provide a Singapore address by notifying in writing, as the case may be (a) CDP at 11 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138589, or (b) the Share Registrar, In.Corp Corporate Services Pte. Ltd., at 30 Cecil Street, #19-08, Prudential Tower, Singapore 049712, no later than three (3) Market Days before the Record Date.

If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotment of Rights Shares which would otherwise have been provisionally allotted to Foreign Shareholders to be sold “nil-paid” on the SGX-ST as soon as practicable after dealings in the provisional allotments of Rights Shares commence, at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder or persons acting to the account or benefit of any such persons shall have any claim whatsoever against the Company, the Directors, CDP, the Share Registrar and/or their respective officers in connection therewith. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account the relevant expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register as at the Record Date and sent to them by ordinary post to their respective mailing addresses as recorded with CDP or in such other manner as they may have respectively agreed with CDP for the payment of any cash distributions at their own risk, provided that where the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, the Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit, and no Foreign Shareholder shall have any claim whatsoever against the Company, the Directors, CDP and/or the Share Registrar and their respective officers in connection therewith.

Where such provisional allotments of Rights Shares are sold “nil-paid” on the SGX-ST, they will be sold at such price or prices as the Company, may in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, the Directors, CDP or the Share Registrar or their respective officers in respect of such sales or the proceeds thereof, the provisional allotments of Rights Shares or the Rights Shares represented by such provisional allotments.

If such provisional allotments cannot be or are not sold on the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotment of Rights Shares, the Rights Shares represented by such provisional allotments will be issued and allotted to satisfy excess applications or disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit, and no Foreign Shareholders shall have any claim whatsoever against the Company, the Directors, CDP and/or the Share Registrar and their respective officers in connection therewith.

Shareholders should note that the special arrangements described above will apply only to Foreign Shareholders.

Notwithstanding the above, Shareholders and any other person having possession of the Offer Information Statement and its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto at their own expenses and without liability to the Company. No person in any territory outside Singapore receiving the Offer Information Statement and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares unless such offer, invitation or solicitation could lawfully be made without violating any regulation or legal requirements in those territories.

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The Offer Information Statement and/or its accompanying documents are not intended for distribution outside of Singapore. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, the Offer Information Statement, the ARE, the ARS or the PAL must be treated as sent for information only and should not be copied or redistributed.

Further details will be set out in the Offer Information Statement.

2.9 Rationale of Proposed Rights Issue

The Company is undertaking the Proposed Rights Issue to raise funds to enhance and expand upon its existing business, operations and initiatives, as well as strengthen the financial position and capital base of the Group. The Group is cautiously confident that, with an effective strategic plan and a strong management team to execute its plan, the Group is poised to grow successfully and steadily despite the current economic and financial market crisis. The Proposed Rights Issue will allow the Group to pursue its growth strategy of developing and expanding its business in the region. The Proposed Rights Issue will also provide the Shareholders with an opportunity to further participate in equity of the Company.

2.10 Use of Proceeds

2.10.1 Overview

As announced by the Company on 29 October 2024, the Company intends to utilise the Net Proceeds for the expansion of business and the potential acquisition(s) to expand the business.

The Company intends to allocate the proceeds from the Rights Issue in the following manner.

Use of Net Proceeds	Amount	Percentage of Net Proceeds
1. Expansion of business and proposed acquisition(s) of business	SGD 44,650,000	99.67%
2. Costs incurred in connection with the Proposed Rights Issue	SGD 150,000	0.33%
Total	SGD 44,800,000	100%

For the avoidance of doubt, “expansion of business and potential acquisition(s) to expand the business” refers to the Proposed Acquisition of Dongming Qianhai.

Pending the deployment of the Net Proceeds for the abovementioned purposes, such proceeds may, subject to relevant laws and regulations, be deposited with banks and/or financial institutions, invested in short-term money markets instruments and/or marketable securities and/or used for any other purposes on a short-term basis as the Directors may, in their absolute discretion, deem appropriate in the interests of the Group.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when such proceeds are materially disbursed, and whether such use is in accordance with the stated use and in accordance with the percentage allocated. In accordance with Conditions (f) and (g) of the approval in-principle received from the SGX-ST as set out in Section 2.5 of this Circular, the Company’s independent auditor will also conduct a cash audit and quarterly audit on the utilisation of proceeds from the Proposed Rights Issue and the Company will announce the opinion of the independent auditor with respect to the disbursement or accumulation of cash, as well as justifications for any material deviation from the use of proceeds disclosed in the announcement of the Company in relation to the Proposed Rights Issue, where applicable and at least on a quarterly basis until the proceeds have been fully deployed. The Company will also

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provide a status report on the use of the Net Proceeds in the Company's interim and full year financial results announcement(s) and in the Company's annual report(s), until such time the Net Proceeds have been fully utilised. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation.

In the event that the Net Proceeds are to be used for working capital, the Company will disclose a breakdown with specific details on the use of the Net Proceeds for working capital in its announcements and annual report.

2.10.2 Expansion of Business and Proposed Acquisition of Business

As stated in Section 2.10.1 of this Circular, the Company intends to finance the Proposed Acquisition of Dongming Qianhai with the Net Proceeds raised from the Proposed Rights Issue. As stated in the Company's announcement dated 29 October 2024, the shortfall in the Dongming Qianhai Purchase Consideration that is not covered by the Net Proceeds from the Proposed Rights Issue will be financed through the Group's funds in cash. As at June 2024, the Company has a cash balance of RMB683,081,000. Further, the Company's cash flow from operating activities has been positive the past three years, being RMB581,264,000 in 2021, RMB154,397,000 in 2022, and RMB463,546,000 in 2023. As such, the Company intends to utilise such funds towards payment of the Dongming Qianhai Purchase Consideration not satisfied by the Net Proceeds from the Proposed Rights Issue. For the avoidance of doubt, the Proposed Acquisition of Dongming Qianhai is contingent upon the completion of the Proposed Rights Issue.

2.11 Irrevocable Undertaking

The Undertaking Shareholder has given the Irrevocable Undertaking to the Company to, *inter alia*, subscribe for, or procure the subscription of the Undertaken Shares. The Undertaking Shareholder has provided a letter from a financial institution evincing that it has sufficient financial resources to fund the subscriptions of the Undertaken Shares. Given the provision of the Irrevocable Undertaking, the Company has certainty that the Proposed Rights Issue will be fully subscribed for.

Assuming that the Undertaking Shareholder subscribes for its *pro rata* entitlement to the Rights Shares only and not any of the excess Rights Shares pursuant to the Irrevocable Undertaking as all Entitled Shareholders had subscribed to their respective *pro rata* entitlement to the Rights Shares under the Proposed Rights Issue (the "**Maximum Subscription Scenario**"), the aggregate voting rights of the Undertaking Shareholder after the close of the Proposed Rights Issue will remain unchanged at approximately 58.13% of the Company's aggregate voting rights (based on the enlarged share capital of the Company after the Proposed Rights Issue).

Assuming that the Undertaking Shareholder subscribes for its *pro rata* entitlement to the Rights Shares and all the excess Rights Shares pursuant to the Irrevocable Undertaking as none of the Entitled Shareholders had subscribed to their respective *pro rata* entitlement to the Rights Shares under the Proposed Rights Issue (the "**Minimum Subscription Scenario**"), the aggregate voting rights of the Undertaking Shareholder after the close of the Proposed Rights Issue will increase from approximately 58.13% as at the date of this announcement to approximately 72.09% of the Company's aggregate voting rights of the enlarged share capital of the Company after the Proposed Rights Issue.

As the Undertaking Shareholder holds more than 50% of the issued share capital of the Company, the obligations under the Irrevocable Undertaking will not trigger an obligation under the Code to make a mandatory general offer for the Shares of the Company.

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2.12 Financial Effects of the Proposed Rights Issue

The financial effects of the Proposed Rights Issue set out below are purely for illustrative purposes only and are not necessarily indicative or a projection of the actual future financial performance or financial position of the Group after completion of the Proposed Rights Issue.

The financial effects of the Proposed Rights Issue have been computed based on the latest audited consolidated financial statements of the Group for FY2023 and the unaudited condensed interim consolidated financial statements of the Group for 9M2024. The financial effects of the Proposed Rights Issue under both the Maximum Subscription Scenario and Minimum Subscription Scenario are presented herein after taking into account the following assumptions:

- (a) for the purposes of computing the financial effects of the Proposed Rights Issue on the share capital, NTA per share and gearing of the Group as at 31 December 2023 and 30 September 2024, the Proposed Rights Issue is assumed to have been completed on 31 December 2023 and 30 September 2024 respectively;
- (b) for the purposes of computing the financial effects of the Proposed Rights Issue on the EPS of the Group for FY2023 and 9M2024, the Proposed Rights Issue is assumed to have been completed on 1 January 2023 and 1 January 2024 respectively;
- (c) the estimated expenses incurred in relation to the Proposed Rights Issue is approximately S\$150,000; and
- (d) an exchange rate of S\$1.00 : RMB5.3967 as at the Latest Practicable Date.

2.12.1 Share Capital

For illustrative purposes only, the financial effects of the Proposed Rights Issue on the issued share capital (excluding Treasury Shares) of the Company are as follows:

	Maximum Subscription Scenario		Minimum Subscription Scenario	
	No. of Shares	RMB'000	No. of Shares	RMB'000
As at 31 December 2023				
As at the Latest Practicable Date (excluding Treasury Shares)	640,000,000	316,125	640,000,000	316,125
Add: Rights Shares to be issued under the Proposed Rights Issue	320,000,000	240,963 ⁽¹⁾	320,000,000	240,963 ⁽¹⁾
Enlarged issued share capital after the Proposed Rights Issue (excluding Treasury Shares)	960,000,000	557,088	960,000,000	557,088
As at 30 September 2024				
As at the Latest Practicable Date (excluding Treasury Shares)	640,000,000	316,125	640,000,000	316,125
Add: Rights Shares to be issued under the Proposed Rights Issue	320,000,000	240,963 ⁽¹⁾	320,000,000	240,963 ⁽¹⁾
Enlarged issued share capital after the Proposed Rights Issue (excluding Treasury Shares)	960,000,000	557,088	960,000,000	557,088

Note:

- (1) Assuming deduction of estimated expenses incurred in connection with the Proposed Rights Issue of approximately S\$150,000.

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2.12.2 NTA

	Before the Proposed Rights Issue	Immediately after the Proposed Rights Issue	
		Maximum Subscription Scenario	Minimum Subscription Scenario
As at 31 December 2023			
NTA (RMB'000)	1,600,785 ⁽³⁾	1,841,748 ⁽¹⁾	1,841,748 ⁽¹⁾
No. of Shares	640,000,000	960,000,000	960,000,000
NTA per Share (RMB cents)	250.12	191.85	191.85
As at 30 September 2024			
NTA (RMB'000)	1,765,412	2,006,375 ⁽²⁾	2,006,375 ⁽²⁾
No. of Shares	640,000,000	960,000,000	960,000,000
NTA per Share (RMB cents)	275.85	209	209

Notes:

- (1) Based on the NTA of the Group as at 31 December 2023 being RMB1.6 billion and the estimated Net Proceeds under the Maximum Subscription Scenario and the Minimum Subscription Scenario of S\$44,650,000 (approximately RMB240,963,000).
- (2) Based on the NTA of the Group as at 30 September 2024 being RMB1.77 billion and the estimated Net Proceeds under the Maximum Subscription Scenario and the Minimum Subscription Scenario of S\$44,650,000 (approximately RMB240,963,000).
- (3) Based on the NTA of the Group after accounting for deductible goodwill of RMB10,345,000.

2.12.3 EPS

	Before the Proposed Rights Issue	Immediately after the Proposed Rights Issue	
		Maximum Subscription Scenario	Minimum Subscription Scenario
FY2023			
Profit attributable to Shareholders (RMB'000) ⁽¹⁾	217,610	217,610	217,610
No. of Shares	640,000,000	960,000,000	960,000,000
Basic EPS attributable to Shareholders (RMB cents) ⁽²⁾	34	22.67	22.67
Diluted EPS attributable to Shareholders (RMB cents) ⁽²⁾	34	22.67	22.67
9M2024			
Profit attributable to Shareholders (RMB'000) ⁽¹⁾	144,364	144,364	144,364
No. of Shares	640,000,000	960,000,000	960,000,000
Basic EPS attributable to Shareholders (RMB cents) ⁽²⁾	22.56	15.04	15.04
Diluted EPS attributable to Shareholders (RMB cents) ⁽²⁾	22.56	15.04	15.04

Notes:

- (1) Assuming the estimated expenses incurred in relation to the Proposed Rights Issue of approximately S\$150,000 are not included in the profit attributable to Shareholders.

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- (2) The basic and diluted EPS after the Proposed Rights Issue are calculated based on the assumption that the Proposed Rights Issue was completed at the beginning of the financial year and without taking into account the effect of the use of the Net Proceeds from the Proposed Rights Issue on the earnings of the Group.

2.12.4 Gearing

	Before the Proposed Rights Issue	Immediately after the Proposed Rights Issue	
		Maximum Subscription Scenario	Minimum Subscription Scenario
As at 31 December 2023			
Total borrowings/Total cash (%)	108.37	75.88 ⁽¹⁾	75.88 ⁽¹⁾
Shareholders' equity (RMB'000)	1,465,591	1,706,554 ⁽¹⁾	1,706,554 ⁽¹⁾
Gearing (%)	41.62	35.74	35.74
As at 30 September 2024			
Total borrowings/Total cash (%)	60.24	45.04 ⁽¹⁾	45.04 ⁽¹⁾
Shareholders' equity (RMB'000)	1,578,060	1,819,023 ⁽¹⁾	1,819,023 ⁽¹⁾
Gearing (%)	27.24	23.64	23.64

Note:

- (1) Assuming the Proposed Rights Issue results in an increase in total cash of RMB240,963,000 and an increase in shareholders' equity of RMB240,963,000 and assuming the estimated expenses incurred in relation to the Proposed Rights Issue of approximately S\$150,000 are not included.

2.13 Offer Information Statement

An Offer Information Statement will be despatched to Entitled Shareholders subject to, *inter alia*, the approval by Shareholders for the Proposed Rights Issue being obtained at the 2024 EGM. Acceptances and applications under the Proposed Rights Issue can only be made on the following (all of which will form part of the Offer Information Statement):

- (a) the PAL, in the case of Entitled Scripholders;
- (b) the ARE, in the case of Entitled Depositors;
- (c) the ARS, in the case of persons purchasing provisional allotments of Rights Shares through the book-entry (scripless) settlement system whose registered addressees with CDP are in Singapore; and
- (d) the ATMs of the Participating Banks, providing electronic applications through such ATMs, in the case of Entitled Shareholders or their renounees or Purchasers.

The procedures for, and the terms and conditions applicable to, the acceptances, the renunciations and/or sales of the provisional allotments of the Rights Shares and for the applications for the Excess Rights Shares pursuant to the Proposed Rights Issue, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement.

2.14 Record Date

Subject to Shareholders' approval of the Proposed Rights Issue at the 2024 EGM being obtained, the Record Date for the purpose of determining the Entitled Shareholders' entitlements under the Proposed Rights Issue will be announced at a later date.

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2.15 Financial Information of the Group

Selected audited consolidated financial information of the Group for FY2021, FY2022 and FY2023 and unaudited consolidated financial information of the Group for 9M2023 and 9M2024 are set out in **Appendix A** of this Circular. Such selected financial information include the Group's profit and loss statement, statement of financial position, statement of cash flow and the working capital position as well as a review thereof, and should be read together with the annual reports, the consolidated audited accounts and consolidated financial statements of the Group for the relevant periods and the related notes thereto, which are available on the website of the SGX-ST at www.sgx.com.

3. THE PROPOSED RESTRUCTURING

3.1 Information on the Relevant Parties Involved in the Proposed Restructuring

(a) Information on Hong Li Yuan

Hong Li Yuan, a joint stock limited company (股份有限公司) incorporated in the PRC, is principally engaged in the business of investment management in the industries of petrochemical, power, real estate, and port, as well as the sale of chemical products (excluding hazardous chemicals).

As at the Latest Practicable Date:

- (i) Mr. Li (being the Executive Chairman and CEO, as well as a Controlling Shareholder of the Company) holds 99.61% of the equity interest in the registered capital of Hong Li Yuan, with the remaining 0.39% held by unrelated third parties;
- (ii) Hong Li Yuan has a registered capital of RMB6,209,881,000;
- (iii) the board of directors of Hong Li Yuan comprises Mr. Li (chairman), Mr. Miao Zhenqi (缪振起), Mr. An Kuijun (安魁君), Mr. Li Zhi (李治), Mr. Cai Guangsen (蔡广森), and Mr. Fan Jianmin (范建民); and
- (iv) the legal representative of Hong Li Yuan is Mr. Li.

(b) Information on Dongming Petrochem

Dongming Petrochem, a limited liability company incorporated in the PRC on 8 February 1997, is principally engaged in the business of production and sale of liquid paraffin, liquefied petroleum gas, solvent oil, propylene, polypropylene, heavy-duty asphalt, gasoline, diesel, electricity, methyl tert-butyl ether (MTBE), xylene, naphtha, liquid chlorine, steam, hydrogen, and hydrochloric acid in Dongming County, Heze City, Shandong Province, the PRC. It also operated in crude oil operations, technical services, investment, construction and operation, as well as management of gas and petrol stations.

As at the Latest Practicable Date,

- (i) Hong Li Yuan holds 97.18% of the equity interest in the registered capital of Dongming Petrochem, while the remaining 2.82% is held by the Dongming County Petrochemical Plant in Shandong Province (山东省东明县石油化工厂). For the avoidance of doubt, the Dongming County Petrochemical Plant in Shandong Province is an unrelated third-party that does not have any nominee directors appointed to the Board;
- (ii) Dongming Petrochem has a registered capital of RMB5,601,860,000;
- (iii) the board of directors of Dongming Petrochem comprises Mr. Li (chairman), Mr. Miao Zhenqi (缪振起), Mr. An Kuijun (安魁君), Mr. Li Zhi (李治), Mr. Cai Guangsen (蔡广森), and Mr. Fan Jianmin(范建民); and
- (iv) the legal representative of Dongming Petrochem is Mr. Li.

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(c) Information on Dongming Hengchang

Dongming Hengchang, a limited liability company incorporated in the PRC, is principally engaged in the business of production and sale of propylene, polypropylene, and LPG.

As at the Latest Practicable Date,

- (i) Dongming Hengchang is a wholly-owned subsidiary of the Company;
- (ii) Dongming Hengchang has a registered capital of RMB500,000,000;
- (iii) the board of directors of Dongming Hengchang comprises Mr. Li Tao (李涛) (chairman), Mr. Li, Mr. An Kuijun (安魁君), Mr. Miao Zhenqi (缪振起), and Mr. Miao Xueliang (缪学良); and
- (iv) the legal representative of Dongming Hengchang is Mr. Li Tao (李涛).

(d) Information on Dongming Qianhai

Dongming Qianhai, a limited liability company incorporated in the PRC, is principally engaged in the business of production and sale of propylene, isobutylene, hydrogen, MTBE (methyl tert-butyl ether), dry gas, heavy components, and steam.

As at the Latest Practicable Date,

- (i) the shareholders of Dongming Qianhai are Dongming Hengchang and Dongming Petrochem, holding 70% and 30%, respectively;
- (ii) Dongming Qianhai has a registered capital of RMB400,000,000;
- (iii) the board of directors of Dongming Qianhai comprises Mr. Li Dong (李栋) (chairman), Mr. Li, and Miao Zhenqi (缪振起); and
- (iv) the legal representative of Dongming Qianhai is Mr. Huang Qiansheng (黄迁胜).

As at the Latest Practicable Date, while Dongming Qianhai forms part of the Group, it is also part of the Dongming Petrochem Group.

Please refer to **Appendix E** and **Appendix F** to this Circular for the financial information of Dongming Qianhai for FY2021, FY2022, FY2023 and 6M2024.

(e) Information on Qianhai Reli

Qianhai Reli, a limited liability company incorporated in the PRC, is principally engaged in the business of production and sale of electricity, heat, and industrial water; procurement and sale of electricity and electrical equipment; and heating technology consulting and services.

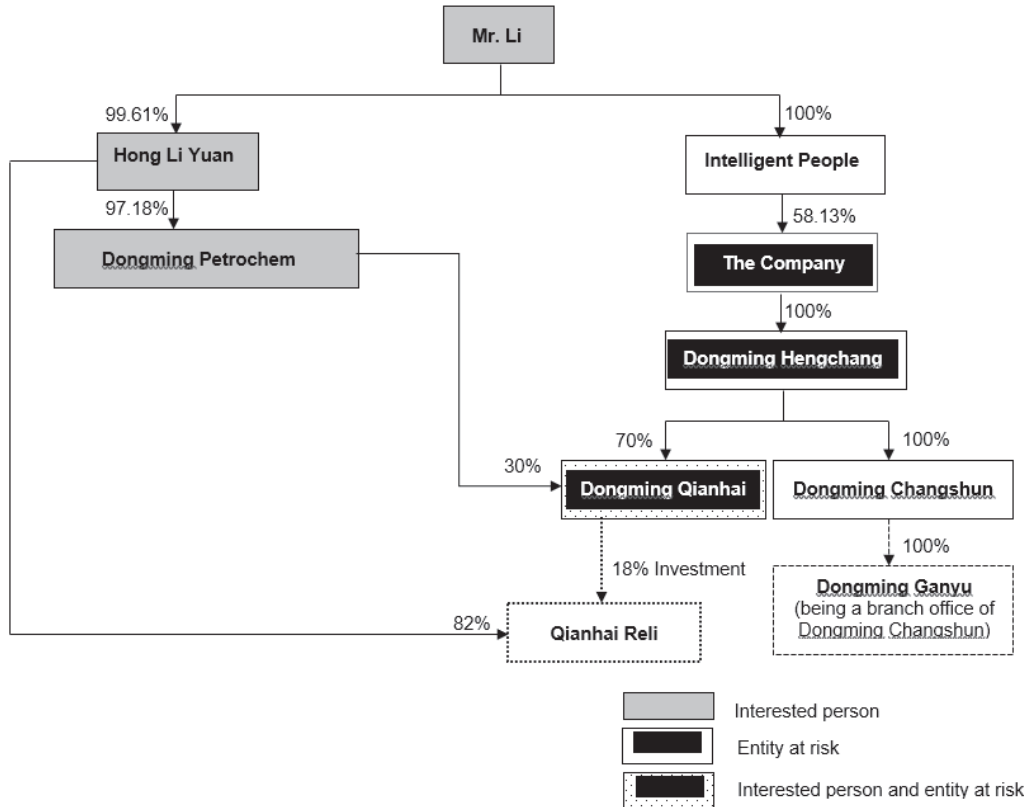
As at the Latest Practicable Date,

- (i) the shareholders of Qianhai Reli are Hong Li Yuan and Dongming Qianhai, holding 82% and 18%, respectively;
- (ii) Qianhai Reli has a registered capital of RMB50,000,000;
- (iii) the board of directors of Qianhai Reli comprises Mr. Li Dong (李栋) (chairman), Mr. Ding Shubing (丁书兵), and Mr. Cai Guangsen (蔡广森); and
- (iv) the legal representative of Qianhai Reli is Mr. Huang Qiansheng (黄迁胜).

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3.2 The Shareholding Relationship between the Relevant Parties Involved in the Proposed Restructuring

The diagram below sets out, *inter alia*, the shareholding relationship between Mr. Li, the Company and the relevant parties involved in the Proposed Restructuring.



Note: To avoid confusion, only the companies (including intermediate holding entities) which are relevant to the Proposed Restructuring have been included in the diagram.

3.3 Value of the Sale Equity

3.3.1 The Qianhai Reli Sale Equity

Based on the unaudited financial statements of Qianhai Reli for 6M2024:

- (i) the book value of the Qianhai Reli Sale Equity is approximately RMB37,679,326 as at 30 June 2024; and
- (ii) the NTA value of the Qianhai Reli Sale Equity is approximately RMB36,188,481.06 as at 30 June 2024.

3.3.2 The Dongming Qianhai Sale Equity

Based on the latest announced consolidated financial statements of the Group as at the Execution Date, being the unaudited financial statements for 6M2024:

- (i) the book value of the Dongming Qianhai Sale Equity is approximately RMB284,726,150 as at 30 June 2024; and
- (ii) the NTA value of the Dongming Qianhai Sale Equity is approximately RMB264,564,419 as at 30 June 2024.

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3.3.3 Independent Valuation

In connection with the Proposed Restructuring, the Company has engaged Savills Valuation and Professional Services (S) Pte. Ltd. as the independent valuer (the “**Independent Valuer**”) to conduct a valuation of each of the Qianhai Reli Sale Equity and the Dongming Qianhai Sale Equity and issue valuation reports in relation thereto.

(a) Independent Valuer

The Independent Valuer is a member of the Singapore Institute of Surveyors and Valuers. Further, its ultimate parent company, Savills plc, is a member of the International Valuation Standards Council. Moreover, the professionals of the Independent Valuer who are conducting the valuations on Qianhai Reli Sale Equity and Dongming Qianhai Sale Equity, being Jason Doan and Fu Chuanjie, are members of the Chartered Valuers and Appraisers under the Institute of Valuers and Appraisers of Singapore. Both Jason Doan and Fu Chuanjie have extensive experience in conducting valuations for companies listed on the SGX-ST for restructuring, mergers and acquisitions and capital markets. When considering the appointment of a valuer, the Company selected the Independent Valuer after comparing the qualifications, professional experience, industry standing and fee quotations of three (3) international valuation firms. After a comparative evaluation, the Company ultimately appointed the Independent Valuer to conduct the valuation for the Proposed Restructuring. The Board confirms that neither the Board nor the management of the Company has an actual or potential interest in the Independent Valuer and further confirms that the Independent Valuer is fully independent.

(b) Valuation Conclusion

Based on the valuation report dated 15 October 2024 issued by the Independent Valuer in relation to the valuation of the Qianhai Reli Sale Equity (the “**Qianhai Reli Valuation Report**”), the market value of the Qianhai Reli Sale Equity as at 30 June 2024 (the “**Valuation Date**”) is in the range of RMB26,025,000 to RMB27,911,000.

Based on the valuation report dated 15 October 2024 issued by the Independent Valuer in relation to the valuation of the Dongming Qianhai Sale Equity (the “**Dongming Qianhai Valuation Report**”), the market value of the Dongming Qianhai Sale Equity as at the Valuation Date is in the range of RMB573,598,000 to RMB640,247,000. For the avoidance of doubt, this valuation range has included the market value of Qianhai Reli Sale Equity.

(c) Valuation Approach

The Independent Valuer had conducted the valuation of the Qianhai Reli Sale Equity and the Dongming Qianhai Sale Equity by using the discounted cash flow method under the income approach as the primary method for the valuation. The Independent Valuer adopted market value as defined under the International Valuation Standards as the basis of value.

A summary of each of the Qianhai Reli Valuation Report and Dongming Qianhai Valuation Report is reproduced in **Appendix B** and **Appendix C** to this Circular respectively.

3.4 Principal Terms of the Proposed Restructuring

3.4.1 Overview

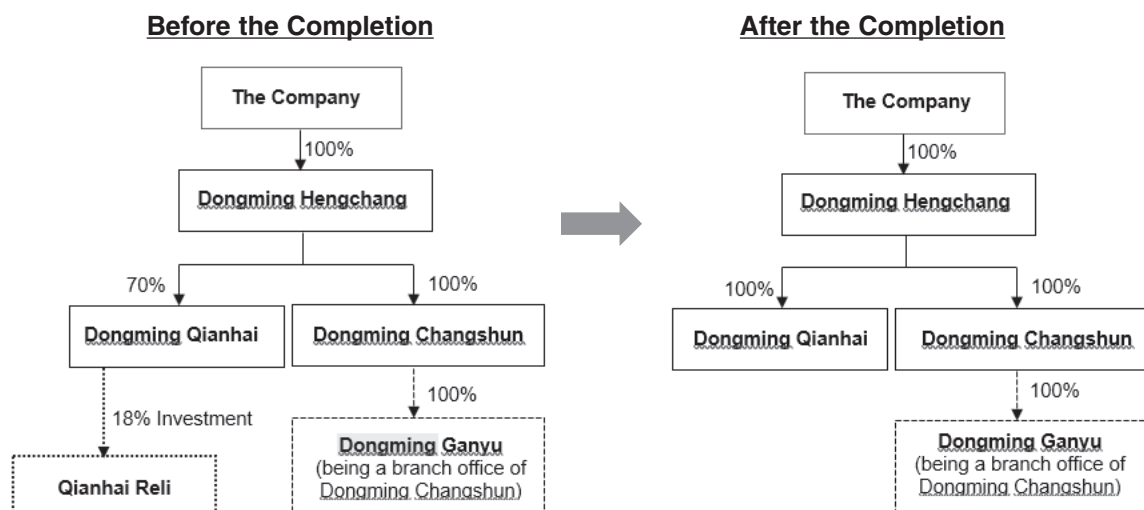
Under the Qianhai Reli SPA, Dongming Qianhai has agreed to sell, and Hong Li Yuan has agreed to acquire, the Qianhai Reli Sale Equity for a consideration of RMB27,911,000 (the “**Qianhai Reli Sale Consideration**”), which is at the upper valuation range as set out in the Qianhai Reli Valuation Report. Similarly, under the Dongming Qianhai SPA, Dongming Petrochem has agreed to sell, and Dongming Hengchang has agreed to acquire, the Dongming Qianhai Sale Equity for a consideration of RMB573,598,000 (the “**Dongming Qianhai Purchase Consideration**”), which is at the lower valuation range as set out in the Dongming Qianhai Valuation Report.

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Upon the completion of the Proposed Restructuring (the “**Completion**”):

- (a) Qianhai Reli will be 100% held by Hong Li Yuan; and
- (b) Dongming Qianhai will be 100% held by Dongming Hengchang.

A diagram setting out the corporate structure of the Group before and after the Completion is set out below:



3.4.2 The Qianhai Reli SPA

(a) Consideration and Payment Terms

Pursuant to the Qianhai Reli SPA, the Qianhai Reli Sale Consideration is RMB27,911,000, which was agreed upon after arm's length negotiations between Dongming Qianhai and Hong Li Yuan on a “willing buyer willing seller” basis, and taking into account prevailing market conditions, the value of the Qianhai Reli Sale Equity as disclosed in Section 3.3.1 of this Circular and the rationale for the Proposed Disposal of Qianhai Reli as disclosed in Section 3.5.1 of this Circular.

Pursuant to the Qianhai Reli SPA, the Qianhai Reli Sale Consideration shall be satisfied in two (2) tranches:

- (i) RMB13,955,500 to be paid by Hong Li Yuan to Dongming Qianhai in cash by way of bank transfer within ten (10) working days from the date of the satisfaction (or, where applicable, the waiver) (as the case may be) of the conditions precedent under the Qianhai Reli SPA; and
- (ii) RMB13,955,500 to be paid by Hong Li Yuan to Dongming Qianhai in cash by way of bank transfer on the date of completing the industrial and commercial registration of Qianhai Reli in respect of the Proposed Disposal of Qianhai Reli.

(b) Conditions Precedent

The completion of the Proposed Disposal of Qianhai Reli is conditional upon the following conditions precedent being fulfilled (or, where applicable, waived) (as the case may be) on or before the Qianhai Reli Long-stop Date (as defined below):

- (i) all consents, approvals, actions or filings, or giving of notices to, any governmental authority or any other person required in connection with the transactions contemplated in the Qianhai Reli SPA or the entry into and completion of the Qianhai Reli SPA being obtained or made (as the case may be), in full force and effect, and not withdrawn, suspended, amended or revoked, and if granted or obtained subject

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to any condition(s) and where such condition(s) affect any of the parties thereto, such condition(s) being acceptable to the party concerned including, in particular, and without limitation:

- (A) approval by Shareholders of the Proposed Disposal of Qianhai Reli on the terms and conditions set out in the Qianhai Reli SPA; and
 - (B) all approvals, consents and/or waivers from governmental or regulatory authorities (including but not limited to the SGX-ST);
- (ii) there not having occurred any material breach of the representations and warranties on the part of Dongming Qianhai under the Qianhai Reli SPA; and
 - (iii) no relevant statute, order, rule or regulation, directive, guideline or request (whether or not having the force of law) has been promulgated by any legislative, executive or regulatory body or other authority of the PRC or any other relevant jurisdiction after the date of the Qianhai Reli SPA which prohibits or restricts the execution and performance of the Qianhai Reli SPA by the parties thereto.

(c) Completion

Dongming Qianhai shall assist Hong Li Yuan and Qianhai Reli with the application for changes in the industrial and commercial registration of Qianhai Reli in respect of the Proposed Disposal of Qianhai Reli within ten (10) working days after receiving the first tranche payment of the Qianhai Reli Sale Consideration as set out in Section 3.4.2(a)(i) above. The date of completing the industrial and commercial registration changes shall be the date of completion of the Proposed Disposal of Qianhai Reli.

(d) Qianhai Reli Long-stop Date

If any of the conditions precedent in the Qianhai Reli SPA is not satisfied (or, where applicable, waived) (as the case may be) on or before the date falling six (6) months from the date of the Qianhai Reli SPA, or such other date as the parties may agree in writing (the “**Qianhai Reli Long-stop Date**”), the Qianhai Reli SPA shall lapse and cease to have further effect. In such a case, neither Dongming Qianhai nor Hong Li Yuan shall have any claim against the other under the Qianhai Reli SPA.

(e) Other Salient Terms

The Qianhai Reli SPA contains customary representations and warranties for transactions of this nature as agreed between the parties thereto, including but not limited to the power and authority of the parties to enter into the transactions contemplated under the Qianhai Reli SPA and title to the Qianhai Reli Sale Equity, as well as the interim period arrangements including, amongst others, Hong Li Yuan undertaking to ensure that Qianhai Reli does not undertake certain actions without the prior written consent of Dongming Qianhai, pending completion of the Proposed Disposal of Qianhai Reli, such as the declaration or payment of any dividend or other distribution.

3.4.3 The Dongming Qianhai SPA

(a) Consideration and Payment Terms

Pursuant to the Dongming Qianhai SPA, the Dongming Qianhai Purchase Consideration is RMB573,598,000, which was agreed upon after arm’s length negotiations between Dongming Hengchang and Dongming Petrochem on a “willing buyer willing seller” basis, and taking into account prevailing market conditions, the value of the Dongming Qianhai Sale Equity as disclosed in Section 3.3.2 of this Circular, and the rationale for the Proposed Acquisition of Dongming Qianhai as disclosed in Section 3.5.2 of this Circular.

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Pursuant to the Dongming Qianhai SPA, the Dongming Qianhai Purchase Consideration shall be satisfied in two (2) tranches:

- (i) RMB286,799,000 to be paid by Dongming Hengchang to Dongming Petrochem in cash by way of bank transfer within ten (10) working days from the date of the satisfaction (or, where applicable, the waiver) (as the case may be) of the conditions precedent under the Dongming Qianhai SPA; and
- (ii) RMB286,799,000 to be paid by Dongming Hengchang to Dongming Petrochem in cash by way of bank transfer on the date of completing the industrial and commercial registration of Dongming Qianhai in respect of the Proposed Acquisition of Dongming Qianhai.

(b) Conditions Precedent

The completion of the Proposed Acquisition of Dongming Qianhai is conditional upon the following conditions precedent being fulfilled (or, where applicable, waived) (as the case may be) on or before the Dongming Qianhai Long-stop Date (as defined below):

- (i) all consents, approvals, actions or filings, or giving of notices to, any governmental authority or any other person required in connection with the transactions contemplated in the Dongming Qianhai SPA or the entry into and completion of the Dongming Qianhai SPA being obtained or made (as the case may be), in full force and effect, and not withdrawn, suspended, amended or revoked, and if granted or obtained subject to any condition(s) and where such condition(s) affect any of the parties thereto, such condition(s) being acceptable to the party concerned including, in particular, and without limitation:
 - (A) approval by Shareholders of the Proposed Acquisition of Dongming Qianhai on the terms and conditions set out in the Dongming Qianhai SPA;
 - (B) all approvals, consents and/or waivers from governmental or regulatory authorities (including but not limited to the SGX-ST); and
 - (C) Dongming Qianhai having obtained prior written consent from Dongming Petrochem for the Proposed Acquisition of Dongming Qianhai in respect of the financing provided by Dongming Petrochem to Dongming Qianhai;
- (ii) there not having occurred any material breach of the representations and warranties on the part of Dongming Petrochem under the Dongming Qianhai SPA; and
- (iii) no relevant statute, order, rule or regulation, directive, guideline or request (whether or not having the force of law) has been promulgated by any legislative, executive or regulatory body or other authority of the PRC or any other relevant jurisdiction after the date of the Dongming Qianhai SPA which prohibits or restricts the execution and performance of the Dongming Qianhai SPA by the parties thereto.

(c) Completion

Dongming Petrochem shall assist Dongming Hengchang and Dongming Qianhai with the application for changes in the industrial and commercial registration of Dongming Qianhai in respect of the Proposed Acquisition of Dongming Qianhai within ten (10) working days after receiving the first tranche payment of the Dongming Qianhai Purchase Consideration as set out in Section 3.4.3(a)(i) above. The date of completing the industrial and commercial registration changes shall be the date of completion of the Proposed Acquisition of Dongming Qianhai.

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(d) Dongming Qianhai Long-stop Date

If any of the conditions precedent in the Dongming Qianhai SPA is not satisfied (or, where applicable, waived) (as the case may be) on or before the date falling six (6) months from the date of the Dongming Qianhai SPA, or such other date as the parties may agree in writing (the “**Dongming Qianhai Long-stop Date**”), the Dongming Qianhai SPA shall lapse and cease to have further effect. In such a case, neither Dongming Hengchang nor Dongming Petrochem shall have any claim against the other under the Dongming Qianhai SPA.

(f) Other Salient Terms

The Dongming Qianhai SPA contains customary representations and warranties for transactions of this nature as agreed between the parties thereto, including but not limited to the power and authority of the parties to enter into the transactions contemplated under the Dongming Qianhai SPA and title to the Dongming Qianhai Sale Equity, as well as the interim period arrangements including, amongst others, Dongming Petrochem undertaken to procure that Dongming Qianhai does not undertake certain actions pending completion of the Proposed Acquisition of Dongming Qianhai without the prior written consent of Dongming Hengchang, including the declaration or payment of any dividend or other distribution.

3.5 Rationale for, and Benefits of, the Proposed Restructuring

3.5.1 Rationale for, and Benefits of, the Proposed Disposal of Qianhai Reli

The Group believes that the Proposed Disposal of Qianhai Reli is beneficial to the operations of the Group for the following reasons:

(a) Alignment with the Group's Core Business Strategy

As at the Latest Practicable Date, the Group is principally engaged in the production and sale of high-end polypropylene, methyl tert-butyl ether (MTBE), high-purity isobutylene, and hydrogen, using liquefied petroleum gas (LPG) (C3, C4) and methanol as the main raw materials, along with the provision of logistics and transportation services. Qianhai Reli is principally engaged in the business of the production and sale of electricity, heat, and industrial water, the procurement and sale of electricity and electrical equipment, and heating technology consulting and services. Accordingly, Qianhai Reli stands as a non-core business within the Group's portfolio. Moving forward, the Group will focus on its core chemical business, integrating existing resources, extending the industrial chain, and developing high-end chemical new materials as the main direction of future growth. The Proposed Disposal of Qianhai Reli aligns with the Group's long-term and sustainable growth objectives, enabling the Group to focus on its core businesses.

(b) Policy-driven Considerations

The Proposed Disposal of Qianhai Reli is influenced by policies implemented in the PRC. On 22 September 2020, the PRC government announced its “dual carbon” goals at the 75th United Nations General Assembly, aiming to peak emissions before 2030 and achieve carbon neutrality before 2060. To advance these objectives, the PRC government has introduced policies aiming to phase out the development of “small coal” and “small thermal power” enterprises. As a result, Qianhai Reli's business is likely to be adversely affected in the foreseeable future. Additionally, in August 2021, the Shandong Provincial Government introduced the “14th Five-Year Energy Development Plan of Shandong Province”, which calls for vigorous promotion of the shutdown and integration of coal-fired power units with a capacity of less than 300,000 kilowatts, as well as the completion of the shutdown and integration of coal-fired boilers and outdated small coal-fired cogeneration units (including self-owned power plants) within a 15-kilometer heating radius of cogeneration plants with a capacity of 300,000 kilowatts or more. Consequently, due to policy considerations, Qianhai Reli is at risk of being forced to shut down.

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(c) Reduced Market Competitiveness

As Qianhai Reli is a small thermal power enterprise, it is unable to sign long-term coal supply agreements with coal production enterprises. In view of the influence of domestic market demand and policies on coal prices in the PRC, coal prices have fluctuated greatly in recent years, which has a material adverse impact on Qianhai Reli's ability to control its operational costs. In addition, with the ongoing integration of wind energy, solar energy and other renewable energy sources, coupled with the commissioning of the large thermal power facility of Shandong Huawang Thermal Power Co., Ltd. (山东华旺热力有限公司) in the Dongming Petrochemical Industrial Park in early 2024, the competitiveness of Qianhai Reli's power and thermal products has diminished. This has led to greater uncertainty regarding Qianhai Reli's future performance.

3.5.2 Rationale for, and Benefits of, the Proposed Acquisition of Dongming Qianhai

The Group believes that the Proposed Acquisition of Dongming Qianhai is beneficial to the Group for the following reasons:

(a) Strategic Synergy

Dongming Qianhai forms a crucial part of the Group's business framework. It operates in symbiosis with Dongming Hengchang, contributing to the mutual support and serving as mutual raw material suppliers.

(b) Stable Revenue Stream

Dongming Qianhai consistently delivers stable financial performance and represents a major source of revenue for the Group. Please refer to **Appendix F** to this Circular for the *pro forma* financial information of Dongming Qianhai for FY2021, FY2022, FY2023 and 6M2024.

(c) Enhanced Profitability

The Proposed Acquisition of Dongming Qianhai will likely bolster the profitability of the Group and improve returns for the Shareholders.

(d) Strategic Industry Positioning

The olefin industry chain is a nationally supported sector with promising development prospects. The Proposed Acquisition of Dongming Qianhai will strengthen the Group's industry presence and provide a solid foundation for growth, enabling the Group to explore downstream industries with higher value-added opportunities.

(e) Reducing Interested Person Transactions and Management Costs

Dongming Qianhai is an indirect subsidiary of the Company, in which Dongming Hengchang, a wholly-owned subsidiary of the Company, has 70% equity interests in. The remaining 30% equity interest is owned by Dongming Petrochem, an "interested person" of the Company as defined under Chapter 9 of the Listing Manual. Dongming Qianhai and Dongming Hengchang engage in numerous "interested person transactions" (as defined under Chapter 9 of the Listing Manual) involving the mutual supply of raw materials, such as liquefied gas and propylene, which complicates the management of Dongming Qianhai and Dongming Hengchang. Presently, Dongming Qianhai and Dongming Hengchang are two independent corporate entities, each having its own tax obligations. Upon completion of the Proposed Acquisition of Dongming Qianhai, Dongming Qianhai will become a wholly-owned subsidiary of the Company. The Group will consequently consider changing Dongming Qianhai's tax status to enhance its tax efficiency. As such, the Proposed Acquisition of Dongming Qianhai is imperative in reducing management and tax costs, leading to greater optimisation.

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3.6 Interested Person Transactions

3.6.1 Requirements of Chapter 9 of the Listing Manual

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

- (a) the value of such transaction is equal to or exceeds five per cent. (5%) of the Group's latest audited consolidated NTA; or
- (b) the value of such transaction with interested persons when aggregated with the values of other transactions previously entered into with the same interested person during the same financial year, equals to or exceeds five per cent. (5%) of the Group's latest audited consolidated NTA, 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 S\$100,000 each are to be excluded. However, pursuant to Rule 906(4) of the Listing Manual, while transactions below S\$100,000 are not normally aggregated under Rule 906(2) 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 transaction in accordance with Rule 902 of the Listing Manual.

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.

Pursuant to Rule 918 of the Listing Manual, if a transaction requires shareholder approval, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

3.6.2 Entity at Risk and Interested Persons

As at the Latest Practicable Date, Mr. Li, the Company's Executive Chairman and CEO, holds an indirect interest in 372,048,500 Shares, representing approximately 58.13% of the total number of Shares (excluding Treasury Shares), and is therefore considered a Controlling Shareholder of the Company under the Listing Manual. Accordingly, Mr. Li and his associates are regarded as interested persons of the Company for the purposes of Chapter 9 of the Listing Manual.

As stated in Sections 3.1(a) and 3.1(b) of this Circular, as at the Latest Practicable Date, Mr. Li holds 99.61% of the equity interest in the registered capital of Hong Li Yuan, which in turn holds 97.18% of the equity interest in the registered capital of Dongming Petrochem. As such, both Hong Li Yuan and Dongming Petrochem are regarded as associates of Mr. Li, and are therefore considered interested persons of the Company for the purposes of Chapter 9 of the Listing Manual.

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Accordingly, the Proposed Disposal of Qianhai Reli, which is a transaction between Dongming Qianhai (being a 70%-owned indirect subsidiary of the Company and thus an entity at risk) and Hong Li Yuan, and the Proposed Acquisition of Dongming Qianhai, which is a transaction between Dongming Hengchang (being a wholly-owned subsidiary of the Company and thus an entity at risk) and Dongming Petrochem, each constitutes an interested person transaction under Chapter 9 of the Listing Manual.

3.6.3 Shareholders' Approval

Based on the latest audited consolidated financial statements of the Group for FY2023, the Group's latest audited NTA is RMB1,600,785,000 as at 31 December 2023.

The total amount at risk to the Company in respect of the Proposed Restructuring is approximately RMB601,509,000, representing approximately 37.58% of the Group's latest audited NTA, which is the aggregation of:

- (i) RMB27,911,000 (being the Qianhai Reli Sale Consideration), representing approximately 1.74% of the Group's latest audited NTA; and
- (ii) RMB573,598,000 (being the Dongming Qianhai Purchase Consideration), representing approximately 35.83% of the Group's latest audited NTA.

As the value of each of the Proposed Disposal of Qianhai Reli (when aggregated with the value of the Proposed Acquisition of Dongming Qianhai) and the Proposed Acquisition of Dongming Qianhai exceeds five per cent. (5%) of the Group's latest audited NTA, both the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai are subject to the approval of the Independent Shareholders pursuant to Rule 906 of the Listing Manual.

3.6.4 Current and On-going Interested Person Transactions for the Current Financial Year

(a) Other Interested Person Transactions

Save for the transaction(s) which has been approved by Shareholders pursuant to the IPT General Mandate, there are no other interested person transactions (excluding transactions which are less than S\$100,000 and the Proposed Restructuring in respect of which the approval of the Independent Shareholders is being sought at the 2024 EGM) entered into between the Company, its subsidiaries and associated companies, which are considered to be an "entity at risk" within the meaning of Rule 904(2) of the Listing Manual on the one hand and Mr. Li (and/or his associates, including Hong Li Yuan and/or Dongming Petrochem) on the other hand for the current financial year beginning 1 January 2024 up to the Latest Practicable Date.

(b) All Interested Person Transactions

Accordingly, the current total value of all interested person transactions (excluding interested person transactions which are less than S\$100,000 and the Proposed Restructuring in respect of which the approval of the Independent Shareholders is being sought at the 2024 EGM) entered into by the Company, its subsidiaries and/or associated companies, which are considered to be an "entity at risk" within the meaning of Rule 904(2) of the Listing Manual with Mr. Li (and/or his associates) for the current financial year beginning 1 January 2024 up to the Latest Practicable Date is approximately RMB5,738,244,182, representing approximately 358.46% of the audited NTA of the Group of RMB1,600,785,000 as at 31 December 2023 (after accounting for deductible goodwill of RMB10,345,000). For the avoidance of doubt, as stated in Section 3.6.4(a) of this Circular, these transactions are interested person transactions that have been approved by Shareholders pursuant to the IPT General Mandate.

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3.6.5 IFA's Opinion on the Proposed Restructuring

Pursuant to Rule 921(4)(a) of the Listing Manual, Capstone Investment Corporate Finance Pte Ltd has been appointed as the independent financial adviser (the "IFA") to opine on whether the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai as interested person transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. A copy of the IFA Letter is set out in **Appendix D** to this Circular. Shareholders are advised to read the IFA Letter carefully and in its entirety.

The following is an extract from paragraph 9 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.**

"9 RECOMMENDATION

In arriving at our opinion in respect of the Proposed Restructuring, we have taken into account the factors which we consider having significant bearing on our assessment as set out in earlier sections.

In evaluating and assessing the financial terms of the Proposed Disposal of Qianhai Reli, we have given due consideration to the following:

(a) *An assessment of the market value of Qianhai Reli as follows:*

- (i) *The market value of Qianhai Reli Sale Equity is assessed to be between RMB26.03 million and RMB27.91 million as at 1 July 2024 by the Independent Valuer; and*
- (ii) *The Qianhai Reli Purchase Consideration is priced at the higher end of the range of market value derived by the Independent Valuer.*

(b) *An assessment of the NTA of the Qianhai Reli as follows:*

The Qianhai Reli Purchase Consideration represents a discount of approximately 22.87% to the unaudited NTA of Qianhai Reli as at 30 June 2024.

(c) *A comparison with the financial ratios implied by the trading prices of the shares of the Qianhai Reli Selected Comparable Companies as follows:*

- (i) *The P/E ratio of the Qianhai Reli of 1.57 times, as implied by the Qianhai Reli Purchase Consideration, is within the range but below the mean and median of the P/E ratios of the Qianhai Reli Selected Comparable Companies;*
- (ii) *The P/NAV ratio of the Qianhai Reli of 0.74 times, as implied by the Qianhai Reli Purchase Consideration, is below the range of the P/NAV ratios of the Qianhai Reli Selected Comparable Companies; and*
- (iii) *The P/NTA ratio of the Qianhai Reli of 0.78 times, as implied by the Qianhai Reli Purchase Consideration, is below the range of the P/NTA ratios of the Qianhai Reli Selected Comparable Companies.*

(d) *The rationale for the Proposed Disposal of Qianhai Reli, the PRC government's policies affecting small coal-fired power and thermal supplier such as Qianhai Reli as well as the diminishing competitive advantage of Qianhai Reli.*

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In evaluating and assessing the financial terms of the Proposed Acquisition of Dongming Qianhai, we have given due consideration to the following:

- (e) An assessment of the market value of Dongming Qianhai as follows:
 - (i) The market value of Dongming Qianhai Sale Equity is assessed to be between RMB573.60 million and RMB640.25 million as at 1 July 2024 by the Independent Valuer; and*
 - (ii) The Dongming Qianhai Purchase Consideration is priced at the lower end of the range of market value derived by the Independent Valuer.**
- (f) An assessment of the NTA of the Dongming Qianhai as follows:

The Dongming Qianhai Purchase Consideration represents a premium of approximately 116.81% to the unaudited NTA of Dongming Qianhai as at 30 June 2024.*
- (g) A comparison with the financial ratios implied by the trading prices of the shares of the Dongming Qianhai Selected Comparable Companies as follows:
 - (i) The EV/EBITDA ratio of Dongming Qianhai of 2.79 times, as implied by the Dongming Qianhai Purchase Consideration, is below the range of the EV/EBITDA ratios of the Dongming Qianhai Selected Comparable Companies;*
 - (ii) The P/E ratio of the Dongming Qianhai of 4.36 times, as implied by the Dongming Qianhai Purchase Consideration, is below the range of the P/E ratios of the Dongming Qianhai Selected Comparable Companies;*
 - (iii) The P/NAV ratio of the Dongming Qianhai of 2.01 times, as implied by the Dongming Qianhai Purchase Consideration, is within the range but below the mean and median of the P/NAV ratios of the Dongming Qianhai Selected Comparable Companies; and*
 - (iv) The P/NTA ratio of the Dongming Qianhai of 2.17 times, as implied by the Dongming Qianhai Purchase Consideration, is within the range but below the mean and median of the P/NAV ratios of the Dongming Qianhai Selected Comparable Companies.**
- (h) The rationale for and benefits of the Proposed Acquisition of Dongming Qianhai.*

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 terms of each of the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai are on normal commercial terms and will not be prejudicial to the interests of the Company and its Independent Shareholders. We therefore advise the Recommending Directors to recommend Independent Shareholders vote in favour for each of the resolution relating to the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai to be proposed at the extraordinary general meeting to be convened (“EGM”).”

In summary, having considered the factors set out in the IFA Letter, the IFA is of the view that the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

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3.6.6 Audit Committee's Statement

Having considered, amongst others, the terms, rationale for, and benefit of, the Proposed Restructuring, as well as the opinion of the IFA as set out in the IFA Letter at **Appendix D** to this Circular, the Audit Committee concurs with the opinion of the IFA and is of the view that the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai are 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 Restructuring does not differ from that of the IFA.

3.7 Chapter 10 of the Listing Manual

3.7.1 Requirements of Chapter 10 of the Listing Manual

Chapter 10 of the Listing Manual governs the continuing listing obligations of issuers in respect of significant transactions, including acquisitions and disposals. Such transactions are classified as (a) non-discloseable transactions, (b) discloseable transactions, (c) major transactions, or (d) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on the bases set out in Rule 1006 of the Listing Manual.

Where any of the relative figures computed on the bases set out in Rule 1006 of the Listing Manual exceeds five per cent. (5%) but does not exceed twenty per cent. (20%), the transaction is classified as a "discloseable transaction" under Rule 1010 of the Listing Manual; where any of the relative figures computed on the bases set out in Rule 1006 of the Listing Manual exceeds twenty per cent. (20%) but is less than 100%, the transaction is classified as a "major transaction" under Rule 1014 of the Listing Manual; and where any of the relative figures computed on the bases set out in Rule 1006 of the Listing Manual exceeds 100 per cent. (100%), the transaction is classified as a "very substantial acquisition" or "reverse takeover" under Rule 1015 of the Listing Manual.

Pursuant to Rule 1014(2) of the Listing Manual, a major transaction must be made conditional upon approval by shareholders in general meeting, and pursuant to Rule 1015(1), a very substantial acquisition or reverse takeover must be made conditional upon the approval of shareholders and the approval of the SGX-ST.

3.7.2 Relative Figures under Rule 1006 of the Listing Manual

Based on the latest announced consolidated financial statements of the Group as at the Execution Date, being the unaudited financial statements for 6M2024, the relative figures in relation to the Proposed Restructuring computed on the applicable bases set out in Rule 1006 of the Listing Manual are as follows:

Rule	Base of Computation	Relative Figures (%)	
		Proposed Disposal of Qianhai Reli	Proposed Acquisition of Dongming Qianhai
Rule 1006(a)	The NAV ⁽¹⁾ of the assets to be disposed of, compared with the Group's NAV. This basis is not applicable to an acquisition of assets.	2.03% ⁽²⁾	Not applicable ⁽³⁾
Rule 1006(b)	The net profits ⁽⁴⁾ attributable to the assets acquired or disposed of, compared with the Group's net profits.	5.56% ⁽⁵⁾	28.43% ⁽⁶⁾
Rule 1006(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalization ⁽⁷⁾ based on the total number of issued shares excluding treasury shares.	5.76% ⁽⁸⁾	118.29% ⁽⁹⁾
Rule 1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽¹⁰⁾	

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Rule	Base of Computation	Relative Figures (%)	
		Proposed Disposal of Qianhai Reli	Proposed Acquisition of Dongming Qianhai
Rule 1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, SGX-ST may permit valuations to be used instead of volume or amount.	Not applicable ⁽¹¹⁾	

Notes:

- (1) Under Rule 1002(3)(a) of the Listing Manual, "**net assets**" means total assets less total liabilities.
- (2) The relative figure computed on the basis under Rule 1006(a) for the Proposed Disposal of Qianhai Reli is determined by dividing the NAV of the Qianhai Reli Sale Equity of approximately RMB37,679,326 as at 30 June 2024 by the Group's unaudited NAV of approximately RMB1,858,648,000 as at 30 June 2024.
- (3) This basis is not applicable, as the Proposed Acquisition of Dongming Qianhai is an acquisition (and not a disposal) of assets.
- (4) Under Rule 1002(3)(b) of the Listing Manual, "**net profits**" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (5) The relative figure computed on the basis under Rule 1006(b) for the Proposed Disposal of Qianhai Reli is determined by dividing the net profit attributable to the Qianhai Reli Sale Equity of approximately RMB9,754,677 for 6M2024 by the Group's unaudited net profit of approximately RMB175,348,000 for 6M2024.
- (6) The relative figure computed on the basis under Rule 1006(b) for the Proposed Acquisition of Dongming Qianhai is determined by dividing the net profit attributable to the Dongming Qianhai Sale Equity of approximately RMB49,851,000 for 6M2024 by the Group's unaudited net profit of approximately RMB175,348,000 for 6M2024.
- (7) Under Rule 1002(5) of the Listing Manual, "**market capitalisation**" of the Company is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the sale and purchase agreement.
- (8) The relative figure computed on the basis under Rule 1006(c) for the Proposed Disposal of Qianhai Reli is determined by dividing the Qianhai Reli Sale Consideration of RMB27,911,000 by the market capitalisation of the Company of approximately RMB484,908,480 (or equivalent to S\$90,048,000)³ (determined by multiplying the number of 640,000,000 Shares in issue (excluding Treasury Shares and subsidiary holdings, if any) by the volume weighted average price ("**VWAP**") of RMB0.7577⁴ (or equivalent to S\$0.1407 of such Shares transacted on 28 October 2024, being the full market day on which the Shares were traded immediately preceding the date of the Qianhai Reli SPA).
- (9) The relative figure computed on the basis under Rule 1006(c) for the Proposed Acquisition of Dongming Qianhai is determined by dividing the Dongming Qianhai Purchase Consideration of RMB573,598,000 by the market capitalisation of the Company of approximately RMB484,908,480 (or equivalent to S\$90,048,000) (determined by multiplying the number of 640,000,000 Shares in issue (excluding Treasury Shares and subsidiary holdings, if any) by the VWAP of RMB0.7577 (or equivalent to S\$0.1407) of such Shares transacted on 28 October 2024, being the full market day on which the Shares were traded immediately preceding the date of the Dongming Qianhai SPA).
- (10) This basis is not applicable as no equity securities will be issued by the Company for the purposes of the Proposed Restructuring.
- (11) This basis is not applicable as the Company is not a mineral, oil and gas company.

As the relative figure computed based on Rule 1006(c) of the Listing Manual in respect of the Proposed Acquisition of Dongming Qianhai exceeds a hundred per cent. (100%), the Proposed Acquisition of Dongming Qianhai *prima facie* constitutes a "very substantial acquisition" under Rule 1015 of the Listing Manual, and is subject to the approval of the Shareholders and the SGX-ST.

³ For the purposes of the Proposed Restructuring, the foreign exchange rate between RMB and S\$ is based on a foreign exchange rate of S\$1: RMB5.385 as at 28 October 2024, as extracted from the website of the Monetary Authority of Singapore.

⁴ Source: The SGX-ST at <<https://www.sgx.com/securities/securities-prices>>.

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3.7.3 Waiver from Rule 1015 of the Listing Manual

Notwithstanding the foregoing, the Company had, on 4 October 2024, applied to the SGX-ST for a waiver from compliance with certain rules in the Listing Manual in respect of the Proposed Acquisition of Dongming Qianhai (the “**Waiver Application**”). Please refer to **Appendix G** to this Circular for the reasons for seeking the Waiver, as set out in the Company’s Waiver Application.

The SGX-ST had, on 21 October 2024, informed the Company that it had no objection for the Proposed Acquisition of Dongming Qianhai to be treated as a “major transaction” under Rule 1014 of the Listing Manual, and in connection, grants the Company waiver from compliance with Rule 1015 of the Listing Manual (the “**Waiver**”). The Waiver is subject to the following conditions (the “**Waiver Conditions**”, and each, a “**Waiver Condition**”):

- (a) the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 107 of the Listing Manual and if the Waiver conditions have been satisfied. If the Waiver conditions have not been satisfied on the date of the announcement, the Company must make an update announcement when the conditions have all been satisfied;
- (b) submission of a written confirmation from the Company that it is not aware of any information that will have a material bearing on investors’ decision which has yet to be announced by the Company;
- (c) compliance with requirements under Rule 1014 of the Listing Manual;
- (d) Independent Shareholders’ approval being obtained for the Proposed Acquisition of Dongming Qianhai, where the controlling shareholders (being Intelligent People and Mr. Li) and their associates abstain from voting;
- (e) the controlling shareholders (being Intelligent People and Mr. Li) and their associates providing undertakings to observe a moratorium on the transfer or disposal of all their interests in the securities of the Company for at least six (6) months after the Proposed Acquisition of Dongming Qianhai, as set out in Rule 1015(3)(c) of the Listing Manual (the “**Moratorium Undertakings**”); and
- (f) the provision of English-translated audited financial statements of Dongming Qianhai and accompanying audit opinions for the past three (3) financial years in the Circular.

In compliance with Waiver Condition (a), the Company had, on 29 October 2024, announced the Waiver granted, the reasons for the Waiver sought and the conditions as required under Rule 107 of the Listing Manual. A copy of the Company’s announcement dated 29 October 2024 is available on the SGX-ST’s website at www.sgx.com.

In respect of Waiver Conditions (b) and (e), the Company had, on 13 November 2024, submitted the written confirmation to the SGX-ST, and Intelligent People and Mr. Li had, on 13 November 2024, provided the Moratorium Undertakings to the SGX-ST. In respect of Waiver Condition (c), details can be found in Section 3.7 of this Circular.

The Company considers Waiver Condition (f) to be satisfied by the provision of English-translated audited financial statements of Dongming Qianhai and accompanying audit opinions for FY2021, FY2022 and FY2023 (collectively, the “**Auditors’ Reports**”), which have been annexed hereto as **Appendix E** to this Circular. **Shareholders should note that the English-translation of the Auditors’ Reports is an unofficial translation of its Chinese version and is intended for reference only. In case of any inaccuracy, conflict or inconsistency between the two versions, the Chinese version shall prevail, and the English version will be deemed to conform to the Chinese version.** For the avoidance of doubt, “Dongming Qianhai Chemical Co., Ltd.” as stated in the Auditors’ Reports refer to Dongming Qianhai. The difference in naming was a result of discrepancies in translation between Chinese and English.

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Accordingly, save for Waiver Condition (d), all the Waiver Conditions have been complied with. As set out in Section 5.2 of this Circular, Mr Li will abstain, and procure that Intelligent People and all his other associates will abstain, from voting, in respect of the ordinary resolution in relation to the Proposed Acquisition of Dongming Qianhai 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 resolution as set out in the enclosed Notice of EGM unless specific instructions as to voting are given by the Shareholder concerned.

3.7.4 *Pro forma* Financial effects of the Proposed Restructuring

The *pro forma* financial effects of the Proposed Disposal of Qianhai Reli, the Proposed Acquisition of Dongming Qianhai and the Proposed Restructuring on the Group as set out below are purely for illustrative purposes only and should not be taken as an indication of the actual financial performance or position of the Group following the Completion nor a projection of the future financial performance or position of the Group after the Completion.

Based on the latest audited financial statements of the Group for FY2023, the *pro forma* financial effects of the Proposed Disposal of Qianhai Reli, the Proposed Acquisition of Dongming Qianhai and the Proposed Restructuring on the Group are set out below:

Financial Effects of the Proposed Disposal of Qianhai Reli

(a) NTA per Share

For illustrative purposes only, assuming that the Proposed Disposal of Qianhai Reli had been effected on 31 December 2023 (being the end of the most recently completed financial year of the Company), the Proposed Disposal of Qianhai Reli would have had the following effects on the NTA per Share of the Company as at 31 December 2023:

	Before the Proposed Disposal of Qianhai Reli	After the Proposed Disposal of Qianhai Reli
NTA ⁽¹⁾	RMB1,600,785,000 ⁽²⁾	RMB1,579,743,000 ⁽³⁾
Number of Shares (excluding Treasury Shares)	640,000,000	640,000,000
NTA per Share (RMB cents)	250.12	246.83

Notes:

- (1) NTA is computed based on total assets (excluding net of intangible assets and goodwill) less total liabilities.
- (2) Based on the NTA of the Group after accounting for deductible goodwill of RMB10,345,000.
- (3) The decrease in NTA is mainly due to the disposal of Qianhai Reli Sale Equity, which resulted in a decrease of RMB21,042,000 in the carrying value of financial assets at fair value as at 31 December 2023 in comparison with the Qianhai Reli Sale Consideration received.

(b) EPS

For illustrative purposes only, assuming that the Proposed Disposal of Qianhai Reli had been effected on 1 January 2023 (being the beginning of the most recently completed financial year of the Company), the Proposed Disposal of Qianhai Reli would have had the following effects on the EPS of the Company for FY2023:

	Before the Proposed Disposal of Qianhai Reli	After the Proposed Disposal of Qianhai Reli
Net profit/(loss) ⁽¹⁾ attributable to Shareholders	RMB217,610,000	RMB217,610,000
Weighted average number of Shares (excluding Treasury Shares)	640,000,000	640,000,000
EPS (RMB cents)	34.00	34.00

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Note:

- (1) “**Net profit**” means profit or loss including discontinued operations that have not been disposed and before income tax and before other comprehensive income.

Financial Effects of the Proposed Acquisition of Dongming Qianhai

(a) NTA per Share

For illustrative purposes only, assuming that the Proposed Acquisition of Dongming Qianhai had been effected on 31 December 2023 (being the end of the most recently completed financial year of the Company), the Proposed Acquisition of Dongming Qianhai would have had the following effects on the NTA per Share of the Company as at 31 December 2023:

	Before the Proposed Acquisition of Dongming Qianhai	After the Proposed Acquisition of Dongming Qianhai
NTA ⁽¹⁾	RMB1,600,785,000 ⁽²⁾	RMB1,027,187,000 ⁽³⁾
Number of Shares (excluding Treasury Shares)	640,000,000	640,000,000
NTA per Share (RMB cents)	250.12	160.05

Notes:

- (1) NTA is computed based on total assets (excluding net of intangible assets and goodwill) less total liabilities.
- (2) Based on the NTA of the Group after accounting for deductible goodwill of RMB10,345,000.
- (3) The decrease in NTA is mainly due to the cash consideration paid for the Proposed Acquisition of Dongming Qianhai.

(b) EPS

For illustrative purposes only, assuming that the Proposed Acquisition of Dongming Qianhai had been effected on 1 January 2023 (being the beginning of the most recently completed financial year of the Company), the Proposed Acquisition of Dongming Qianhai would have had the following effects on the EPS of the Company for FY2023:

	Before the Proposed Acquisition of Dongming Qianhai	After the Proposed Acquisition of Dongming Qianhai
Net profit/(loss) ⁽¹⁾ attributable to Shareholders	RMB217,610,000	RMB313,170,000 ⁽²⁾
Weighted average number of Shares (excluding Treasury Shares)	640,000,000	640,000,000
EPS (RMB cents)	34.00	48.93

Notes:

- (1) “**Net profit**” means profit or loss including discontinued operations that have not been disposed and after income tax and before other comprehensive income.
- (2) Upon completion of the Proposed Acquisition of Dongming Qianhai, the net profit/(loss) of the non-controlling party shareholders shall be enjoyed by Shareholders, resulting in an increase in the net profits attributable to Shareholders.

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Consolidated Financial Effects of the Proposed Restructuring

(a) NTA per Share

For illustrative purposes only, assuming that the Proposed Restructuring had been effected on 31 December 2023 (being the end of the most recently completed financial year of the Company), the Proposed Restructuring would have had the following effects on the NTA per Share of the Company as at 31 December 2023:

- (i) NTA computed based on the latest audited financial statements of the Group for FY2023, without taking into account the effects of the Proposed Rights Issue

	Before the Proposed Restructuring	After the Proposed Restructuring
NTA ⁽¹⁾	RMB1,600,785,000 ⁽²⁾	RMB1,006,145,000 ⁽³⁾
Number of Shares (excluding Treasury Shares)	640,000,000	640,000,000
NTA per Share (RMB cents)	250.12	157.21

- (ii) NTA computed based on the latest audited financial statements of the Group for FY2023, taking into account the effects of the Proposed Rights Issue

	Before the Proposed Restructuring	After the Proposed Restructuring
NTA ⁽¹⁾	RMB1,006,145,000	RMB1,247,108,000
Number of Shares (excluding Treasury Shares)	640,000,000	960,000,000
NTA per Share (RMB cents)	157.21	129.91

Notes:

- (1) NTA is computed based on total assets (excluding net of intangible assets and goodwill) less total liabilities.
- (2) Based on the NTA of the Group after accounting for deductible goodwill of RMB10,345,000.
- (3) The decrease in NTA is mainly due to (i) a decrease in cash of RMB573,598,000 as a result of the cash payment of the Dongming Qianhai Purchase Consideration; and (ii) a decrease of RMB21,042,000 in the carrying value of financial assets at fair value as at 31 December 2023 in comparison with the Qianhai Reli Sale Consideration received.

(b) EPS

For illustrative purposes only, assuming that the Proposed Restructuring had been effected on 1 January 2023 (being the beginning of the most recently completed financial year of the Company), the Proposed Restructuring would have had the following effects on the EPS of the Company for FY2023:

- (i) EPS computed based on the latest audited financial statements of the Group for FY2023, without taking into account the effects of the Proposed Rights Issue

	Before the Proposed Restructuring	After the Proposed Restructuring
Net profit/(loss) ⁽¹⁾ attributable to Shareholders	RMB217,610,000	RMB313,170,000
Weighted average number of Shares (excluding Treasury Shares)	640,000,000	640,000,000
EPS (RMB cents)	34.00	48.93

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- (ii) EPS computed based on the latest audited financial statements of the Group for FY2023, taking into account the effects of the Proposed Rights Issue

	Before the Proposed Restructuring	After the Proposed Restructuring
Net profit/(loss) ⁽¹⁾ attributable to Shareholders	RMB313,170,000	RMB313,170,000
Weighted average number of Shares (excluding Treasury Shares)	640,000,000	960,000,000
EPS (RMB cents)	48.93	32.62

Note:

- (1) “**Net profit**” means profit or loss including discontinued operations that have not been disposed and before income tax and before other comprehensive income.

3.7.5 Deficit of Proceeds in comparison to Book Value and Amount of Loss on the Proposed Disposal of Qianhai Reli

Based on the unaudited financial statements of Qianhai Reli for 6M2024,

- (i) the deficit of the Qianhai Reli Sale Consideration (being RMB27,911,000) in comparison to the book value of the Qianhai Reli Sale Equity (being RMB37,679,326) as at 30 June 2024 is approximately RMB9,769,326; and
- (ii) the amount of loss on the Proposed Disposal of Qianhai Reli is approximately RMB9,769,326.

The Board believes that the Proposed Disposal of Qianhai Reli aligns with the Group’s long-term development strategy of focusing on core businesses and developing high-end chemical industries. Based on the Company’s management team’s assessment, as stated in Section 3.5.1(b) of this Circular, the “14th Five-Year Energy Development Plan of Shandong Province” issued by the Shandong Provincial Government in 2021 clearly indicates a reduction in coal-fired power capacity and strongly promotes the shutdown and integration of coal-fired power units with a capacity of less than 300,000 kilowatts. Given Qianhai Reli’s unit capacity of 20,000 kilowatts, Qianhai Reli is at risk of being forced to shut down. Further, Shandong Huawang Thermal Power Co., Ltd. (山东华旺热力有限公司), a large-scale thermal power enterprise in the Dongming Petrochemical Industrial Park, commenced operations in early 2024, which will significantly reduce Qianhai Reli’s competitive position in the market. Therefore, after taking into consideration the Qianhai Reli Valuation Report and the IFA’s opinion as set out in the IFA Letter at **Appendix D** to this Circular, the Board believes that the Proposed Disposal of Qianhai Reli at the agreed price (i.e., the Qianhai Reli Sale Consideration) is in accordance with normal commercial terms and is in the interests of the Company and its minority Shareholders, notwithstanding the amount of loss incurred from the Proposed Disposal of Qianhai Reli.

The IFA notes the amount of loss on the Proposed Disposal of Qianhai Reli. However, the IFA also considered other factors, such as the financial ratios derived from comparable companies’ analysis and the outlook of Qianhai Reli as set out in paragraphs 7.3 and 8.1 of the IFA Letter, respectively. In that connection, although the financial ratios implied by Qianhai Reli Sale Consideration appears to be low, they are nevertheless still within the market range. Further, the fact that Qianhai Reli may be forced to shut down and is experiencing a diminishing comparative advantage appears to explain the low valuation range, as assessed by the Independent Valuer.

3.7.6 Use of Proceeds from the Proposed Disposal of Qianhai Reli

In view of the consideration payable for the Proposed Acquisition of Dongming Qianhai, the Company does not expect to receive any net proceeds from the Proposed Disposal of Qianhai Reli. Subject to Shareholders’ approval for the Proposed Restructuring, in the event that there are any net proceeds received by the Company from the Proposed Disposal of Qianhai Reli, the Company intends to utilise the same for general working capital requirements of the Group.

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3.7.7 Source of Funds for the Proposed Acquisition of Dongming Qianhai

The Company intends to finance the Proposed Acquisition of Dongming Qianhai with all of the Net Proceeds raised from the Proposed Rights Issue, and the shortfall in the Dongming Qianhai Purchase Consideration that is not covered by the Net Proceeds from the Proposed Rights Issue will be financed through the Group's funds and the proceeds from the Proposed Disposal of Qianhai Reli. Please refer to Section 2.10 of this Circular for further details on the use of proceeds from the Proposed Rights Issue.

3.7.8 Directors' and Controlling Shareholders' Interests

As at the Latest Practicable Date,

- (i) Mr. Li, who is the Executive Chairman, CEO and a Controlling Shareholder of the Company, is also a shareholder, a director and the legal representative of Hong Li Yuan, as well as a shareholder, a director and the legal representative of Dongming Petrochem; and
- (ii) Mr. Li Zhi, who is a Non-Executive Director of the Company, is the son of Mr. Li and also a director of Hong Li Yuan and Dongming Petrochem

Save as disclosed above and in Sections 3.1(a), 3.1(b), 3.2, 3.6.2, 5.1 and 6 of this Circular, as at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or Controlling Shareholder(s) have any interest, direct or indirect, in the Proposed Restructuring other than through their respective shareholdings in the Company (if any) as set out in Section 4 of this Circular.

3.7.9 No Service Contracts

No person is proposed to be appointed as a Director in connection with the Proposed Restructuring. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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	–	–	–	–	–	–
Jiang Xinglu	–	–	–	–	–	–
Liu Xiaoyan	–	–	–	–	–	–

Substantial Shareholder(s) (other than Directors)

Intelligent People	329,996,000	51.56%	42,052,500	6.57% ⁽³⁾	372,048,500	58.13%
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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% shareholding interest in Intelligent People.

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5. ABSTENTION FROM VOTING

5.1 Proposed Rights Issue

As stated in Section 2.5 of this Circular above, the approval in-principle received from the SGX-ST on 20 May 2024 is subject to, *inter alia*, independent shareholders' approval on the Proposed Rights Issue, where the Undertaking Shareholder, Controlling Shareholder of the Company and his associates will abstain from the voting.

Accordingly, Intelligent People, being the Undertaking Shareholder, shall abstain from voting in respect of the ordinary resolution in relation to the Proposed Rights Issue 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 resolution as set out in the enclosed Notice of EGM unless specific instructions as to voting are given by the Shareholder concerned. Further, Mr Li, the Executive Chairman and CEO of the Company as at the Latest Practicable Date, being a Controlling Shareholder of the Company, shall abstain and procure that all his other associates will abstain, from voting, in respect of the ordinary resolution in relation to the Proposed Rights Issue 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 resolution as set out in the enclosed Notice of EGM unless specific instructions as to voting are given by the Shareholder concerned.

5.2 Proposed Restructuring

Similarly, Mr Li will abstain, and procure that Intelligent People and all his other associates will abstain, from voting, in respect of the ordinary resolution in relation to the Proposed Disposal of Qianhai Reli and the ordinary resolution in relation to the Proposed Acquisition of Dongming Qianhai 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.

The Company will disregard any votes cast on the resolutions in respect of Proposed Rights Issue and/or the Proposed Restructuring by any of Mr. Li and his associates.

6. DIRECTORS' RECOMMENDATIONS

As mentioned in Section 3.7.8 of this Circular, as at the Latest Practicable Date, Mr. Li is a shareholder, a director and the legal representative of Hong Li Yuan, as well as a shareholder, a director and the legal representative of Dongming Petrochem, and Mr. Li Zhi is a director of Hong Li Yuan and Dongming Petrochem. Accordingly, they have abstained from voting on the board resolution(s) in respect of the Proposals, and will abstain from making any recommendation on the Proposals.

6.1 Proposed Rights Issue

Having considered, *inter alia*, the terms of, and rationale for, the Proposed Rights Issue, the Non-Interested Directors are of the opinion that the Proposed Rights Issue is in the best interests of the Company. Accordingly, the Non-Interested Directors recommend that the Shareholders **VOTE IN FAVOUR** of the ordinary resolution in relation to the Proposed Rights Issue as set out in the notice of the 2024 EGM to be proposed at the 2024 EGM.

LETTER TO SHAREHOLDERS

6.2 Proposed Restructuring

Having considered, *inter alia*, the terms of, and rationale for, and benefit of Proposed Restructuring, the opinion of the IFA as set out in the IFA Letter at **Appendix D** to this Circular, and the statement of the Audit Committee as set out in Section 3.6.6 of this Circular, the Non-Interested Directors are of the opinion that the Proposed Restructuring is 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 ordinary resolution in relation to the Proposed Disposal of Qianhai Reli and the ordinary resolution in relation to the Proposed Acquisition of Dongming Qianhai as set out in the notice of the 2024 EGM to be proposed at the 2024 EGM.

Shareholders are advised to read this Circular in its entirety and for those who may require advice in the context of their specific investment, to consult their respective bank manager, stockbroker, solicitor, accountant, tax adviser or other professional adviser(s).

In giving the above recommendations, the Non-Interested Directors have not had regard to the specific investment objectives, financial situation, tax position or unique constraints of any individual Shareholder.

7. EXTRAORDINARY GENERAL MEETING

The 2024 EGM, notice of which is set out on pages N-1 to N-5 of this Circular, will be held on at Suntec Singapore Convention & Exhibition Centre, Room MR 331, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 on 24 December 2024 at 10.00 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.

8. 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 **10.00 a.m. on 22 December 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.

9. 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 Rights Issue, the Proposed Restructuring, 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

10. CONSENTS

Savills Valuation and Professional Services (S) Pte. Ltd., the Independent Valuer 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 summary of the Qianhai Reli Valuation Report reproduced in **Appendix B** to this Circular and the summary of the Dongming Qianhai Valuation Report reproduced in **Appendix C** to this Circular and all references thereto, in the form and context in which they appear in this Circular.

Capstone Investment Corporate Finance Pte Ltd, 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 D** to this Circular and all references thereto, in the form and context in which they appear in this Circular.

11. 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 for a period of three (3) months from 29 October 2024 (being the date of the Announcement) in respect of items (c), (d), (e) and (f), and from the date of this Circular up to and including the date of the 2024 EGM in respect of items (a), (b), (g) to (k):

- (a) the announcements in relation to the Proposed Rights issue;
- (b) the Irrevocable Undertaking;
- (c) the Qianhai Reli SPA;
- (d) the Dongming Qianhai SPA;
- (e) the Qianhai Reli Valuation Report and its summary;
- (f) the Dongming Qianhai Valuation Report and its summary;
- (g) the Constitution of the Company;
- (h) the annual reports of the Company for FY2021, FY2022 and FY2023;
- (i) the IFA Letter as set out in **Appendix D** to this Circular;
- (j) the Chinese and English-translated audited financial statements of Dongming Qianhai and accompanying audit opinions for FY2021, FY2022 and FY2023 as set out in **Appendix E** to this Circular; and
- (k) the letters of consent referred to in Section 10 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 – FINANCIAL INFORMATION OF THE GROUP

Certain financial information extracted from the audited consolidated financial statements of the Group for FY2021, FY2022 and FY2023 and the unaudited consolidated financial statements of the Group for 9M2023 and 9M2024 are set out below.

A. Consolidated Income Statements

The audited consolidated statement of comprehensive income of the Group for FY2021, FY2022 and FY2023 and the unaudited consolidated statement of comprehensive income for 9M2023 and 9M2024 are set out below.

	Audited			Unaudited	
	FY2021	FY2022	FY2023	9M2023	9M2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	4,716,209	4,848,203	5,333,091	3,772,594	4,066,564
Cost of Sales	(4,237,518)	(4,651,227)	(4,933,028)	(3,460,391)	(3,765,755)
Gross profit	478,691	196,976	400,063	312,203	300,809
Distribution costs	(269)	(253)	(6,233)	(1,568)	(6,406)
Administrative expenses	(28,266)	(33,928)	(36,684)	(18,624)	(25,977)
Other operating income	13,476	12,815	102,303	101,652	8,289
Other operating expenses	(353)	(273)	(5,656)	(5,048)	(572)
Finance costs	(49,128)	(47,678)	(34,721)	(27,039)	(17,185)
Profit before tax	414,151	127,659	419,072	361,576	258,958
Income tax credit / (expense)	(106,833)	(48,595)	(105,902)	(78,582)	(57,034)
Profit/(loss) for the period	307,318	79,064	313,170	282,994	201,924
Profit/(loss) for the period attributable to:					
Equity holders of the Company	237,423	39,442	217,610	199,220	144,364
Non-controlling interests	69,895	39,622	95,560	83,774	57,560
	307,318	79,064	313,170	282,994	201,924

A summary of the review of the operations, business and financial performance of the Group is set out below:

9M2024 vs 9M2023

Revenue

In 9M2024, the Group's revenue was RMB40.67 billion, representing an increase of 7.8% from RMB37.73 billion in 9M2023. Amongst the Group's revenue in 9M2024, the revenue from the gas segment was RMB38.48 billion, representing an increase of 9.22% from RMB35.23 billion in 9M2023. This growth was primarily driven by a higher sales volume from January to September 2024 compared to the same period in 2023. Amongst the Group's revenue in 9M2024, the revenue from the logistics and transportation business was RMB218.70 million in 9M2024, representing a decrease of 12.33% from RMB249.46 million in 9M2023. The decline was primarily due to the decrease in transport business volume from January to September 2024 compared to the same period in 2023, caused by the aging of some of the Company's transport vehicles.

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Gross Profit

In 9M2024, the Group's gross profit was RMB300.81 million, representing a decrease of 3.6% from RMB312.2 million in 9M2023. Amongst the Group's gross profit in 9M2024, the gross profit from the gas segment was RMB266.25 million, representing a decrease of 5.57% from 281.94 million in 9M2023. This decline was primarily due to a reduction in the product gross profit margin compared to the same period in 2023, which was impacted by fluctuations in international crude oil prices and changes in market demand. Amongst the Group's gross profit in 9M2024, the gross profit from the logistics and transportation business was RMB34.56 million in 9M2024, representing an increase of 14.21% from RMB30.26 million in 9M2023.

Distribution costs

In 9M2024, the Group's distribution costs were RMB6.41 million, representing an increase of 308.5% from RMB1.57 million in 9M2023. This was due to the increased provision of door-to-door transportation services to meet certain customers' demands since the start of 9M2023, which led to higher transportation costs in the sales process.

Administrative expenses

In 9M2024, the Group's administrative expenses were RMB25.98 million, representing an increase of 39.5% from RMB18.62 million in 9M2023. This was due to the Company's strong focus on full-value chain optimisation management and new product developments, which resulted in an increase in research and development costs.

Other operating income

In 9M2024, the Group's other operating income was RMB8.29 million, representing a decrease of 91.98% from RMB101.65 million in 9M2023. This was due to the receipt of a RMB38.86 million dividend from Qianhai Reli and RMB54.78 million from the disposal of waste catalysts in 9M2023. However, there was no such non-operating income in 2024.

Other operating expenses

In 9M2024, the Group's other operating expenses were RMB572,000, representing a decrease of 88.7% from RMB5.05 million in 9M2023. This was due to Dongming Qianhai's production suspension overhaul in May 2023, during which the production plant and storage tanks were cleaned. This process resulted in the loss of some raw materials and products.

Finance costs

In 9M2024, the Group's finance costs were RMB17.18 million, representing a decrease of 36.4% from RMB27.04 million in 9M2023. This was due to a decrease in interest-bearing loans compared to the same period last year. As at September 2024, a total of RMB180 million in interest-bearing loans had been repaid during the year.

Income tax expense

In 9M2024, the Group's income tax expense was RMB57.03 million, representing a decrease of 27.4% from RMB78.58 million in 9M2023. This was due to the quarterly tax provision made by entities based on their profitability.

FY2023 vs FY2022

Revenue

In FY2023, the Group's revenue was RMB5.33 billion, representing an increase of 10% from RMB4.85 billion in FY2022. Amongst the Group's revenue in FY2023, the revenue from the gas segment was RMB4.97 billion, representing an increase of 8.46% from RMB4.58 billion in FY2022, which was due to increased demand for the Company's key products as a result of the effective control of the pandemic in China, resulting in a 7% increase in sales in FY2023 as compared to

APPENDIX A – FINANCIAL INFORMATION OF THE GROUP

FY2022, and the revenue from the logistics and transportation business was RMB360.56 million in FY2023, representing a major increase of 36.62% from RMB263.91 million in FY2022, which was because of an increase in the quantity of logistic shipments, stemming from the effective control of the pandemic in China.

Gross Profit

In FY2023, the Group's gross profit was RMB400.06 million, representing an increase of 103.1% from RMB196.98 million in FY2022. Amongst the Group's gross profit in FY2023, the gross profit from the gas segment was RMB359.07 million, representing an increase of 108.48% from 172.23 million in FY2022, which was caused by the increase in product sales and gross profit margin following the conclusion of the Covid-19 pandemic, and the gross profit from the logistics and transportation business was RMB40.99 million in FY2023, representing an increase of 65.62% from RMB24.75 million in FY2022.

Distribution costs

In FY2023, the Group's distribution costs were RMB6.23 million, representing an increase of 2363.24% from RMB253,000 in FY2022. This was due to the Company's provision of home delivery services to its customers since the third-quarter of FY2023 in order to better meet their needs, resulting in an increase in transport costs.

Administrative expenses

In FY2023, the Group's administrative expenses were RMB36.68 million, representing an increase of 8.10% from RMB33.93 million in FY2022. This was due to an increase in research and development expenses from the Company's efforts to optimise its value chain and develop new products.

Other operating income

In FY2023, the Group's other operating income was RMB102.3 million, representing an increase of 698.31% from RMB12.82 million in FY2022. This was due to Dongming Qianhai's renewal of catalyst during the overhaul in May 2023, resulting in RMB54.78 million in income from the disposal of the discarded catalyst. Further, the Group also received dividends of RMB38.86 million from its associate, Dongming Qianhai Reli in July 2023.

Other operating expenses

In FY2023, the Group's other operating expenses were RMB5.66 million, representing an increase of 1971.79% from RMB27,300 in FY2022. This was due to the inventory loss from Dongming Qianhai's overhaul, where the Company carried out large-scale cleaning and emptying operations on production units, raw materials and empty product tanks.

Finance costs

In FY2023, the Group's finance costs were RMB34.72 million, representing a decrease of 27.18% from RMB47.68 million in FY2022. This was due to a decrease in the amount of interest-bearing borrowings, and the cumulative return of bank borrowings of RMB60 million and non-controlling party borrowings of RMB200 million in 2023.

Income tax expense

In FY2023, the Group's income tax expense was RMB105.9 million, representing an increase of 117.93% from RMB48.6 million in FY2022. This was due to adjustments in the Company's income tax in accordance with PRC tax law.

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FY2022 vs FY2021

Revenue

In FY2022, the Group's revenue was RMB4.85 billion, representing an increase of 2.8% from RMB4.72 billion in FY2021. Amongst the Group's revenue in FY2022, the revenue from the gas segment was RMB4.58 billion, representing an increase of 2.73% from RMB4.46 billion in FY2021, which was due to a significant increase in the average selling price of processed liquefied petroleum gas of the Company's major products in 2022 and an increase in sales of high-end polypropylene, and the revenue from the logistics and transportation business was RMB263.91 million in FY2022, representing a major increase of 3.88% from RMB254.06 million in FY2021, which was because of increase logistics and transport operations.

Gross Profit

In FY2022, the Group's gross profit was RMB196.98 million, representing a decrease of 58.85% from RMB478.69 million in FY2021. Amongst the Group's gross profit in FY2022, the gross profit from the gas segment was RMB172.23 million, representing a decrease of 61.74% from 450.10 million FY2021, which was caused by the impact of significant fluctuations in international crude oil prices in 2022, which resulted in the increase in the selling price of the Company's major products being lower than the increase in production costs, and the gross profit from the logistics and transportation business was RMB24.75 million in FY2022, representing a decrease of 13.43% from RMB28.59 million in FY2021, which was caused by stricter regulatory control of the pandemic.

Distribution costs

In FY2022, the Group's distribution costs were RMB253,000, representing a decrease of 5.9% from RMB269,000 in FY2021. This was due to a decrease in commissioned sales.

Administrative expenses

In FY2022, the Group's administrative expenses were RMB33.93 million, representing an increase of 20.03% from RMB28.27 million in FY2021. This was due to the inclusion of fixed expenses incurred in the production workshop in the management expenses from the shutdown of Dongming Hengchang's equipment overhaul.

Other operating income

In FY2022, the Group's other operating income was RMB12.82 million, representing a decrease of 4.9% from RMB13.48 million in FY2021.

Other operating expenses

In FY2022, the Group's other operating expenses were RMB273,000, representing a decrease of 22.66% from RMB353,000 in FY2021.

Finance costs

In FY2022, the Group's finance costs were RMB47.68 million, representing a decrease of 2.95% from RMB49.13 million in FY2021. This was due to a decrease in the amount of interest-bearing borrowings, and the cumulative return of bank borrowings of RMB60 million and non-controlling party borrowings of RMB175 million in 2022.

Income tax expense

In FY2022, the Group's income tax expense was RMB127.66 million, representing a decrease of 69.17% from RMB414.15 million in FY2021. This was due to the decrease in the operating profits realised by the Company in FY2022 as compared to that in FY2021. The Company provides for enterprise income tax in accordance with PRC tax laws.

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B. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The audited consolidated statement of financial position of the Group as at 31 December 2021, 31 December 2022 and 31 December 2023 and the unaudited consolidated statement of financial position of the Group as at 30 September 2024 are set out below:

	Audited 31 December 2021	Audited 31 December 2022	Audited 31 December 2023	Unaudited 30 September 2024
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,744,144	1,624,213	1,459,008	1,330,967
Right of use assets	4,002	3,575	3,150	3,150
Land use rights	90,547	89,488	88,248	87,340
Goodwill on consolidation	10,345	10,345	10,345	10,345
Financial asset, at fair value through other comprehensive income	79,761	42,972	48,953	27,911
Total non-current assets	1,928,799	1,770,593	1,609,704	1,459,713
Current assets				
Land use rights	1,088	1,088	1,088	1,085
Inventories	258,811	242,335	334,916	285,066
Trade and other receivables	54,335	19,987	9,889	13,729
Amount owing by affiliated companies	12,404	11,098	5,464	26,399
Prepayments	2,983	8,772	1,360	11,037
Cash and bank balances	702,615	521,064	562,886	713,800
Total current assets	1,032,236	804,344	915,603	1,051,116
Total assets	2,961,035	2,574,937	2,525,307	2,510,829
EQUITIES AND LIABILITIES				
Equity				
Share capital	316,215	316,215	316,125	316,125
Retained profits	525,368	532,557	705,892	792,814
Fair value reserves	34,517	8,765	12,952	(1,778)
Capital reserves	250,000	250,000	250,000	250,000
Other reserves	122,576	136,352	180,622	220,899
Total equity attributable to equity holders of the Company	1,248,586	1,243,794	1,465,591	1,578,060
Non-controlling interests	267,871	296,456	234,875	286,122
Total equity	1,516,457	1,540,250	1,700,466	1,864,182
Non-current liabilities				
Loans from non-controlling interests	450,000	250,000	50,000	–
Bank borrowings	420,000	360,000	300,000	250,000
Lease liabilities	3,911	3,607	3,428	2,925
Total non-current liabilities	873,911	613,607	353,428	252,925
Current liabilities				
Loans from non-controlling interests	175,000	200,000	200,000	100,000
Bank borrowings	60,000	60,000	60,000	80,000
Lease Liabilities	497	410	179	682
Trade and other payables	169,833	138,137	98,448	134,308
Amount owing to affiliated companies	151,819	13,538	42,887	75,518
Current tax payable	13,518	8,995	69,899	3,214
Total current liabilities	570,667	421,080	471,413	393,722
Total liabilities	1,444,578	1,034,687	824,841	646,647
Total equity and liabilities	2,961,035	2,574,937	2,525,307	2,510,829

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A summary of the review of the financial position of the Group is set out below.

As at 30 September 2024 compared to 31 December 2023

Non-current assets

The Group's non-current assets amounted to RMB1.46 billion as at 30 September 2024 as compared to RMB1.61 billion as at 31 December 2023. This was primarily due to the depreciation of fixed assets amounting to RMB128.51 million and the impairment of financial assets measured at fair value amounting to RMB21.04 million for 9M2024.

Current assets

The Group's current assets amounted to RMB1.05 billion as at 30 September 2024 as compared to RMB915.6 million as at 31 December 2023. The was primarily due to the Group's stable production and operations, along with strong profitability, which resulted in an increase in working capital.

Current liabilities

The Group's current liabilities amounted to RMB393.72 million as at 30 September 2024 as compared to RMB471.41 million as at 31 December 2023. The was primarily due to the decrease of RMB80 million in the Group's working capital loans as at 30 September 2024, compared to 31 December 2023.

Non-current liabilities

The Group's non-current liabilities amounted to RMB252.93 million as at 30 September 2024 as compared to RMB353.42 million as at 31 December 2023. This was primarily due to the decrease of RMB100 million in the Group's long-term loans as at 30 September 2024, compared to 31 December 2023.

As at 31 December 2023 compared to 31 December 2022

Non-current assets

The Group's non-current assets amounted to RMB1.61 billion as at 31 December 2023 as compared to RMB1.77 billion as at 31 December 2022. The change was due to the depreciation of fixed assets, amongst others.

Current assets

The Group's current assets amounted to RMB915.6 million as at 31 December 2023 as compared to RMB804.34 million as at 31 December 2022. The change was due to an increase in the Company's inventories and cash.

Current liabilities

The Group's current liabilities amounted to RMB471.43 million as at 31 December 2023 as compared to RMB421.08 million as at 31 December 2022. The change was due to an increase in the income tax payable as a result of the Company's net profit and increase in trade payables to related parties at the end of the year, offset by decrease in trade and other non-trade payables to unrelated parties.

Non-current liabilities

The Group's non-current liabilities amounted to RMB353.43 million as at 31 December 2023 as compared to RMB613.61 million as at 31 December 2022. The change was due to the Group's repayment of long-term borrowings from banks and non-controlling parties in accordance with existing loan agreements. The total repayment of long-term borrowings in 2023 amounted to RMB260 million.

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As at 31 December 2022 compared to 31 December 2021

Non-current assets

The Group's non-current assets amounted to RMB1.77 billion as at 31 December 2022 as compared to RMB1.93 billion as at 31 December 2021. The change was due to the depreciation of fixed assets and end-of-period impairment of financial assets measured at fair value.

Current assets

The Group's current assets amounted to RMB804.34 million as at 31 December 2022 as compared to RMB1.03 billion as at 31 December 2021. The change was due to the decrease in inventories and trade receivables as a result of the Company's operating activities and the decrease in cash flow as a result of the Company's repayment of bank and non-controlling party borrowings.

Current liabilities

The Group's current liabilities amounted to RMB421.08 million as at 31 December 2022 as compared to RMB570.67 million as at 31 December 2021. The change was due to the Company's operating activities and timely settlement of payments to related parties and customers during the production cycle, which resulted in a significant decrease in trade payables and other payables to related parties.

Non-current liabilities

The Group's non-current liabilities amounted to RMB613.61 million as at 31 December 2022 as compared to RMB873.91 million as at 31 December 2021. The change was due to the repayment of loans due in accordance with existing loan agreements.

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C. CONSOLIDATED STATEMENT OF CASH FLOWS

The audited consolidated statement of cash flows of the Group for FY2021, FY2022 and FY2023 and the unaudited consolidated statement of cash flows of the Group for 9M2024, are as follows:

	Audited FY2021 RMB'000	Audited FY2022 RMB'000	Audited FY2023 RMB'000	Unaudited 9M2024 RMB'000
Operating activities				
Profit before income tax	414,151	127,659	419,072	258,960
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	145,960	163,917	173,844	128,509
Depreciation of right-of-use rights	425	427	425	–
Amortisation of intangible assets	1,089	1,203	1,240	911
Gain on disposal of property, plant and equipment	109	2,737	(100)	–
Property, plant and equipment written off	–	598	1,125	3,909
Interest expense	49,128	47,678	34,721	17,185
Interest income	5,907	7,594	(6,417)	(6,469)
Dividend income	–	–	(38,862)	–
Operating profit before before working capital changes	604,955	331,151	585,048	403,005
Change in inventories	40,671	16,476	(92,581)	49,850
Change in amount owing by/(to) affiliated companies	135,009	136,975	34,983	11,697
Change in operating receivables	13,428	34,348	10,098	(13,518)
Change in prepayment	2,037	5,789	7,412	–
Change in operating payables	27,801	31,696	(36,416)	35,860
Cash (used in) / generated from operations	715,703	207,515	508,544	486,894
Income tax paid	134,439	53,118	(44,998)	(123,719)
Net cash generated from operating activities	581,264	154,397	463,546	363,175
Investing activities				
Additions to property, plant and equipment	(35,575)	(46,038)	(13,192)	(4,379)
Proceeds from disposal of property, plant and equipment	1,090	4,191	255	–
Additions to intangible assets	354	144	–	–
Interest paid	(5,493)	–	–	–
Interest received	5,907	7,594	6,417	6,469
Dividend income	–	–	38,862	–
Net cash generated from used in investing activities	(34,425)	(34,397)	32,342	2,090
Financing activities				
Dividends paid to equity holders of the company	(15,509)	(18,482)	–	(17,166)
Dividends paid to non-controlling interests	–	–	(158,935)	–
Repayment of loans to non-controlling interest	(80,000)	175,000	(200,000)	(150,000)
Payment of principal portion of lease liabilities	(372)	391	(410)	–
Repayment of bank borrowings	(51,250)	60,000	(60,000)	(30,000)
Interest paid	(49,128)	47,678	(34,721)	(17,185)
Net cash generated used in financing activities	(196,259)	(301,551)	(454,066)	(214,351)
Net decrease in cash and cash equivalents	350,580	181,551	41,822	150,914
Cash and cash equivalents at beginning of period	352,035	702,615	521,064	562,886
Cash and cash equivalents at end of the period	702,615	521,064	562,886	713,800

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A summary of the review of the cash flow position of the Group is set out below.

Review of cash flow for 9M2024

In 9M2024, the Group registered a net cash inflow of RMB150.91 million.

Net cash inflow from operating activities was RMB363.18 million, which was primarily due to the Group's stable production and operations, strong profitability, normal inventory turnover, and other reasonable uses of working capital such as receivables and payables, all of which contributed to the increase in net cash flow from operating activities from January to September 2024.

Net cash inflow from investing activities was RMB2.09 million, primarily due to the Group's deposit interest income of RMB6.47 million, offset by asset purchase expenditures of RMB4.38 million.

Net cash outflow from financing activities was RMB214.35 million, primarily due to the Group's repayment of interest-bearing loans and interest expenses amounting to RMB197.19 million, as well as the payment of RMB17.17 million in dividends to the Group's shareholders from January to September 2024.

Review of cash flow for FY2023

In FY2023, the Group registered a net cash inflow of RMB41.82 million.

Net cash inflow from operating activities was RMB463.55 million due to the Company's earnings and other changes in working capital as a result of operating activities.

Net cash inflow from investing activity was RMB32.34 million due to dividends received from the Company's associate, Dongming Qianhai Reli and interest received on bank deposits, which offset the expenditure on the acquisition of assets.

Net cash outflow from financing activities was RMB454.07 million due to Dongming Qianhai's distribution of dividends to non-controlling parties and the repayment of non-controlling parties and bank borrowings.

Review of cash flow for FY2022

In FY2022, the Group registered a net cash outflow of RMB181.55 million.

Net cash inflow from operating activities was RMB154.40 million due to the Group's realised net profit in 2022, as well as other changes in working capital as a result of carrying out operating activities.

Net cash outflow from investing activity was RMB34.40 million due to the Group's expenditure of RMB46.04 million on the acquisition of assets, offset by bank interest income received of RMB7.59 million and cash inflow of RMB4.19 million due to the disposal of assets.

Net cash outflow from financing activities was RMB301.55 million due to the repayment of bank and non-controlling party loans and interests and cash dividends paid out to shareholders.

Review of cash flow for FY2021

In FY2021, the Group registered a net cash inflow of RMB350.58 million.

Net cash inflow from operating activities was RMB581.26 million due to the Group's realised net profit and changes to working capital from operating activities.

Net cash outflow from investing activity was RMB34.43 million due to the acquisition of assets and capitalised interest expense offset by interest income received on bank deposits and cash received from the disposal of assets.

APPENDIX A – FINANCIAL INFORMATION OF THE GROUP

Net cash outflow from financing activities was RMB196.26 million due to the repayment of bank and non-controlling party loans and interests and cash dividends paid out to shareholders.

D. WORKING CAPITAL

The working capital of the Group as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024 are set out below:

	Audited 31 December 2021	Audited 31 December 2022	Audited 31 December 2023	Unaudited 30 September 2024
	RMB'000	RMB'000	RMB'000	RMB'000
Total current Assets	1,032,236	804,344	915,603	1,051,116
Total current Liabilities	570,667	421,080	471,413	393,722
Working Capital	461,569	383,264	444,190	657,394

A summary of the review of the working capital of the Group is set out below.

As at 30 September 2024 compared to 31 December 2023

The Group was in a positive working capital position of approximately RMB657.39 million as at 30 September 2024, compared to the working capital position of RMB444.19 million as at 31 December 2023.

As at 31 December 2023 compared to 31 December 2022

Current assets increased by 13.83% from RMB804,344,000 as at 31 December 2022 to RMB915,603,000 as at 31 December 2023. The increase was mainly due to: (i) an increase in consumer demand for end-products, resulting in an improvement in the Company's profits following the end of the COVID-19 pandemic; (ii) the value of the Company's inventory of raw materials and finished products increased by RMB92,581,000 because of the Company's production being at maximum capacity; and (iii) an increase in the Company's operating cash flow and bank deposits.

Current liabilities increased by 11.95% from RMB421,080,000 as at 31 December 2022 to RMB471,413,000 as at 31 December 2023. The increase was mainly due to an increase in sums owed to other parties in relation to the purchase of raw materials.

As at 31 December 2022 compared to 31 December 2021

Current assets decreased by 22.1% or by RMB227,892 from RMB1,032,236 as at 31 December 2021 to RMB804,344 as at 31 December 2022. The decrease was mainly due to: (i) a decrease in inventories of RMB16,476, (ii) a decrease in trade and other receivables of RMB34,348, (iii) a decrease in amount owing by affiliated companies of RMB1,306 and (iv) a decrease in cash and cash equivalents of RMB181,551 offset by (v) an increase in prepayment by RMB5,789.

Current liabilities decreased by 26.2% or by RMB149,587 from RMB570,667 as at 31 December 2021 to RMB421,080 as at 31 December 2022. The decrease was mainly due to: (i) a decrease in lease liabilities by RMB87 (ii) a decrease in trade and other payables by RMB31,696, (iii) a decrease in amount owing to affiliated companies by RMB138,281 and (iv) a decrease in current tax payable by RMB4,523, offset by an increase of RMB25,000 in loans from non-controlling interest.

APPENDIX B – SUMMARY OF QIANHAI RELI VALUATION REPORT



Savills Valuation and
Professional Services (S) Pte. Ltd.
Reg No : 200402411G

15 October 2024

Board of Directors

Sinostar PEC Holdings Limited

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

Attention: Mr. Yan Tailing, Executive Director

30 Cecil Street
#20-03 Prudential Tower
Singapore 049712

T : (65) 6836 6888
F : (65) 6536 8611

savills.com

INDEPENDENT VALUATION SUMMARY LETTER

Dear Mr. Yan Tailing,

1. Introduction

Savills Valuation and Professional Services (S) Pte. Ltd. (“Savills” or “we”) has been appointed by the Directors of Sinostar PEC Holdings Limited (“Sinostar” or the “Company”, or “you”) to perform valuation of 18% equity interest in Dongming Qianhai Reli Co., Ltd. (the “Subject”) as at 1 July 2024 (the “Valuation Date”) for the purpose of strategic planning and decision making (the “Purpose”).

This letter (the “Letter”) has been prepared for the purpose of incorporation to the shareholder circular to be issued by Sinostar in relation to the proposed disposal of the Subject (the “Proposed Transaction”) and is a summary of the information contained in our valuation report dated 15 October 2024 (the “Report”). Accordingly, the Letter should be read in conjunction with the full text of the Report.

2. Terms of Reference

Savills has been appointed by the Directors of the Company to perform the valuation of 18% equity interest in the Dongming Qianhai Reli Co., Ltd. (the “Target”) as at the Valuation Date for the Purpose.

We are not expressing an opinion or any form of assurance on the merits of any transaction including the Proposed Transaction. Accordingly, the Letter and the Report do not purport to contain all the information that may be necessary or desirable to fully evaluate the merits of the Proposed Transaction. The assessment of the merits of the Proposed Transaction is solely the responsibility of the Directors of the Company. Additionally, our work does not constitute any buy or sell recommendations and should not be considered as providing any commercial, financial, investment, divestment and legal advice to the Company and any other parties concerned. Our work cannot replace any managerial decision or judgement/recommendation made by the Directors.

We do not evaluate or comment on the commercial, financial, investment, divestment, and legal merits and/or risks of any transaction including the Proposed Transaction.

Use of the Letter and the Report

The Letter and the Report are addressed solely to, and for the use and benefit of the Directors of the Company for the Purpose, and accordingly neither the Letter nor the Report may be used or relied upon by, nor confer any benefit to, any other person (including without limitation, the current and prospective shareholders of the Company and/or the Target). If others choose to rely in any way on the contents of the Letter and the Report, they do so entirely at their own risk. Any recommendation made by the Directors to the shareholders of the Company shall remain the responsibility of the Directors.



Reliance on Information and Representation

In the course of our work, we have held discussions with management of the Company and/or the Target (the “Management”). We have also relied upon information provided to us by the Management. In particular, we have relied upon various explanations provided by the Management with regard to the Target, and financial information obtained through discussions and email correspondences during the course of this engagement. We have assumed such information is reliable, accurate, complete and without omission of material facts.

We have not audited or otherwise verified all the information provided by the Management and therefore will not check the accuracy of the information or any explanations provided. Instead, we will be relying on the representations from the Management regarding the reliability, accuracy and completeness of the information provided to us. Our work is not of the same nature as an audit. Instead, our work is in the nature of a review of the information provided to us and discussions with the Management.

The Management have also confirmed that, to the best of their knowledge and belief, that all material information available to them with respect to the Target that is relevant for the Purpose, has been disclosed to us and that such information is reliable, accurate and complete in all material aspects, and that there is no other information or fact, the omission of which would cause any information disclosed to us to be inaccurate, incomplete or misleading in any material respect.

We will not be liable for any loss or damage arising from information material to our work being withheld or concealed from us or misrepresented to us by the Management or any other person of whom we make enquiries

We have also performed our own research from publicly available information to gather industry information, analyses, and comments. We are not responsible for the accuracy of the data provided by such external sources.

3. Valuation Methodology

Basis of Value

The basis of value describes the fundamental premise on which the reported value will be based. We have adopted market value which, according to International Valuation Standards published on 31 July 2021 (“IVS”), is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Selection of Valuation Approach and Method

We have adopted the discounted cash flow (“DCF”) method under the income approach as our primary method for the valuation analysis of 18% equity interest in the Target.

In our valuation cross-check, we have adopted the guideline publicly-traded comparable (“GPC”) method and comparable transactions method under the market approach. In particular, we compared the enterprise value-to-revenue (“EV/Revenue”) and the enterprise value-to-earnings before interest, tax, depreciation and amortisation (“EV/EBITDA”) multiples implied by the valuation results derived from DCF method to those of GPC companies and comparable transactions of the Target.

APPENDIX B – SUMMARY OF QIANHAI RELI VALUATION REPORT



Key Assumptions and Inputs

Our valuation is based on various assumptions with respect to the Target, including its present and future financial condition, business strategies, and the environment in which they will operate in the future. These assumptions are based on the information that we have been provided and our discussions with the Management and reflect current expectations and views as at the Valuation Date regarding future events, and therefore necessarily involved known and unknown risks and uncertainties.

The estimates of earnings and cash flow data, to the extent they relate to the future, reflect the expectations of the Management as to the business prospects of the Target and are solely used in our valuation analysis and are not intended for use as forecasts or projections of future operations. Furthermore, there will usually be differences between the estimated and actual results because events and circumstances may not occur as expected and those differences may be material.

Some of the key assumptions and inputs adopted include the following:

- The explicit financial forecast period considered for the valuation is from 1 July 2024 to 31 December 2028.
- A terminal growth rate of 0.0% has been considered in the estimation of the terminal value.
- The future cash flows of the Target have been discounted at the weighted average cost of capital, ranging between 8.0% and 9.0%.
- A discount for lack of marketability of 20.0% has been applied to reflect the lack of marketability of the Target being a private company which is not a readily marketable asset.
- A discount for lack of control of 24.0% has been applied to reflect the feature of the Subject being a non-controlling interest.

We have set out in the Report the key assumptions used in our valuation as well as risk factors that, in our opinion, may have a material impact on the valuation of the Target. It should be noted that it is not an exhaustive list of all risk factors relevant to the Target.

4. Conclusion

In summary and as detailed in the Report, which should be read in conjunction with this letter to the Directors, the market value of 18% equity interest in the Target as at the Valuation Date are summarised in the table below.

Description	Valuation Range (RMB'000)
Market value of 18% equity interest in the Target as at the Valuation Date	26,025 to 27,911

Our valuation conclusion is based on the prevailing economic, market, industry, regulatory, and other conditions as at the Valuation Date and on the information made available to us as of the date of the Report. These conditions may change significantly over a relatively short period of time.

APPENDIX B – SUMMARY OF QIANHAI RELI VALUATION REPORT



We considered the information made available to us as of the date of the Report for our valuation analysis. We assume no responsibility and are not required to update, revise or reaffirm the valuation results set out in the Report to reflect events or developments subsequent to the date of the Report.

Yours sincerely,

For and on behalf of

Savills Valuation and Professional Services (S) Pte. Ltd.

A handwritten signature in black ink, appearing to read "J. Doan Thuan Hai", is written over a horizontal line.

Jason Doan Thuan Hai, CVA, CA (Singapore)

Head of Business Valuation & Advisory, South East Asia

Business Valuation & Advisor

APPENDIX C – SUMMARY OF DONGMING QIANHAI VALUATION REPORT



Savills Valuation and
Professional Services (S) Pte. Ltd.
Reg No : 200402411G

15 October 2024

Board of Directors

Sinostar PEC Holdings Limited

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

Attention: Mr. Yan Tailing, Executive Director

30 Cecil Street
#20-03 Prudential Tower
Singapore 049712

T : (65) 6836 6888
F : (65) 6536 8611

savills.com

INDEPENDENT VALUATION SUMMARY LETTER

Dear Mr. Yan Tailing,

1. Introduction

Savills Valuation and Professional Services (S) Pte. Ltd. (“Savills” or “we”) has been appointed by the Directors of Sinostar PEC Holdings Limited (“Sinostar” or the “Company”, or “you”) to perform valuation of 30% equity interest in Dongming Qianhai Petrochemical Co., Ltd. (the “Subject”) as at 1 July 2024 (the “Valuation Date”) for the purpose of strategic planning and decision making (the “Purpose”).

This letter (the “Letter”) has been prepared for the purpose of incorporation to the shareholder circular to be issued by Sinostar in relation to the proposed acquisition of the Subject (the “Proposed Transaction”) and is a summary of the information contained in our valuation report dated 15 October 2024 (the “Report”). Accordingly, the Letter should be read in conjunction with the full text of the Report.

2. Terms of Reference

Savills has been appointed by the Directors of the Company to perform the valuation of 30% equity interest in the Dongming Qianhai Petrochemical Co., Ltd. (the “Target”) as at the Valuation Date for the Purpose.

We are not expressing an opinion or any form of assurance on the merits of any transaction including the Proposed Transaction. Accordingly, the Letter and the Report do not purport to contain all the information that may be necessary or desirable to fully evaluate the merits of the Proposed Transaction. The assessment of the merits of the Proposed Transaction is solely the responsibility of the Directors of the Company. Additionally, our work does not constitute any buy or sell recommendations and should not be considered as providing any commercial, financial, investment, divestment and legal advice to the Company and any other parties concerned. Our work cannot replace any managerial decision or judgement/recommendation made by the Directors.

We do not evaluate or comment on the commercial, financial, investment, divestment, and legal merits and/or risks of any transaction including the Proposed Transaction.

Use of the Letter and the Report

The Letter and the Report are addressed solely to, and for the use and benefit of the Directors of the Company for the Purpose, and accordingly neither the Letter nor the Report may be used or relied upon by, nor confer any benefit to, any other person (including without limitation, the current and prospective shareholders of the Company and/or the Target). If others choose to rely in any way on the contents of the Letter and the Report, they do so entirely at their own risk. Any recommendation made by the Directors to the shareholders of the Company shall remain the responsibility of the Directors.



Reliance on Information and Representation

In the course of our work, we have held discussions with management of the Company and/or the Target (the “Management”). We have also relied upon information provided to us by the Management. In particular, we have relied upon various explanations provided by the Management with regard to the Target, and financial information obtained through discussions and email correspondences during the course of this engagement. We have assumed such information is reliable, accurate, complete and without omission of material facts.

We have not audited or otherwise verified all the information provided by the Management and therefore will not check the accuracy of the information or any explanations provided. Instead, we will be relying on the representations from the Management regarding the reliability, accuracy and completeness of the information provided to us. Our work is not of the same nature as an audit. Instead, our work is in the nature of a review of the information provided to us and discussions with the Management.

The Management have also confirmed that, to the best of their knowledge and belief, that all material information available to them with respect to the Target that is relevant for the Purpose, has been disclosed to us and that such information is reliable, accurate and complete in all material aspects, and that there is no other information or fact, the omission of which would cause any information disclosed to us to be inaccurate, incomplete or misleading in any material respect.

We will not be liable for any loss or damage arising from information material to our work being withheld or concealed from us or misrepresented to us by the Management or any other person of whom we make enquiries

We have also performed our own research from publicly available information to gather industry information, analyses, and comments. We are not responsible for the accuracy of the data provided by such external sources.

3. Valuation Methodology

Basis of Value

The basis of value describes the fundamental premise on which the reported value will be based. We have adopted market value which, according to International Valuation Standards published on 31 July 2021 (“IVS”), is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Selection of Valuation Approach and Method

We have adopted the discounted cash flow (“DCF”) method under the income approach as our primary method for the valuation analysis of 30% equity interest in the Target.

In our valuation cross-check, we have adopted the guideline publicly-traded comparable (“GPC”) method and comparable transactions method under the market approach. In particular, we compared the enterprise value-to-revenue (“EV/Revenue”) and the enterprise value-to-earnings before interest, tax, depreciation and amortisation (“EV/EBITDA”) multiples implied by the valuation results derived from DCF method to those of GPC companies and comparable transactions of the Target.



Key Assumptions and Inputs

Our valuation is based on various assumptions with respect to the Target, including its present and future financial condition, business strategies, and the environment in which they will operate in the future. These assumptions are based on the information that we have been provided and our discussions with the Management and reflect current expectations and views as at the Valuation Date regarding future events, and therefore necessarily involved known and unknown risks and uncertainties.

The estimates of earnings and cash flow data, to the extent they relate to the future, reflect the expectations of the Management as to the business prospects of the Target and are solely used in our valuation analysis and are not intended for use as forecasts or projections of future operations. Furthermore, there will usually be differences between the estimated and actual results because events and circumstances may not occur as expected and those differences may be material.

Some of the key assumptions and inputs adopted include the following:

- The explicit financial forecast period considered for the valuation is from 1 July 2024 to 31 December 2028.
- A terminal growth rate of 2.2% has been considered in the estimation of the terminal value.
- The future cash flows of the Target have been discounted at the weighted average cost of capital, ranging between 10.0% and 11.0%.
- A discount for lack of marketability of 20.0% has been applied to reflect the lack of marketability of the Target being a private company which is not a readily marketable asset.
- A discount for lack of control of 24.0% has been applied to reflect the feature of the Subject being a non-controlling interest.

We have set out in the Report the key assumptions used in our valuation as well as risk factors that, in our opinion, may have a material impact on the valuation of the Target. It should be noted that it is not an exhaustive list of all risk factors relevant to the Target.

4. Conclusion

In summary and as detailed in the Report, which should be read in conjunction with this letter to the Directors, the market value of 30% equity interest in the Target as at the Valuation Date are summarised in the table below.

Description	Valuation Range (RMB'000)
Market value of 30% equity interest in the Target as at the Valuation Date	573,598 to 640,247

Our valuation conclusion is based on the prevailing economic, market, industry, regulatory, and other conditions as at the Valuation Date and on the information made available to us as of the date of the Report. These conditions may change significantly over a relatively short period of time.

APPENDIX C – SUMMARY OF DONGMING QIANHAI VALUATION REPORT



We considered the information made available to us as of the date of the Report for our valuation analysis. We assume no responsibility and are not required to update, revise or reaffirm the valuation results set out in the Report to reflect events or developments subsequent to the date of the Report.

Yours sincerely,

For and on behalf of

Savills Valuation and Professional Services (S) Pte. Ltd.

A handwritten signature in black ink, appearing to read "J. Doan Thuan Hai", is written over a horizontal line.

Jason Doan Thuan Hai, CVA, CA (Singapore)

Head of Business Valuation & Advisory, South East Asia

Business Valuation & Advisor

APPENDIX D – IFA LETTER

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

9 December 2024

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

Dear Sirs,

THE PROPOSED RESTRUCTURING OF THE GROUP INVOLVING::

- (I) THE PROPOSED DISPOSAL OF 18% OF THE EQUITY INTEREST IN THE REGISTERED CAPITAL OF DONGMING QIANHAI RELI CO. LTD (“**QIANHAI RELI**”) FOR A CONSIDERATION OF RMB27,911,000, BEING AN INTERESTED PERSON TRANSACTION; AND
- (II) THE PROPOSED ACQUISITION OF 30% OF THE EQUITY INTEREST IN THE REGISTERED CAPITAL OF DONGMING QIANHAI PETROCHEMICAL CO., LTD (“**DONGMING QIANHAI**”) FOR A CONSIDERATION OF RMB573,598,000, BEING AN INTERESTED PERSON TRANSACTION AND A MAJOR TRANSACTION

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 9 December 2024 (the “Circular”).

1. INTRODUCTION

On 29 October 2024, the Company (together with its subsidiaries, the “**Group**”) announced the following:

- (a) Dongming Qianhai, a 70%-owned subsidiary of Dongming Hengchang as at the Latest Practicable Date, had, on 29 October 2024, entered into a sale and purchase agreement (the “**Qianhai Reli SPA**”) with Hong Li Yuan to provide for the disposal of eighteen per cent. (18%) of the equity interest in the registered capital of Qianhai Reli (the “**Qianhai Reli Sale Equity**”) from Dongming Qianhai to Hong Li Yuan (the “**Proposed Disposal of Qianhai Reli**”); and
- (b) Dongming Hengchang, a wholly-owned subsidiary of the Company as at the Latest Practicable Date, had, on 29 October 2024, entered into a sale and purchase agreement (the “**Dongming Qianhai SPA**”) with Dongming Petrochem to provide for the acquisition of thirty per cent. (30%) of the equity interest in the registered capital of Dongming Qianhai (the “**Dongming Qianhai Sale Equity**”) by Dongming Hengchang from Dongming Petrochem (the “**Proposed Acquisition of Dongming Qianhai**”),

(collectively, the “**Proposed Restructuring**”)

Each of the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai constitutes an interested person transaction under Chapter 9 of the listing manual of the SGX-ST (“**Listing Manual**”) and as the aggregate value of the Proposed Restructuring exceeds five per cent. (5%) of the Group’s latest audited net tangible asset (“**NTA**”), the Proposed Restructuring is subject to approval of the Shareholders under Rule 906(1) of the Listing Manual.

In addition, as the relative figures in relation to the Proposed Acquisition of Dongming Qianhai computed on the applicable bases set out in Rule 1006 under Chapter 10 of the Listing Manual exceeds 100%, the Proposed Acquisition of Dongming Qianhai *prima facie* constitutes a “very substantial transaction” under Rule 1015 of the Listing Manual. Notwithstanding, the SGXT-ST had on 21 October 2024 granted

APPENDIX D – IFA LETTER

the Company waiver from compliance with Rule 1015 of the Listing Manual subject to conditions as detailed under Section 3.7.3 of the Circular.

Accordingly, the Proposed Restructuring is also subject to the approval of the Shareholders under Rule 1014(2) of the Listing Manual.

In connection with the above and pursuant to the requirements of Chapter 9 of the Listing Manual, Capstone Investment Corporate Finance Pte. Ltd. (“**CICF**”) was appointed by the Company as the independent financial adviser (“**IFA**”) pursuant to Listing Rule 921(4)(a) and to advise the Directors who are deemed independent for the purposes of making a recommendation to Independent Shareholders in respect of the Proposed Restructuring (“**Non-Interested Directors**”) whether the terms of the Proposed Restructuring are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders.

This letter (“**Letter**”) sets out, *inter alia*, our evaluation of the Proposed Restructuring as Interested Person Transactions and our advice to the Non-Interested Directors in relation to their recommendations to the Independent Shareholders on the Proposed Restructuring and forms part of the Circular providing, *inter alia*, details of the Proposed Restructuring and the recommendations of the Non-Interested Directors in respect thereof.

2. TERMS OF REFERENCE

CICF has been appointed as the IFA pursuant to Listing Rule 921(4)(a) and to advise the Non-Interested Directors only in respect of whether the terms of the Proposed Restructuring are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders.

CICF is neither a party to the negotiations or discussions in relation to the Proposed Restructuring nor were we involved in the deliberations leading up to the decision on the part of the Company to enter into the Proposed Restructuring and to seek Independent Shareholders’ approval for the Proposed Restructuring. We do not, by this IFA Letter, in any way advise on the merits of the Proposed Restructuring other than to form an opinion, pursuant to Rule 921(4)(a) of the Listing Manual, on whether the Proposed Restructuring are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent 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 Restructuring 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, Qianhai Reli and/or Dongming Qianhai. 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, Qianhai Reli and/or Dongming Qianhai, including the disclosures and representations made by the Company on the values of the assets and liabilities of the Company, the Group, Qianhai Reli and/or Dongming Qianhai stated herein.

For the purpose of our advice and opinion, we have relied on publicly available information collated by us, information set out in the Circular, 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 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 Restructuring, the Company, the Group, Qianhai Reli and/or Dongming Qianhai have been disclosed to us, that such information is true, complete, accurate and fair in all material respects and that there is no other

APPENDIX D – IFA LETTER

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 Restructuring, the Company, the Group, Qianhai Reli and/or Dongming Qianhai 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, Qianhai Reli and/or Dongming Qianhai. 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 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. We have exercised care in reviewing the information which we have relied on, and made such reasonable enquiries and exercised our judgment on the reasonableness of such information as we deemed necessary 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, 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 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, Qianhai Reli and/or Dongming Qianhai, upon or after completion of the Proposed Transactions.

We have not made any independent evaluation and appraisal on the assets and liabilities of the Company, the Group, Qianhai Reli and/or Dongming Qianhai and we have not been furnished with any such evaluation or appraisal of such assets save as disclosed herein. The Company has appointed Savills Valuation and Professional Services (S) Pte. Ltd. ("**Savills**") as the independent valuer ("**Independent Valuer**") to conduct valuations to estimate the market value of the Dongming Qianhai Sale Equity and Qianhai Reli Sale Equity as at 1 July 2024 ("**Valuation Date**") and reported the same in their respective valuation reports (respectively referred to as the "**Qianhai Reli Valuation Report**" and "**Dongming Qianhai Valuation Report**", and collectively the "**Equity Valuation Reports**"), which are reproduced in Appendices B and C to the Circular. With respect to the Equity Valuation Reports, we are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on the Equity Valuation Reports for such asset appraisal.

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 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 Transactions which may be released by the Company after the Latest Practicable Date.

3. THE PROPOSED RESTRUCTURING

Information on the parties involved in the Proposed Restructuring has been extracted from Sections 3.1 and 3.2 of the Circular and set out in italics below.

“3.1 Information on the Relevant Parties Involved in the Proposed Restructuring

(a) *Information on Hong Li Yuan*

Hong Li Yuan, a joint stock limited company (股份有限公司) incorporated in the PRC, is principally engaged in the business of investment management in the industries of petrochemical, power, real estate, and port, as well as the sale of chemical products (excluding hazardous chemicals).

As at the Latest Practicable Date:

- (i) Mr. Li (being the Executive Chairman and CEO as well as a Controlling Shareholder of the Company) holds 99.61% of the equity interest in the registered capital of Hong Li Yuan, with the remaining 0.39% held by unrelated third parties;*
- (ii) Hong Li Yuan has a registered capital of RMB6,209,881,000;*
- (iii) the board of directors of Hong Li Yuan comprises Mr. Li (chairman), Mr. Miao Zhenqi (繆振起), Mr. An Kuijun (安魁君), Mr. Li Zhi (李治), Mr. Cai Guangsen (蔡广森), and Mr. Fan Jianmin (范建民); and*
- (iv) the legal representative of Hong Li Yuan is Mr. Li.*

(b) *Information on Dongming Petrochem*

Dongming Petrochem, a limited liability company incorporated in the PRC on 8 February 1997, is principally engaged in the business of production and sale of liquid paraffin, liquefied petroleum gas, solvent oil, propylene, polypropylene, heavy-duty asphalt, gasoline, diesel, electricity, methyl tert-butyl ether (MTBE), xylene, naphtha, liquid chlorine, steam, hydrogen, and hydrochloric acid in Dongming County, Heze City, Shandong Province, the PRC. It also operated in crude oil operations, technical services, investment, construction and operation, as well as management of gas and petrol stations.

As at the Latest Practicable Date,

- (i) Hong Li Yuan holds 97.18% of the equity interest in the registered capital of Dongming Petrochem, while the remaining 2.82% is held by the Dongming County Petrochemical Plant in Shandong Province (山东省东明县石油化工厂). For the avoidance of doubt, the Dongming County Petrochemical Plant in Shandong Province is an unrelated third-party that does not have any nominee directors appointed to the Board;*
- (ii) Dongming Petrochem has a registered capital of RMB5,601,860,000;*

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(iii) the board of directors of Dongming Petrochem comprises Mr. Li (chairman), Mr. Miao Zhenqi (繆振起), Mr. An Kuijun (安魁君), Mr. Li Zhi (李治), Mr. Cai Guangsen (蔡广森) and Mr. Fan Jianmin(范建民); and

(iv) the legal representative of Dongming Petrochem is Mr. Li.

(c) Information on Dongming Hengchang

Dongming Hengchang, a limited liability company incorporated in the PRC, is principally engaged in the business of production and sale of propylene, polypropylene, and LPG.

As at the Latest Practicable Date,

(i) Dongming Hengchang is a wholly-owned subsidiary of the Company;

(ii) Dongming Hengchang has a registered capital of RMB500,000,000;

(iii) the board of directors of Dongming Hengchang comprises Mr. Li Tao (李涛) (chairman), Mr. Li, Mr. An Kuijun (安魁君), Mr. Miao Zhenqi (繆振起), and Mr. Miao Xueliang (繆学良);and

(iv) the legal representative of Dongming Hengchang is Mr. Li Tao (李涛).

(d) Information on Dongming Qianhai

Dongming Qianhai, a limited liability company incorporated in the PRC, is principally engaged in the business of production and sale of propylene, isobutylene, hydrogen, MTBE (methyl tert-butyl ether), dry gas, heavy components, and steam.

As at the Latest Practicable Date,

(i) the shareholders of Dongming Qianhai are Dongming Hengchang and Dongming Petrochem, holding 70% and 30%, respectively;

(ii) Dongming Qianhai has a registered capital of RMB400,000,000;

(iii) the board of directors of Dongming Qianhai comprises Mr. Li Dong (李栋) (chairman), Mr. Li, and Miao Zhenqi (繆振起); and

(iv) the legal representative of Dongming Qianhai is Mr. Huang Qiansheng (黄迁胜).

As at the Latest Practicable Date, while Dongming Qianhai forms part of the Group, it is also part of the Dongming Petrochem Group.

Please refer to **Appendix E** to this Circular for the pro forma financial information of Dongming Qianhai for FY2021, FY2022, FY2023 and 6M2024.

(e) Information on Qianhai Reli

Qianhai Reli, a limited liability company incorporated in the PRC, is principally engaged in the business of production and sale of electricity, heat, and industrial water; procurement and sale of electricity and electrical equipment; and heating technology consulting and services.

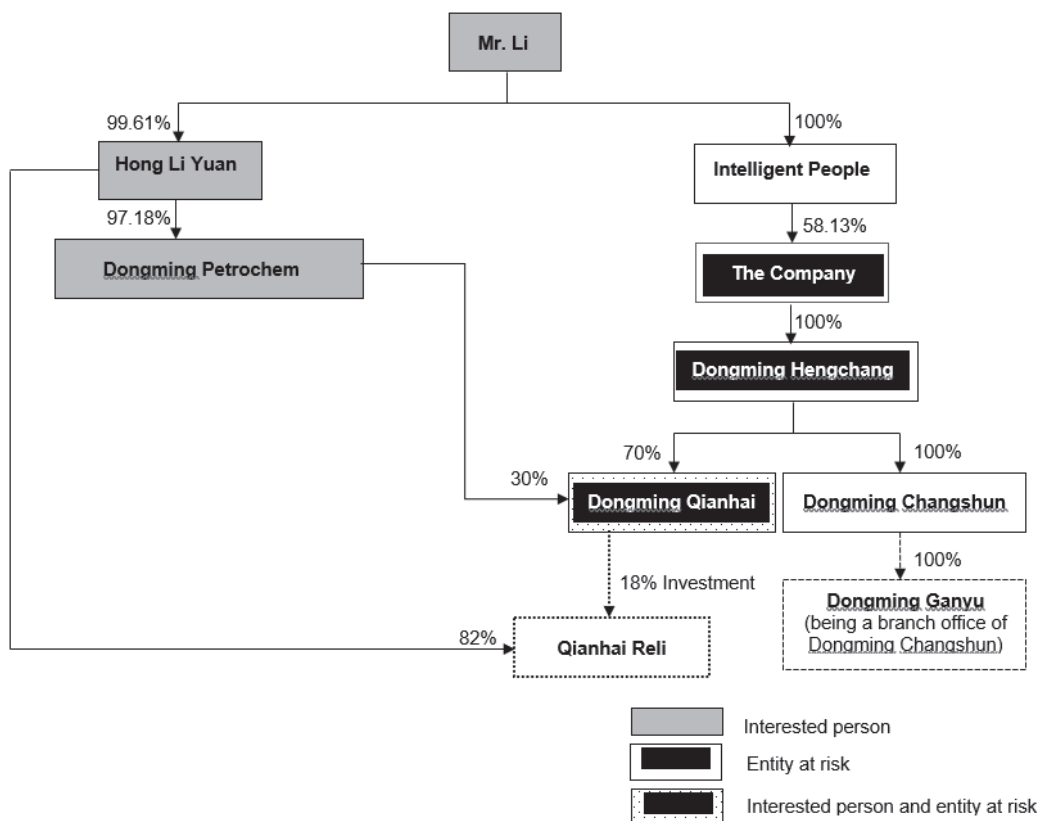
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As at the Latest Practicable Date,

- (i) the shareholders of Qianhai Reli are Hong Li Yuan and Dongming Qianhai, holding 82% and 18%, respectively;
- (ii) Qianhai Reli has a registered capital of RMB50,000,000;
- (iii) the board of directors of Qianhai Reli comprises Mr. Li Dong (李栋) (chairman), Mr. Ding Shubing (丁书兵) and Mr. Cai Guangsen (蔡广森); and
- (iv) the legal representative of Qianhai Reli is Mr. Huang Qiansheng (黄迁胜).

3.2 The Shareholding Relationship between the Relevant Parties Involved in the Proposed Restructuring

The diagram below sets out, inter alia, the shareholding relationship between Mr. Li, the Company and the relevant parties involved in the Proposed Restructuring.



Note: To avoid confusion, only the companies (including intermediate holding entities) which are relevant to the Proposed Restructuring have been included in the diagram.”

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4. PRINCIPAL TERMS OF THE PROPOSED RESTRUCTURING

Information on the principal terms of the Proposed Restructuring has been extracted from Section 3.4 of the Circular and set out in italics below.

“3.4 Principal Terms of the Proposed Restructuring

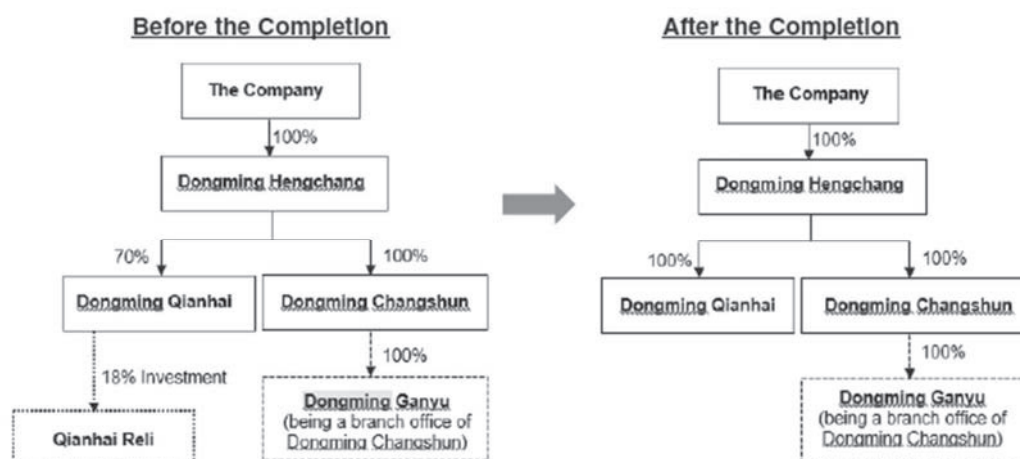
3.4.1 Overview

*Under the Qianhai Reli SPA, Dongming Qianhai has agreed to sell, and Hong Li Yuan has agreed to acquire, the Qianhai Reli Sale Equity for a consideration of RMB27,911,000 (the “**Qianhai Reli Sale Consideration**”), which is at the upper valuation range as set out in the Qianhai Reli Valuation Report. Similarly, under the Dongming Qianhai SPA, Dongming Petrochem has agreed to sell, and Dongming Hengchang has agreed to acquire, the Dongming Qianhai Sale Equity for a consideration of RMB573,598,000 (the “**Dongming Qianhai Purchase Consideration**”), which is at the lower valuation range as set out in the Dongming Qianhai Valuation Report.*

*Upon the completion of the Proposed Restructuring (the “**Completion**”):*

- (a) Qianhai Reli will be 100% held by Hong Li Yuan; and*
- (b) Dongming Qianhai will be 100% held by Dongming Hengchang.*

A diagram setting out the corporate structure of the Group before and after the Completion is set out below:



3.4.2 The Qianhai Reli SPA

- (a) Consideration and Payment Terms*

Pursuant to the Qianhai Reli SPA, the Qianhai Reli Sale Consideration is RMB27,911,000, which was agreed upon after arm's length negotiations between Dongming Qianhai and Hong Li Yuan on a "willing buyer willing seller" basis, and taking into account prevailing market conditions, the value of the Qianhai Reli Sale Equity as disclosed in Section 3.3.1 of this Circular and the rationale for the Proposed Disposal of Qianhai Reli as disclosed in Section 3.5.1 of this Circular.

Pursuant to the Qianhai Reli SPA, the Qianhai Reli Sale Consideration shall be satisfied in two (2) tranches:

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- (i) RMB13,955,500 to be paid by Hong Li Yuan to Dongming Qianhai in cash by way of bank transfer within ten (10) working days from the date of the satisfaction (or, where applicable, the waiver) (as the case may be) of the conditions precedent under the Qianhai Reli SPA; and
- (ii) RMB13,955,500 to be paid by Hong Li Yuan to Dongming Qianhai in cash by way of bank transfer on the date of completing the industrial and commercial registration of Qianhai Reli in respect of the Proposed Disposal of Qianhai Reli.

(b) Conditions Precedent

The completion of the Proposed Disposal of Qianhai Reli is conditional upon the following conditions precedent being fulfilled (or where applicable, waived) (as the case may be) on or before the Qianhai Reli Long-stop Date (as defined below):

- (i) all consents, approvals, actions or filings, or giving of notices to, any governmental authority or any other person required in connection with the transactions contemplated in the Qianhai Reli SPA or the entry into and completion of the Qianhai Reli SPA being obtained or made (as the case may be), in full force and effect, and not withdrawn, suspended, amended or revoked, and if granted or obtained subject to any condition(s) and where such condition(s) affect any of the parties thereto, such condition(s) being acceptable to the party concerned including, in particular, and without limitation:
 - (A) approval by Shareholders of the Proposed Disposal of Qianhai Reli on the terms and conditions set out in the Qianhai Reli SPA; and
 - (B) all approvals, consents and/or waivers from governmental or regulatory authorities (including but not limited to the SGX-ST);
- (ii) there not having occurred any material breach of the representations and warranties on the part of Dongming Qianhai under the Qianhai Reli SPA; and
- (iii) no relevant statute, order, rule or regulation, directive, guideline or request (whether or not having the force of law) has been promulgated by any legislative, executive or regulatory body or other authority of the PRC or any other relevant jurisdiction after the date of the Qianhai Reli SPA which prohibits or restricts the execution and performance of the Qianhai Reli SPA by the parties thereto.

(c) Completion

Dongming Qianhai shall assist Hong Li Yuan and Qianhai Reli with the application for changes in the industrial and commercial registration of Qianhai Reli in respect of the Proposed Disposal of Qianhai Reli within ten (10) working days after receiving the first tranche payment of the Qianhai Reli Sale Consideration as set out in Section 3.4.2(a)(i) above. The date of completing the industrial and commercial registration changes shall be the date of completion of the Proposed Disposal of Qianhai Reli.

(d) Qianhai Reli Long-stop Date

If any of the conditions precedent in the Qianhai Reli SPA is not satisfied (or, where applicable, waived) (as the case may be) on or before the date falling six (6) months from the date of the Qianhai Reli SPA, or such other date as the parties may agree in writing (the “**Qianhai Reli Long-stop Date**”), the Qianhai Reli SPA shall lapse and cease to have further effect. In such a case, neither Dongming Qianhai nor Hong Li Yuan shall have any claim against the other under the Qianhai Reli SPA.

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(e) Other Salient Terms

The Qianhai Reli SPA contains customary representations and warranties for transactions of this nature as agreed between the parties thereto, including but not limited to the power and authority of the parties to enter into the transactions contemplated under the Qianhai Reli SPA and title to the Qianhai Reli Sale Equity, as well as the interim period arrangements including, amongst others, Hong Li Yuan undertaking to ensure that Qianhai Reli does not undertake certain actions without the prior written consent of Dongming Qianhai, pending completion of the Proposed Disposal of Qianhai Reli, such as the declaration or payment of any dividend or other distribution.

3.4.3 The Dongming Qianhai SPA

(a) Consideration and Payment Terms

Pursuant to the Dongming Qianhai SPA, the Dongming Qianhai Purchase Consideration is RMB573,598,000, which was agreed upon after arm's length negotiations between Dongming Hengchang and Dongming Petrochem on a "willing buyer willing seller" basis, and taking into account prevailing market conditions, the value of the Dongming Qianhai Sale Equity as disclosed in Section 3.3.2 of this Circular and the rationale for the Proposed Acquisition of Dongming Qianhai as disclosed in Section 3.5.2 of this Circular.

Pursuant to the Dongming Qianhai SPA, the Dongming Qianhai Purchase Consideration shall be satisfied in two (2) tranches:

- (iii) RMB286,799,000 to be paid by Dongming Hengchang to Dongming Petrochem in cash by way of bank transfer within ten (10) working days from the date of the satisfaction (or, where applicable, the waiver) (as the case may be) of the conditions precedent under the Dongming Qianhai SPA; and*
- (iv) RMB286,799,000 to be paid by Dongming Hengchang to Dongming Petrochem in cash by way of bank transfer on the date of completing the industrial and commercial registration of Dongming Qianhai in respect of the Proposed Acquisition of Dongming Qianhai.*

(b) Conditions Precedent

The completion of the Proposed Acquisition of Dongming Qianhai is conditional upon the following conditions precedent being fulfilled (or where applicable, waived) (as the case may be) on or before the Dongming Qianhai Long-stop Date (as defined below):

- (i) all consents, approvals, actions or filings, or giving of notices to, any governmental authority or any other person required in connection with the transactions contemplated in the Dongming Qianhai SPA or the entry into and completion of the Dongming Qianhai SPA being obtained or made (as the case may be), in full force and effect, and not withdrawn, suspended, amended or revoked, and if granted or obtained subject to any condition(s) and where such condition(s) affect any of the parties thereto, such condition(s) being acceptable to the party concerned including, in particular, and without limitation:
 - (A) approval by Shareholders of the Proposed Acquisition of Dongming Qianhai on the terms and conditions set out in the Dongming Qianhai SPA;*
 - (B) all approvals, consents and/or waivers from governmental or regulatory authorities (including but not limited to the SGX-ST); and**

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(C) *Dongming Qianhai having obtained prior written consent from Dongming Petrochem for the Proposed Acquisition of Dongming Qianhai in respect of the financing provided by Dongming Petrochem to Dongming Qianhai;*

(ii) *there not having occurred any material breach of the representations and warranties on the part of Dongming Petrochem under the Dongming Qianhai SPA; and*

(iii) *no relevant statute, order, rule or regulation, directive, guideline or request (whether or not having the force of law) has been promulgated by any legislative, executive or regulatory body or other authority of the PRC or any other relevant jurisdiction after the date of the Dongming Qianhai SPA which prohibits or restricts the execution and performance of the Dongming Qianhai SPA by the parties thereto.*

(c) Completion

Dongming Petrochem shall assist Dongming Hengchang and Dongming Qianhai with the application for changes in the industrial and commercial registration of Dongming Qianhai in respect of the Proposed Acquisition of Dongming Qianhai within ten (10) working days after receiving the first tranche payment of the Dongming Qianhai Purchase Consideration as set out in Section 3.4.3(a)(i) above. The date of completing the industrial and commercial registration changes shall be the date of completion of the Proposed Acquisition of Dongming Qianhai.

(d) Dongming Qianhai Long-stop Date

*If any of the conditions precedent in the Dongming Qianhai SPA is not satisfied (or, where applicable, waived) (as the case may be) on or before the date falling six (6) months from the date of the Dongming Qianhai SPA, or such other date as the parties may agree in writing (the “**Dongming Qianhai Long-stop Date**”), the Dongming Qianhai SPA shall lapse and cease to have further effect. In such a case, neither Dongming Hengchang nor Dongming Petrochem shall have any claim against the other under the Dongming Qianhai SPA.*

(f) Other Salient Terms

The Dongming Qianhai SPA contains customary representations and warranties for transactions of this nature as agreed between the parties thereto, including but not limited to the power and authority of the parties to enter into the transactions contemplated under the Dongming Qianhai SPA and title to the Dongming Qianhai Sale Equity, as well as the interim period arrangements including, amongst others, Dongming Petrochem undertaken to procure that Dongming Qianhai does not undertake certain actions pending completion of the Proposed Acquisition of Dongming Qianhai without the prior written consent of Dongming Hengchang, including the declaration or payment of any dividend or other distribution.”

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5. RATIONALE AND BENEFITS OF THE PROPOSED RESTRUCTURING

Information on the rationale and benefits of the Proposed Restructuring has been extracted from Section 3.5 of the Circular and set out in italics below.

“3.5.1 Rationale for, and Benefits of, the Proposed Disposal of Qianhai Reli

The Group believes that the Proposed Disposal of Qianhai Reli is beneficial to the operations of the Group for the following reasons:

(a) *Alignment with the Group's Core Business Strategy*

As at the Latest Practicable Date, the Group is principally engaged in the production and sale of high-end polypropylene, methyl tert-butyl ether (MTBE), high-purity isobutylene, and hydrogen, using liquefied petroleum gas (LPG) (C3, C4) and methanol as the main raw materials, along with the provision of logistics and transportation services. Qianhai Reli is principally engaged in the business of the production and sale of electricity, heat, and industrial water, the procurement and sale of electricity and electrical equipment, and heating technology consulting and services. Accordingly, Qianhai Reli stands as a non-core business within the Group's portfolio. Moving forward, the Group will focus on its core chemical business, integrating existing resources, extending the industrial chain, and developing high-end chemical new materials as the main direction of future growth. The Proposed Disposal of Qianhai Reli aligns with the Group's long-term and sustainable growth objectives, enabling the Group to focus on its core businesses.

(b) *Policy-driven Considerations*

The Proposed Disposal of Qianhai Reli is influenced by policies implemented in the PRC. On 22 September 2020, the PRC government announced its “dual carbon” goals at the 75th United Nations General Assembly, aiming to peak emissions before 2030 and achieve carbon neutrality before 2060. To advance these objectives, the PRC government has introduced policies aiming to phase out the development of “small coal” and “small thermal power” enterprises. As a result, Qianhai Reli's business is likely to be adversely affected in the foreseeable future. Additionally, in August 2021, the Shandong Provincial Government introduced the “14th Five-Year Energy Development Plan of Shandong Province”, which calls for vigorous promotion of the shutdown and integration of coal-fired power units with a capacity of less than 300,000 kilowatts, as well as the completion of the shutdown and integration of coal-fired boilers and outdated small coal-fired cogeneration units (including self-owned power plants) within a 15-kilometer heating radius of cogeneration plants with a capacity of 300,000 kilowatts or more. Consequently, due to policy considerations, Qianhai Reli is at risk of being forced to shut down.

(c) *Reduced Market Competitiveness*

As Qianhai Reli is a small thermal power enterprise, it is unable to sign long-term coal supply agreements with coal production enterprises. In view of the influence of domestic market demand and policies on coal prices in the PRC, coal prices have fluctuated greatly in recent years, which has a material adverse impact on Qianhai Reli's ability to control its operational costs. In addition, with the ongoing integration of wind energy, solar energy and other renewable energy sources, coupled with the commissioning of the large thermal power facility of Shandong Huawang Thermal Power Co., Ltd (山东华旺热力有限公司) in the Dongming Petrochemical Industrial Park in early 2024, the competitiveness of Qianhai Reli's power and thermal products has diminished. This has led to greater uncertainty regarding Qianhai Reli's future performance.

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3.5.2 Rationale for, and Benefits of, the Proposed Acquisition of Dongming Qianhai

The Group believes that the Proposed Acquisition of Dongming Qianhai is beneficial to the Group for the following reasons:

(a) Strategic Synergy

Dongming Qianhai forms a crucial part of the Group's business framework. It operates in symbiosis with Dongming Hengchang, contributing to the mutual support and serving as mutual raw material suppliers.

(b) Stable Revenue Stream

*Dongming Qianhai consistently delivers stable financial performance and represents a major source of revenue for the Group. Please refer to **Appendix F** to this Circular for the pro forma financial information of Dongming Qianhai for FY2021, FY2022, FY2023 and 6M2024.*

(c) Enhanced Profitability

The Proposed Acquisition of Dongming Qianhai will likely bolster the profitability of the Group and improve returns for the Shareholders.

(d) Strategic Industry Positioning

The olefin industry chain is a nationally supported sector with promising development prospects. The Proposed Acquisition of Dongming Qianhai will strengthen the Group's industry presence and provide a solid foundation for growth, enabling the Group to explore downstream industries with higher value-added opportunities.

(e) Reducing Interested Person Transactions and Management Costs

Dongming Qianhai is an indirect subsidiary of the Company, in which Dongming Hengchang, a wholly-owned subsidiary of the Company, has 70% equity interests in. The remaining 30% equity interest is owned by Dongming Petrochem, an "interested person" of the Company as defined under Chapter 9 of the Listing Manual. Dongming Qianhai and Dongming Hengchang engage in numerous "interested person transactions" (as defined under Chapter 9 of the Listing Manual) involving the mutual supply of raw materials, such as liquefied gas and propylene, which complicates the management of Dongming Qianhai and Dongming Hengchang. Presently, Dongming Qianhai and Dongming Hengchang are two independent corporate entities, each having its own tax obligations. Upon completion of the Proposed Acquisition of Dongming Qianhai, Dongming Qianhai will become a wholly-owned subsidiary of the Company. The Group will consequently consider changing Dongming Qianhai's tax status to enhance its tax efficiency. As such, the Proposed Acquisition of Dongming Qianhai is imperative in reducing management and tax costs, leading to greater optimisation."

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6. THE PROPOSED RESTRUCTURING AS INTERESTED PERSON TRANSACTIONS

Information on the Proposed Restructuring as an interested person transaction has been extracted from Section 3.6 of the Circular and set out in italics below.

“3.6.1 Requirements of Chapter 9 of the Listing Manual

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

- (a) the value of such transaction is equal to or exceeds five per cent. (5%) of the Group’s latest audited consolidated NTA; or*
- (b) the value of such transaction with interested persons when aggregated with the values of other transactions previously entered into with the same interested person during the same financial year, equals to or exceeds five per cent. (5%) of the Group’s latest audited consolidated NTA, 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 S\$100,000 each are to be excluded. However, pursuant to Rule 906(4) of the Listing Manual, while transactions below S\$100,000 are not normally aggregated under Rule 906(2) 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 transaction in accordance with Rule 902 of the Listing Manual.

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.*

Pursuant to Rule 918 of the Listing Manual, if a transaction requires shareholder approval, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

3.6.2 Entity at Risk and Interested Persons

As at the Latest Practicable Date, Mr. Li, the Company’s Executive Chairman and CEO, holds an indirect interest in 372,048,500 Shares, representing approximately 58.13% of the total number of Shares (excluding Treasury Shares), and is therefore considered a Controlling Shareholder of the Company under the Listing Manual. Accordingly, Mr. Li and his associates are regarded as interested persons of the Company for the purposes of Chapter 9 of the Listing Manual.

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As stated in Sections 3.1(a) and 3.1(b) of this Circular, as at the Latest Practicable Date, Mr. Li holds 99.61% of the equity interest in the registered capital of Hong Li Yuan, which in turn holds 97.18% of the equity interest in the registered capital of Dongming Petrochem. As such, both Hong Li Yuan and Dongming Petrochem are regarded as associates of Mr. Li, and are therefore considered interested persons of the Company for the purposes of Chapter 9 of the Listing Manual.

Accordingly, the Proposed Disposal of Qianhai Reli, which is a transaction between Dongming Qianhai (being a 70%-owned indirect subsidiary of the Company and thus an entity at risk) and Hong Li Yuan, and the Proposed Acquisition of Dongming Qianhai, which is a transaction between Dongming Hengchang (being a wholly-owned subsidiary of the Company and thus an entity at risk) and Dongming Petrochem, each constitutes an interested person transaction under Chapter 9 of the Listing Manual.

3.6.3 Shareholders' Approval

Based on the latest audited consolidated financial statements of the Group for FY2023, the Group's latest audited NTA is RMB1,600,785,000 as at 31 December 2023.

The total amount at risk to the Company in respect of the Proposed Restructuring is approximately RMB601,509,000, representing approximately 37.58% of the Group's latest audited NTA, which is the aggregation of:

- (i) RMB27,911,000 (being the Qianhai Reli Sale Consideration), representing approximately 1.74% of the Group's latest audited NTA; and
- (ii) RMB573,598,000 (being the Dongming Qianhai Purchase Consideration), representing approximately 35.83% of the Group's latest audited NTA.

As the value of each of the Proposed Disposal of Qianhai Reli (when aggregated with the value of the Proposed Acquisition of Dongming Qianhai) and the Proposed Acquisition of Dongming Qianhai exceeds five per cent. (5%) of the Group's latest audited NTA, both the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai are subject to the approval of the Independent Shareholders pursuant to Rule 906 of the Listing Manual."

7. EVALUATION OF THE FINANCIAL TERMS OF THE PROPOSED RESTRUCTURING

In evaluating and assessing the financial terms of the Proposed Restructuring, we have given due consideration to the following: -

- (a) Valuation of Qianhai Reli and Dongming Qianhai, taking into consideration the Equity Valuation Reports;
- (b) NTA-based valuation for Qianhai Reli and Dongming Qianhai;
- (c) Comparison of financial ratios of selected listed companies whose business are broadly comparable to Qianhai Reli;
- (d) Comparison of financial ratios of selected listed companies whose business are broadly comparable to Dongming Qianhai;
- (e) Financial effects of the Proposed Restructuring; and
- (f) Other considerations in relation to the Proposed Restructuring which may have a significant bearing on our assessment.

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7.1 VALUATION OF QIANHAI RELI AND DONGMING QIANHAI TAKING INTO CONSIDERATION THE EQUITY VALUATION REPORT

In connection with the Proposed Restructuring, the Company has appointed the Independent Valuer to conduct a valuation of each of the Qianhai Reli Sale Equity and Dongming Qianhai Sale Equity as at the Valuation Date. Please refer to Appendices B and C to the Circular for further details on the Equity Valuation Reports.

The Independent Valuer has adopted the discounted cash flow (“**DCF**”) method under the income approach as their primary method for the valuation analysis of the Qianhai Reli Sale Equity and Dongming Qianhai Sale Equity. The Independent Valuer were provided with the targets’ business plans, which include the financial forecasts as at Valuation Date.

The DCF method was adopted by the Independent Valuer for the following reasons:

- (1) It focuses on the capabilities of Dongming Qianhai and Qianhai Reli of producing cash flows, which is the critical element affecting value;
- (2) It is forward looking and takes into account the business strategies of Dongming Qianhai and Qianhai Reli; and
- (3) It considers the operating characteristics of Dongming Qianhai and Qianhai Reli and incorporates them into the forecast of cash flows.

In the valuation cross-check, the Independent Valuer has adopted the guideline publicly-traded comparable (“**GPC**”) method and comparable transactions method under the market approach. In particular, the Independent Valuer has compared the EV/Revenue and EV/EBITDA multiples implied by the valuation results derived from DCF method to those of GPC companies and comparable transactions of Qianhai Reli and Dongming Qianhai. The Independent Valuer did not identify any comparable transactions during the past 1 year prior to the Valuation Date. We understand that the Independent Valuer typically limits the timeframe to ensure that the data presented reflects current market conditions and trends as the valuation date. This approach helps to maintain the relevance and accuracy of the valuation. In relation to the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai, the Independent Valuer has chosen to limit the comparable transactions search to one year based on their experience and professional judgement.

We have relied on the Equity Valuation Reports in relation to the valuation of Qianhai Reli Sale Equity and Dongming Qianhai Sale Equity. We have not independently verified any such information in the Equity Valuation Reports and we do not assume the responsibility for independently verifying its accuracy, completeness or adequacy. We have, however, made reasonable enquires and exercised judgement on the reasonable use of such information as we deemed necessary and appropriate.

We note from the Equity Valuation Reports that in deriving the value of the Qianhai Reli Sale Equity and Dongming Qianhai Sale Equity, the Independent Valuer has applied a discount of 20.0% for the lack of marketability (“**DLOM**”) for both Qianhai Reli Sale Equity and Dongming Qianhai Sale Equity. We further noted that the Independent Valuer has applied a discount of 24.0% for the lack of control (“**DLOC**”) both Qianhai Reli Sale Equity and Dongming Qianhai Sale Equity. We have reviewed the Independent Valuer’s computation of the DLOM and DLOC and noted that the approach adopted by the Independent Valuer to be consistent with the industry practice and were arrived at by evaluating publicly available market data.

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Accordingly, the market value of the Dongming Qianhai Sale Equity and Qianhai Reli Sale Equity as at Valuation Date would be as follows:

(RMB'000)	Qianhai Reli		Dongming Qianhai	
	Value Range			
	Low	High	Low	High
100% equity interest	237,803	255,031	3,144,726	3,510,127
30% equity interest in Dongming Qianhai	-	-	943,418	1,053,038
18% equity interest in Qianhai Reli	42,804	45,906	-	-
Less: DLOC	(10,273)	(11,017)	(226,420)	(252,729)
Less: DLOM	(6,506)	(6,978)	(143,399)	(160,062)
Qianhai Reli Sale Equity / Dongming Qianhai Sale Equity	26,025	27,911	573,598	640,247

We note that the Qianhai Reli Purchase Consideration of RMB27.91 million and the Dongming Qianhai Purchase Consideration of RMB573.60 million are supported by the higher end and lower end of the range of valuation of Qianhai Reli Sale Equity and Dongming Qianhai Sale Equity respectively.

7.2 NTA-BASED VALUATION OF QIANHAI RELI AND DONGMING QIANHAI

The NTA-based valuation provides an estimate of the value of a company assuming the hypothetical sale of all its tangible assets over a reasonable period of time. NTA is computed by deducting the intangible assets from the net asset value.

NTA shows the extent to which the value of the shares of Qianhai Reli and Dongming Qianhai are backed by tangible assets. However, it does not take into account the value of any intangible assets such as goodwill, rights-of-use assets, intellectual properties, trademarks and brand names. NTA-based valuation is meaningful only in so far as to show the extent to which the value of each share is backed by tangible assets.

We set out in the table below the NTA of Qianhai Reli and Dongming Qianhai respectively as at 30 June 2024 as provided by the Company:

(RMB'000)	Qianhai Reli	Dongming Qianhai
NAV value of Qianhai Reli and Dongming Qianhai ⁽¹⁾	209,329	949,087
Less: Intangible assets ⁽¹⁾	(8,282)	(67,160)
NTA value of Qianhai Reli and Dongming Qianhai ⁽¹⁾	201,047	881,927
NTA value as represented by Qianhai Reli Sale Equity and Dongming Qianhai Sale Equity	36,188	264,578
Purchase Consideration	27,911	573,598
(Discount) / Premium over NTA	(22.87)%	116.80%

Note:

(1) NAV, NTA and intangible assets value of each target on a 100% basis as at 30 June 2024.

The Qianhai Reli Purchase Consideration of RMB27.91 million represents a discount of 22.87% and the Dongming Qianhai Purchase Consideration of RMB573.60 million represents a premium of 116.81%

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over the NTA value represented by Qianhai Reli Sale Equity and Dongming Qianhai Sale Equity respectively.

7.3 COMPARISON OF FINANCIAL RATIOS OF SELECTED LISTED COMPANIES WHOSE BUSINESS ARE BROADLY COMPARABLE TO QIANHAI RELI

For the purpose of assessing the Qianhai Reli Purchase Consideration, references were made to listed companies which are engaged in the business of production and supply of electricity, heat, and industrial water, purchase and sale of electricity and power equipment, and consultation and service of heating technology that are considered comparable to Qianhai Reli (“**Qianhai Reli Selected Comparable Companies**”) to give an indication of the current market expectations with regards to the valuation of these businesses, as implied by their respective closing market prices as at the Latest Practicable Date.

The Qianhai Reli Selected Comparable Companies have been identified through searches on publicly available information. Relevant information has been extracted from the annual reports and/or public announcements of the Qianhai Reli Selected Comparable Companies. We have had discussions with the Management about the suitability of the Qianhai Reli Selected Comparable Companies serving as a basis for comparison with the core businesses of Qianhai Reli and have obtained confirmations from the Directors and the Management on the appropriateness of the Qianhai Reli Selected Comparable Companies.

We recognise, however, that our list of Qianhai Reli Selected Comparable Companies is not exhaustive and there may not be any company listed on the SGX-ST or other stock exchanges that is directly comparable to Qianhai Reli in terms of business activities, scale of operations, types of products and services, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria. As such, any comparison made with respect to the Qianhai Reli Selected Comparable Companies is therefore intended to serve as an illustrative guide only.

For the purpose of our evaluation and for illustration, we have made comparisons between Qianhai Reli and the valuation of the Qianhai Reli Selected Comparable Companies on a historical basis using the following:

Financial Ratio	General Description
Enterprise Value-to-Earnings Before Interest, Tax, Depreciation and Amortization (“ EV/EBITDA ”)	<p>“EV” or “Enterprise Value” is the sum of a company’s market capitalisation, preferred equity, independent interests, consolidated short and long-term debts, inclusive of finance lease liabilities, less its consolidated cash and cash equivalents.</p> <p>“EBITDA” stands for historical consolidated earnings before interest, tax, depreciation and amortization expenses, inclusive of share of associates’ and joint ventures’ income.</p> <p>The EV/EBITDA ratio illustrates the ratio of the enterprise value of a company’s business relative to its historical pre-tax consolidated operating cashflow performance, without regard to its capital structure.</p> <p>In our analysis, we estimated the Enterprise Value using the market capitalisation as of the Latest Practicable Date divided by the EBITDA based on the aggregate of the most recently announced four (4) quarters’ results ended 30 June 2024.</p>

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Financial Ratio	General Description
Price-to-Earnings (“ P/E ”) ratio	P/E ratio illustrates the ratio of the market price of a company’s shares relative to its consolidated after-tax earnings per share attributable to the owners of the respective companies as stated in its financial statements. The P/E ratio is affected by, <i>inter alia</i> , the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the aggregate of the most recently announced four (4) quarters’ earnings per share ended 30 June 2024.
Price-to-Net Asset Value (“ P/NAV ”) ratio	P/NAV ratio illustrates the ratio of the market price of a company’s share relative to its historical net asset value per share as recorded in its financial statements. “NAV” or “net asset value” is defined as the total assets less total liabilities and excludes where applicable non-controlling interest. The NAV figure provides an estimate of the value of a company assuming the sale of all its assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distributions to its shareholders. Comparisons of companies using their NAV are affected by differences in their respective accounting policies, in particular, their depreciation, amortisation and asset valuation policies. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the most recently announced NAV per share.
Price-to-Net Tangible Asset (“ P/NTA ”)	“NTA” or “net tangible asset” is defined to exclude, where applicable, intangible assets of a company. P/NTA ratio illustrates the ratio of the market price of a company’s share relative to its historical NTA per share as recorded in its financial statements. The NTA figure provides an estimate of the value of a company assuming the sale of all its tangible assets, the proceeds of which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their NTAs are affected by differences in their respective accounting policies, in particular, their depreciation and asset valuation policies. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the most recently announced NTA per share where publicly available.

The financial ratios for the Qianhai Reli Selected Comparable Companies are derived using the closing prices of their shares as at the Latest Practicable Date and the publicly available financial results based on their respective financial periods/year ends.

Comparisons between Qianhai Reli and the Qianhai Reli Selected Comparable Companies may be affected, *inter alia*, by differences in their accounting policies and scale of operations. Our analysis has not attempted to adjust for such differences because any comparison made with respect to the Qianhai Reli Selected Comparable Companies merely serves as an illustration and that the conclusions drawn from the comparisons may not necessarily reflect the perceived market valuation of Qianhai Reli as at the Latest Practicable Date.

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We set out in the table below the list of Qianhai Reli Selected Comparable Companies, together with brief information on each of these companies.

Qianhai Reli Selected Comparable Companies	Listing Location	Brief Business Description
Jilin Electric Power Co Ltd (吉林电力股份有限公司) (“ Jilin Energy ”)	Shanghai Stock Exchange (“ SSE ”)	Jilin Energy operates power generation businesses. The Company generates and distributes electrical power, thermal power and other power products. Jilin Energy also produces photovoltaic products.
Top Energy Co Ltd Shanxi (山西通宝能源股份有限公司) (“ Top Energy ”)	SSE	Top Energy operates thermal power plants and generates electric power. The electric power generated by the Company is supplied to Shanxi Province.
Datang Huayin Electric Power Co Ltd (大唐华银电力股份有限公司) (“ Datang Huayin ”)	SSE	Datang Huayin generates and sells electric power. The Company also undertakes electric power projects, invests in real estate development, and provides renovation services.
Huadian Liaoning Energy Development Co Ltd (华电辽宁能源发展股份有限公司) (“ Huadian Liaoning ”)	SSE	Huadian Liaoning generates and sells electric power. The Company produces heat power and steam power. Huadian Liaoning Energy Development sells energy to residential and industrial customers in the Northeast of China.
Beijing Jingneng Power Co Ltd (北京京能电力股份有限公司) (“ Beijing Jingneng ”)	SSE	Beijing Jingneng operates power generation businesses. The Company generates electrical power, thermal power, and other power products. Beijing Jingneng also provides power generation equipment repairing services.
Jiangsu Guoxin Corp. Ltd. (江苏国信股份有限公司) (“ Jiangsu Guoxin ”)	SSE	Jiangsu Guoxin operates electricity power business. The Company provides electricity transmission, power system management, electricity power network maintenance, and other services. Jiangsu Guoxin also operates coal business and financial services.

Source: Bloomberg L.P.

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We set out in the table below the financial ratios of the Qianhai Reli Selected Comparable Companies as at the Latest Practicable Date.

Qianhai Reli Selected Comparable Companies	Market Capitalisation (RMB million)	EV/EBITDA (x)	P/E (x)	P/NAV (x)	P/NTA (x)
Jilin Energy	15,318	8.93	13.85	1.18	1.58
Top Energy	6,925	3.18	12.94	0.93	0.98
Datang Huayin	6,906	13.15	N.M. ⁽¹⁾	4.03	9.15
Huadian Liaoning	4,006	3.33	1.45	8.07	15.86
Beijing Jingneng	24,301	9.23	17.07	0.88	1.03
Jiangsu Guoxin	29,016	7.56	10.74	0.94	1.01
High		13.15	17.07	8.07	15.86
Median		8.25	12.94	1.06	1.30
Mean		7.57	11.21	2.67	4.93
Low		3.18	1.45	0.88	0.98
Qianhai Reli (As implied by the Qianhai Reli Purchase Consideration)		N.M.⁽²⁾	1.57⁽²⁾	0.74	0.78

Source: Bloomberg L.P. and published financial statements of the respective Selected Comparable Companies

Notes:

- (1) Denotes not meaningful as the selected company recorded a loss on the earnings based on the aggregate of the earnings of the last four quarters ended 30 June 2024.
- (2) Denotes not meaningful as Qianhai Reli recorded a negative EBITDA based on the aggregate of the earnings of the last four quarters ended 30 June 2024. Qianhai Reli recorded positive earnings due to finance income during the relevant period.

Based on the above financial ratio analysis, we note that:

- (a) The P/E ratio of Qianhai Reli of 1.57 times, as implied by the Qianhai Reli Purchase Consideration, is within the range but below the mean and median of the P/E ratios of the Qianhai Reli Selected Comparable Companies;
- (b) The P/NAV ratio of Qianhai Reli of 0.74 times, as implied by the Qianhai Reli Purchase Consideration, is below the range of the P/NAV ratios of the Qianhai Reli Selected Comparable Companies; and
- (c) The P/NTA ratio of Qianhai Reli of 0.78 times, as implied by the Qianhai Reli Purchase Consideration, is below the range of the P/NTA ratios of the Qianhai Reli Selected Comparable Companies.

In reviewing the financial ratios, we note that the P/E ratio of 1.57 times, as implied by Qianhai Reli Purchase Consideration is within the range but below the mean and median of the P/E ratios of the Qianhai Reli Comparable Companies. In addition, the P/NAV and P/NTA ratios of 0.74 times and 0.78 times respectively, as implied by the Qianhai Reli Purchase Consideration, is below the range of the P/NAV and P/NTA ratios of the Qianhai Reli Selected Comparable Companies. The reason for this appears to be due to Qianhai Reli's scale of operation as illustrated by its revenue for FY2023 of RMB661.1 million as compared to the significantly higher revenue generated by Qianhai Reli Comparable Companies of between RMB5,018.0 million and RMB36,146.2 million.

As a small-scale operator, Qianhai Reli are expected to be adversely affected by PRC government's policies to achieve carbon neutrality before 2060 to phase out "small coal" and "small thermal power"

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enterprises. Additionally, being a small-scale operator, Qianhai Reli is also facing diminishing competitive advantage. Please refer to paragraph 8.1 of this Letter for further details.

7.4 COMPARISON OF FINANCIAL RATIOS OF SELECTED LISTED COMPANIES WHOSE BUSINESS ARE BROADLY COMPARABLE TO DONGMING QIANHAI

For the purpose of assessing the Dongming Qianhai Purchase Consideration, references were made to listed companies which are engaged in the business of production and sale of propylene, isobutylene, hydrogen, MTBE (methyl tert-butyl ether), dry gas, heavy components, and steam that are considered comparable to Dongming Qianhai (“**Dongming Qianhai Selected Comparable Companies**”) to give an indication of the current market expectations with regards to the valuation of these businesses, as implied by their respective closing market prices as at the Latest Practicable Date.

The Dongming Qianhai Selected Comparable Companies have been identified through searches on publicly available information. Relevant information has been extracted from the annual reports and/or public announcements of the Dongming Qianhai Selected Comparable Companies. We have had discussions with the Management about the suitability of the Dongming Qianhai Selected Comparable Companies serving as a basis for comparison with the core businesses of Dongming Qianhai and have obtained confirmations from the Directors and the Management on the appropriateness of the Dongming Qianhai Selected Comparable Companies.

We recognise, however, that our list of Dongming Qianhai Selected Comparable Companies is not exhaustive and there may not be any company listed on the SGX-ST or other stock exchanges that is directly comparable to Dongming Qianhai in terms of business activities, scale of operations, types of products and services, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria. As such, any comparison made with respect to the Dongming Qianhai Selected Comparable Companies is therefore intended to serve as an illustrative guide only.

For the purpose of our evaluation and for illustration, we have made comparisons between Dongming Qianhai and the valuation of the Dongming Qianhai Selected Comparable Companies on a historical basis using the financial ratios of EV/EBITDA, P/E, P/NAV and P/NTA. Please refer to paragraph 7.3 of this Letter for general descriptions of these financial ratios. The financial ratios for the Dongming Qianhai Selected Comparable Companies are derived using the closing prices of their shares as at the Latest Practicable Date and the publicly available financial results based on their respective financial periods/year ends.

Comparisons between Dongming Qianhai and the Dongming Qianhai Selected Comparable Companies may be affected, *inter alia*, by differences in their accounting policies. Our analysis has not attempted to adjust for such differences. In view of this, it should be noted that any comparison made with respect to the Selected Comparable Companies merely serves as an illustration and that the conclusions drawn from the comparisons may not necessarily reflect the perceived market valuation of Dongming Qianhai as at the Latest Practicable Date.

We set out in the table below the list of Dongming Qianhai Selected Comparable Companies, together with brief information on each of these companies.

Dongming Qianhai Selected Comparable Companies	Listing Location	Brief Business Description
Yueyang Xingchang Petrochemical Co., Ltd. (岳阳兴长石化股份有限公司) (“ Yueyang Xingchang ”)	Shenzhen Stock Exchange (“ SZSE ”)	Yueyang Xingchang manufactures and markets petrochemical products including polypropylene, methyl alcohol, propylene, liquified gas, hydrogen, and other related products. Through its subsidiaries, the company also develops computer software and manufactures biopharmaceuticals.

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Dongming Qianhai Selected Comparable Companies	Listing Location	Brief Business Description
Maoming Petro-chemical Shihua Co., Ltd (茂名石化实华股份有限公司) (“ Maoming Petro-chemical ”)	SZSE	Maoming Petro-chemical operates in the petroleum refinery industry. The company’s products include polypropylene, liquefied petroleum gas, solvent-refined oil, salt chemical, and other petrochemical products.
Befar Group Co., Ltd. (滨化集团股份有限公司) (“ Befar Group ”)	SSE	Befar produces, processes and sells organic and inorganic chemical products. The company’s products include pro-pylene-oxide, food additives, industrial hydrochloric acid, reagent hydrochloric acid and crude oil emulsifier.
Shenyang Chemical Industry Co., Ltd. (沈阳化工股份有限公司) (“ Shenyang Chemical ”)	SSE	Shenyang Chemical operates in the petrochemical and chlor-alkali chemical industries. The company’s products include caustic soda, paste resin, gasoline, light diesel oil, propylene, and other chemicals.

Source: Bloomberg L.P.

We set out in the table below the financial ratios of the Dongming Qianhai Selected Comparable Companies as at the Latest Practicable Date.

Dongming Qianhai Selected Comparable Companies	Market Capitalisation (RMB million)	EV/EBITDA (x)	P/E (x)	P/NAV (x)	P/NTA (x)
Yueyang Xingchang	6,381	32.76	62.10	3.01	3.45
Maoming Petro-chemical	2,069	22.14	N.M. ⁽²⁾	3.22	10.29
Befar Group	8,088	11.58	23.90	0.71	0.78
Shenyang Chemical	3,057	N.M. ⁽¹⁾	N.M. ⁽¹⁾	2.41	4.63
High		32.76	62.10	3.22	10.29
Median		22.14	43.00	2.71	4.04
Mean		22.16	43.00	2.34	4.79
Low		11.58	23.90	0.71	0.78
Dongming Qianhai (As implied by the Purchase Consideration)		2.79	4.36	2.01	2.17

Source: Bloomberg L.P. and published financial statements of the respective Selected Comparable Companies

Note:

- (1) Denotes not meaningful as the selected company recorded a loss on the earnings and a negative EBITDA based on the aggregate of the earnings of the last four quarters ended 30 June 2024.
- (2) Denotes not meaningful as the selected company recorded a loss on the earnings based on the aggregate of the earnings of the last four quarters.

Based on the above financial ratio analysis, we note that:

- (a) The EV/EBITDA ratio of Dongming Qianhai of 2.79 times, as implied by the Dongming Qianhai Purchase Consideration, is below the range of the EV/EBITDA ratios of the Dongming Qianhai Selected Comparable Companies;

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- (b) The P/E ratio of Dongming Qianhai of 4.36 times, as implied by the Dongming Qianhai Purchase Consideration, is below the range of the P/E ratios of the Dongming Qianhai Selected Comparable Companies;
- (c) The P/NAV ratio of Dongming Qianhai of 2.01 times, as implied by the Dongming Qianhai Purchase Consideration, is within the range but below the mean and median of the P/NAV ratios of the Dongming Qianhai Selected Comparable Companies; and
- (d) The P/NTA ratio of Dongming Qianhai of 2.17 times, as implied by the Dongming Qianhai Purchase Consideration, is within the range but below the mean and median of the P/NTA ratios of the Dongming Qianhai Selected Comparable Companies.

7.5 FINANCIAL EFFECTS OF THE PROPOSED RESTRUCTURING

Information relating to the financial effects of the Proposed Restructuring has been extracted from Section 3.7.4 of the Circular and set out in italics below.

“3.7.4 Pro forma Financial effects of the Proposed Restructuring

The pro forma financial effects of the Proposed Disposal of Qianhai Reli, the Proposed Acquisition of Dongming Qianhai and the Proposed Restructuring on the Group as set out below are purely for illustrative purposes only and should not be taken as an indication of the actual financial performance or position of the Group following the Completion nor a projection of the future financial performance or position of the Group after completion of the Proposed Restructuring.

Based on the latest audited financial statements of the Group for FY2023, the pro forma financial effects of the Proposed Disposal of Qianhai Reli, the Proposed Acquisition of Dongming Qianhai and the Proposed Restructuring on the Group are set out below:

Financial Effects of the Proposed Disposal of Qianhai Reli

(a) NTA per Share

For illustrative purposes only, assuming that the Proposed Disposal of Qianhai Reli had been effected on 31 December 2023 (being the end of the most recently completed financial year of the Company), the Proposed Disposal of Qianhai Reli would have had the following effects on the NTA per Share of the Company as at 31 December 2023:

	<i>Before the Proposed Disposal of Qianhai Reli</i>	<i>After the Proposed Disposal of Qianhai Reli</i>
NTA ⁽¹⁾	RMB1,600,785,000 ⁽²⁾	RMB1,579,743,000 ⁽³⁾
Number of Shares (excluding Treasury Shares)	640,000,000	640,000,000
NTA per Share (RMB cents)	250.12	246.83

Notes:

- (1) NTA is computed based on total assets (excluding net of intangible assets and goodwill) less total liabilities.
- (2) Based on the NTA of the Group after accounting for deductible goodwill of RMB10,345,000.
- (3) The decrease in NTA is mainly due to the disposal of Qianhai Reli Sale Equity, which resulted in a decrease of RMB 21,042,000 in the carrying value of financial assets at fair value as at 31 December 2023 in comparison with the Qianhai Reli Sale Consideration received.

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(b) EPS

For illustrative purposes only, assuming that the Proposed Disposal of Qianhai Reli had been effected on 1 January 2023 (being the beginning of the most recently completed financial year of the Company), the Proposed Disposal of Qianhai Reli would have had the following effects on the EPS of the Company for FY2023:

	Before the Proposed Disposal of Qianhai Reli	After the Proposed Disposal of Qianhai Reli
Net profit/(loss) ⁽¹⁾ attributable to Shareholders	RMB217,610,000	RMB217,610,000
Weighted average number of Shares (excluding Treasury Shares)	640,000,000	640,000,000
EPS (RMB cents)	34.00	34.00

Note:

- (1) “**Net profit**” means profit or loss including discontinued operations that have not been disposed and before income tax and before other comprehensive income.

Financial Effects of the Proposed Acquisition of Dongming Qianhai

(a) NTA per Share

For illustrative purposes only, assuming that the Proposed Acquisition of Dongming Qianhai had been effected on 31 December 2023 (being the end of the most recently completed financial year of the Company), the Proposed Acquisition of Dongming Qianhai would have had the following effects on the NTA per Share of the Company as at 31 December 2023:

	Before the Proposed Acquisition of Dongming Qianhai	After the Proposed Acquisition of Dongming Qianhai
NTA ⁽¹⁾	RMB1,600,785,000 ⁽²⁾	RMB1,027,187,000 ⁽³⁾
Number of Shares (excluding Treasury Shares)	640,000,000	640,000,000
NTA per Share (RMB cents)	250.12	160.05

Notes:

- (1) NTA is computed based on total assets (excluding net of intangible assets and goodwill) less total liabilities.
- (2) Based on the NTA of the Group after accounting for deductible goodwill of RMB10,345,000.
- (3) The decrease in NTA is mainly due to the cash consideration paid for the Proposed Acquisition of Dongming Qianhai.

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(b) EPS

For illustrative purposes only, assuming that the Proposed Acquisition of Dongming Qianhai had been effected on 1 January 2023 (being the beginning of the most recently completed financial year of the Company), the Proposed Acquisition of Dongming Qianhai would have had the following effects on the EPS of the Company for FY2023:

	Before the Proposed Acquisition of Dongming Qianhai	After the Proposed Acquisition of Dongming Qianhai
Net profit/(loss) ⁽¹⁾ attributable to Shareholders	RMB217,610,000	RMB313,170,000 ⁽²⁾
Weighted average number of Shares (excluding Treasury Shares)	640,000,000	640,000,000
EPS (RMB cents)	34.00	48.93

Notes:

- (1) “**Net profit**” means profit or loss including discontinued operations that have not been disposed and after income tax and before other comprehensive income.
- (2) Upon completion of the Proposed Acquisition of Dongming Qianhai, the net profit/(loss) of the non-controlling party shareholders shall be enjoyed by Shareholders, resulting in an increase in the net profits attributable to Shareholders.

Consolidated Financial Effects of the Proposed Restructuring

(a) NTA per Share

For illustrative purposes only, assuming that the Proposed Restructuring had been effected on 31 December 2023 (being the end of the most recently completed financial year of the Company), the Proposed Restructuring would have had the following effects on the NTA per Share of the Company as at 31 December 2023:

- (i) NTA computed based on the latest audited financial statements of the Group for FY2023, without taking into account the effects of the Proposed Rights Issue

	Before the Proposed Restructuring	After the Proposed Restructuring
NTA ⁽¹⁾	RMB1,600,785,000 ⁽²⁾	RMB1,006,145,000 ⁽³⁾
Number of Shares (excluding Treasury Shares)	640,000,000	640,000,000
NTA per Share (RMB cents)	250.12	157.21

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- (ii) *NTA computed based on the latest audited financial statements of the Group for FY2023, taking into account the effects of the Proposed Rights Issue*

	Before the Proposed Restructuring	After the Proposed Restructuring
NTA ⁽¹⁾	RMB1,006,145,000	RMB1,247,108,000
Number of Shares (excluding Treasury Shares)	640,000,000	960,000,000
NTA per Share (RMB cents)	157.21	129.91

Notes:

- (1) *NTA is computed based on total assets (excluding net of intangible assets and goodwill) less total liabilities.*
- (2) *Based on the NTA of the Group after accounting for deductible goodwill of RMB10,345,000.*
- (3) *The decrease in NTA is mainly due to (i) a decrease in cash of RMB573,598,000 as a result of the cash payment of the Dongming Qianhai Purchase Consideration; and (ii) a decrease of RMB21,042,000 in the carrying value of financial assets at fair value as at 31 December 2023 in comparison with the Qianhai Reli Sale Consideration received.*

- (b) EPS

For illustrative purposes only, assuming that the Proposed Restructuring had been effected on 1 January 2023 (being the beginning of the most recently completed financial year of the Company), the Proposed Restructuring would have had the following effects on the EPS of the Company for FY2023:

- (i) *EPS computed based on the latest audited financial statements of the Group for FY2023, without taking into account the effects of the Proposed Rights Issue*

	Before the Proposed Restructuring	After the Proposed Restructuring
Net profit/(loss) ⁽¹⁾ attributable to Shareholders	RMB217,610,000	RMB313,170,000
Weighted average number of Shares (excluding Treasury Shares)	640,000,000	640,000,000
EPS (RMB cents)	34.00	48.93

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- (ii) *EPS computed based on the latest audited financial statements of the Group for FY2023, taking into account the effects of the Proposed Rights Issue*

	Before the Proposed Restructuring	After the Proposed Restructuring
<i>Net profit/(loss)⁽¹⁾ attributable to Shareholders</i>	<i>RMB313,170,000</i>	<i>RMB313,170,000</i>
<i>Weighted average number of Shares (excluding Treasury Shares)</i>	<i>640,000,000</i>	<i>960,000,000</i>
<i>EPS (RMB cents)</i>	<i>48.93</i>	<i>32.62</i>

Notes:

- (1) *“Net profit” means profit or loss including discontinued operations that have not been disposed and before income tax and before other comprehensive income.”*

Based on the above, we note that:

- (a) The financial effects of the Proposed Disposal of Qianhai Reli on NTA per Share are dilutive and has no impact on the EPS per Share;
- (b) The financial effects of the Proposed Acquisition of Dongming Qianhai on NTA per Share and EPS per share are dilutive and accretive respectively;
- (c) The financial effects of the Proposed Restructuring on NTA per Share and EPS per Share without taking into account of the Proposed Rights Issue are dilutive and accretive respectively; and
- (d) The financial effects of the Proposed Restructuring on NTA per Share and EPS per Share taking into account of the Proposed Rights Issue are both dilutive.

8 OTHER RELEVANT CONSIDERATIONS

8.1 Outlook of the Qianhai Reli

We set out in the table below the revenue and NAV of the Qianhai Reli Selected Comparable Companies based on the earnings of the last four quarters from and latest announced financial positions as at 30 June 2024:

Qianhai Reli Selected Comparable Companies	Revenue (RMB million)	NAV (RMB million)
Jilin Energy	13,695.4	12,941.3
Top Energy	10,664.6	7,420.5
Datang Huayin	8,599.6	22,611.9
Huadian Liaoning	5,017.9	496.4
Beijing Jingneng	34,140.8	27,727.8
Jiangsu Guoxin	36,146.2	31,007.8
Qianhai Reli	129.4	209.3

Based on the revenue generated and NAV by each of the Qianhai Reli Selected Comparable Companies, we note that the scale of operations of each of the Qianhai Reli Selected Comparable Companies are significantly larger than Qianhai Reli.

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As set out in Section 3.5.1(b) of the Circular, the PRC government announced its “dual carbon” goals on 22 September 2020 for PRC to achieve carbon neutrality before 2060. To achieve these objectives, the PRC government introduced policies to phase out “small coal” and “small thermal power” enterprises. In August 2021, the Shangdong Provincial Government calls for shutdown and integration of coal-fired power units with capacity of less than 300,000 kilowatts. With this backdrop where a series of government policies were introduced to phase out small coal-fired power units, Qianhai Reli faces the policy risks of being forced to shut down. The Company further explained in Section 3.5.1(c) of the Circular on factors that adversely impacted Qianhai Reli’s ability to compete as well as its diminishing ability to manage its operational costs.

Taking into consideration (i) the above adverse developments on the business environment which Qianhai Reli operates in and (ii) the scale of Qianhai Reli’s operation as compared to the Qianhai Reli Selected Comparable Companies as illustrated in the table above, this gives a possible explanation on the relatively low valuation range of Qianhai Reli Sale Equity as reported by the Independent Valuer. Consequently, the financial ratios implied by the Qianhai Reli Purchase Consideration as set out in paragraph 7.3 of this Letter, notwithstanding that it is based on the higher end of the valuation range of Qianhai Reli Sale Equity as reported by the Independent Valuer, is generally below the mean and median of the financial ratios implied by share prices of Qianhai Reli Selected Comparable Companies, and in respect of P/NAV and P/NTA, they are below the range of the respective ratios.

8.2 Inter-conditionality

Shareholders should note that the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai are conditional upon the passing of the Proposed Rights Issue by the Independent Shareholders. Accordingly, in the event that the Proposed Rights Issue is not passed by the Independent Shareholders, the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai will not proceed. However, the passing of the Proposed Rights Issue is not conditional upon the passing of the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai.

In addition, we note that the Proposed Disposal of Qianhai Reli is inter-conditional with the Proposed Acquisition of Dongming Qianhai. In the event that the Proposed Disposal of Qianhai Reli is not passed by the Independent Shareholders, the Proposed Acquisition of Dongming Acquisition will not proceed and vice versa.

8.3 Abstention from voting

We note that as set out in Section 5.2 of the Circular, Mr. Li Xiangping (“**Mr Li**”), the Executive Chairman and CEO of the Company, who is also a Controlling Shareholder of the Company will abstain, and procure that Intelligent People Holdings Limited and all his other associates will abstain, from voting, in respect of the ordinary resolution in relation to the Proposed Restructuring, will not accept nominations as proxy or otherwise for voting at the EGM unless specific instructions as to voting are given by the Shareholder concerned.

9 RECOMMENDATION

In arriving at our opinion in respect of the Proposed Restructuring, we have taken into account the factors which we consider having significant bearing on our assessment as set out in earlier paragraphs.

In evaluating and assessing the financial terms of the Proposed Disposal of Qianhai Reli, we have given due consideration to the following:

- (a) An assessment of the market value of Qianhai Reli as follows:
 - (i) The market value of Qianhai Reli Sale Equity is assessed to be between RMB26.03 million and RMB27.91 million as at 1 July 2024 by the Independent Valuer; and
 - (ii) The Qianhai Reli Purchase Consideration is priced at the higher end of the range of market value derived by the Independent Valuer.

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- (b) An assessment of the NTA of the Qianhai Reli as follows:

The Qianhai Reli Purchase Consideration represents a discount of approximately 22.87% to the unaudited NTA of Qianhai Reli as at 30 June 2024.

- (c) A comparison with the financial ratios implied by the trading prices of the shares of the Qianhai Reli Selected Comparable Companies as follows:
- (i) The P/E ratio of the Qianhai Reli of 1.57 times, as implied by the Qianhai Reli Purchase Consideration, is within the range but below the mean and median of the P/E ratios of the Qianhai Reli Selected Comparable Companies;
 - (ii) The P/NAV ratio of the Qianhai Reli of 0.74 times, as implied by the Qianhai Reli Purchase Consideration, is below the range of the P/NAV ratios of the Qianhai Reli Selected Comparable Companies; and
 - (iii) The P/NTA ratio of the Qianhai Reli of 0.78 times, as implied by the Qianhai Reli Purchase Consideration, is below the range of the P/NTA ratios of the Qianhai Reli Selected Comparable Companies.
- (d) The rationale for the Proposed Disposal of Qianhai Reli, the PRC government's policies affecting small coal-fired power and thermal supplier such as Qianhai Reli as well as the diminishing competitive advantage of Qianhai Reli.

In evaluating and assessing the financial terms of the Proposed Acquisition of Dongming Qianhai, we have given due consideration to the following:

- (e) An assessment of the market value of Dongming Qianhai as follows:
- (i) The market value of Dongming Qianhai Sale Equity is assessed to be between RMB573.60 million and RMB640.25 million as at 1 July 2024 by the Independent Valuer; and
 - (ii) The Dongming Qianhai Purchase Consideration is priced at the lower end of the range of market value derived by the Independent Valuer.
- (f) An assessment of the NTA of the Dongming Qianhai as follows:
- The Dongming Qianhai Purchase Consideration represents a premium of approximately 116.81% to the unaudited NTA of Dongming Qianhai as at 30 June 2024.
- (g) A comparison with the financial ratios implied by the trading prices of the shares of the Dongming Qianhai Selected Comparable Companies as follows:
- (i) The EV/EBITDA ratio of Dongming Qianhai of 2.79 times, as implied by the Dongming Qianhai Purchase Consideration, is below the range of the EV/EBITDA ratios of the Dongming Qianhai Selected Comparable Companies;
 - (ii) The P/E ratio of the Dongming Qianhai of 4.36 times, as implied by the Dongming Qianhai Purchase Consideration, is below the range of the P/E ratios of the Dongming Qianhai Selected Comparable Companies;
 - (iii) The P/NAV ratio of the Dongming Qianhai of 2.01 times, as implied by the Dongming Qianhai Purchase Consideration, is within the range but below the mean and median of the P/NAV ratios of the Dongming Qianhai Selected Comparable Companies; and
 - (iv) The P/NTA ratio of the Dongming Qianhai of 2.17 times, as implied by the Dongming Qianhai Purchase Consideration, is within the range but below the mean and median of the P/NTA ratios of the Dongming Qianhai Selected Comparable Companies.

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(h) The rationale for and benefits of the Proposed Acquisition of Dongming Qianhai.

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 terms of each of the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai are on normal commercial terms and will not be prejudicial to the interests of the Company and its Independent Shareholders. We therefore advise the Non-Interested Directors to recommend Independent Shareholders to vote in favour for each of the resolution relating to the Proposed Disposal of Qianhai Reli and the Proposed Acquisition of Dongming Qianhai to be proposed at the extraordinary general meeting to be convened (“**EGM**”).

The Non-Interested Directors should note that our recommendation 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 921(4)(a) of the Listing Manual and is addressed to the Non-Interested Directors for their use and benefit, in connection with and for the purposes of their consideration of the Proposed Restructuring. Their recommendations to the Independent Shareholders in respect of the Proposed Restructuring 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 EGM and for the purpose of the Proposed Restructuring, at any time in any manner without our prior written consent in each specific case.

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

Ng Boon Eng
Chief Executive Officer

Ashton Chang
Associate Director, Corporate Finance

APPENDIX E – AUDITED FINANCIAL STATEMENTS OF DONGMING QIANHAI AND ACCOMPANYING AUDIT OPINIONS FOR FY2021, FY2022 AND FY2023

The audited financial statements of Dongming Qianhai, along with the corresponding audit opinions for FY2021, FY2022, and FY2023, are extensive in nature. In a bid to protect the environment, Shareholders may access them via the following link: <https://www.sgx.com/securities/company-announcements?value=SINOSTAR%20PEC%20HOLDINGS%20LIMITED&type=company>

Should you prefer to receive a physical copy instead, kindly contact the Company at info@sinostar-pec.com and the Company will arrange for a physical copy to be despatched to you.

Disclaimer: Shareholders should note that the English-translated audit financial statements of Dongming Qianhai and accompanying audit opinion for FY2021, FY2022 and FY2023 are unofficial translations of the Chinese version and are intended for reference only. In case of any inaccuracy, conflict and inconsistency between the two versions, the Chinese version shall prevail, and the English version will be deemed to conform to the Chinese version.

APPENDIX F – PRO FORMA FINANCIAL INFORMATION OF DONGMING QIANHAI

The *pro forma* financial information of Dongming Qianhai set out below:

- (a) is for illustrative purposes only and does not reflect a projection of the actual future financial performance or financial position of Dongming Qianhai after the completion of the Proposed Acquisition of Dongming Qianhai;
- (b) is based on the audited consolidated financial statements of the Group for FY2021, FY2022 and FY2023, and the unaudited consolidated financial statements of the Group for 6M2024;
- (c) has not taken into account any expenses incurred in connection with the Proposed Acquisition of Dongming Qianhai; and
- (d) save for the Proposed Acquisition of Dongming Qianhai, has not been adjusted for the impact of any other transactions or events.

SUMMARY PRO FORMA INCOME STATEMENTS OF DONGMING QIANHAI

	FY ended 31 December 2021 (RMB'000)	FY ended 31 December 2022 (RMB'000)	FY ended 31 December 2023 (RMB'000)	6 months ended 30 June 2024 (RMB'000)
Revenue	2,910,342	3,101,192	3,058,593	1,821,986
Profit/(loss) before tax	313,070	170,910	418,756	221,552
Profit/(loss) after tax	232,983	132,073	318,533	166,170
Profit/(loss) attributable to:				
Owner of the company	163,088	92,451	222,973	116,319
Non-controlling interests	69,895	39,622	95,560	49,851

SUMMARY PRO FORMA BALANCE SHEET OF DONGMING QIANHAI

	As at 31 December 2021 (RMB'000)	As at 31 December 2022 (RMB'000)	As at 31 December 2023 (RMB'000)	As at 30 June 2024 (RMB'000)
Assets				
Non-current assets	1,188,795	1,058,713	961,161	909,496
Current assets	399,056	447,502	285,118	332,280
Total assets	1,587,851	1,506,215	1,246,279	1,241,776
Liabilities				
Non-current liabilities	450,364	250,682	50,682	–
Current liabilities	244,584	267,347	412,681	292,689
Total liabilities	694,948	518,029	463,363	292,689
Equity				
Equity attributable to owners of Dongming Qianhai	892,903	988,186	782,916	949,087

APPENDIX G – REASONS FOR SEEKING THE WAIVER FROM THE SGX-ST

The reasons for seeking the Waiver, as set out in the Company's Waiver Application, are as follows:

(a) Rule 1015(5)(b) of the Listing Manual

Requirement(s)	Reasons for seeking a waiver from compliance with Rule 1015(5)(b) of the Listing Manual
<p>Rule 1015(5)(b) of the Listing Manual provides that in relation to the assets to be acquired, the shareholders' circular must contain an accountants' report on the assets to be acquired and the enlarged group.</p>	<p>(1) <i>Shareholders presently have visibility of the financial information and operations of Dongming Qianhai</i></p> <p>Currently, the Company is the majority shareholder of Dongming Qianhai, holding 70% equity interest. Through the Proposed Acquisition of Dongming Qianhai, the Company aims to acquire the remaining 30% equity interest in this subsidiary. Given that Dongming Qianhai is already part of the Company's portfolio, its financial information has already been consolidated into the Company's accounts annually and is detailed in the Group's annual reports. Therefore, Shareholders already have access to the financial performance of Dongming Qianhai, ensuring transparency with its financial information and familiarity with its operations.</p> <p>(2) <i>Sufficiency of the Dongming Qianhai Valuation Report and the pro forma financial effects of the Proposed Acquisition of Dongming Qianhai</i></p> <p>In compliance with Rule 1015(2) of the Listing Manual, the Company has appointed the Independent Valuer to conduct an independent valuation of Dongming Qianhai and prepare the Dongming Qianhai Valuation Report. Further, the Company will be setting out the pro forma financial effects of the Proposed Acquisition of Dongming Qianhai in the Circular, including the NTA per Share as at 31 December 2023 and EPS for FY2023, which will provide Shareholders with relevant and meaningful financial information on Dongming Qianhai. Together with the reasons outlined in paragraph (1) above, the Company believes that Shareholders will gain a comprehensive understanding of Dongming Qianhai's financial performance.</p> <p>For the foregoing reasons, and taking into account cost considerations, in its Waiver Application, the Company had sought from the SGX-ST a waiver from compliance with Rule 1015(5)(b) of the Listing Manual in relation to the requirement that the Circular must contain an accountants' report on Dongming Qianhai and the enlarged group.</p>

APPENDIX G – REASONS FOR SEEKING THE WAIVER FROM THE SGX-ST

(b) Rules 1015(2), 210(5)(a), 210(5)(b), 210(5)(c) and 1015(4)(c) of the Listing Manual

Requirement(s)	Reasons for seeking concurrence that Rules 210(5)(a), 210(5)(b), 210(5)(c) and 1015(4)(c) of the Listing Manual are inapplicable
<p>Rule 1015(2) of the Listing Manual provides that the enlarged group must comply with the requirements in Rule 210(5).</p> <p>Rule 210(5) of the Listing Manual provides that directors and executive officers should have appropriate experience and expertise to manage the group's business. A director who has no prior experience as a director of an issuer listed on the SGX-ST must undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. If the nominating committee is of the view that training is not required because the director has other relevant experience, the basis of its assessment must be disclosed. As a pre-quotations disclosure requirement, an issuer must release a statement via SGXNET or in the prospectus, offering memorandum or introductory document identifying for each director, whether the person has prior experience as a director of an issuer listed on the SGX-ST or if he has other relevant experience, and if so, provide details of his directorships and other relevant experience. If the director has no prior experience as a director of an issuer listed on the SGX-ST and has no other relevant experience, the issuer must confirm that the person has undertaken training as prescribed by the SGX-ST.</p> <p>Rule 210(5)(b) of the Listing Manual provides that the character and integrity of the directors, management, founding shareholders and controlling shareholders of the issuer will be a relevant factor for consideration. In considering whether the directors, management, founding shareholders and controlling shareholders have the character and integrity expected of a listed issuer, the SGX-ST will take into account the disclosure made in compliance with Rule 246(5)(a).</p>	<p>(1) <i>No change to the Board, management or controlling shareholders as a result of the Proposed Acquisition of Dongming Qianhai</i></p> <p>Dongming Qianhai is an existing subsidiary of the Group. As such, there will be no changes to the Board, management or controlling shareholders of the Company as a result of the Proposed Acquisition of Dongming Qianhai.</p> <p>Further, as the consideration for the Proposed Acquisition of Dongming Qianhai will be fully satisfied in cash, no new Shares will be issued to Dongming Petrochem to satisfy the consideration for the Proposed Acquisition of Dongming Qianhai.</p> <p>Given that there will be no changes to the Board, management or controlling shareholders of the Company as a result of the Proposed Acquisition of Dongming Qianhai, the Company had sought the SGX-ST's concurrence that Rules 210(5)(a), 210(5)(b), 210(5)(c) and 1015(4)(c) of the Listing Manual are inapplicable.</p>

APPENDIX G – REASONS FOR SEEKING THE WAIVER FROM THE SGX-ST

Requirement(s)	Reasons for seeking concurrence that Rules 210(5)(a), 210(5)(b), 210(5)(c) and 1015(4)(c) of the Listing Manual are inapplicable
<p>Rule 210(5)(c) of the Listing Manual provides that the issuer's board must have at least two non-executive directors who are independent and free of any material business or financial connection with the issuer. Independent directors must comprise at least one-third of the issuer's board. In the event of any retirement or resignation which renders the issuer unable to meet any of the foregoing requirements, the issuer should endeavour to fill the vacancy within two months, but in any case, not later than three months.</p> <p>Rule 1015(4)(c) of the Listing Manual provides that in a very substantial acquisition, for each relevant new person, the issuer must submit a declaration by each of the enlarged group's (and where applicable REIT manager's or trustee-manager's) director, executive officer, controlling shareholder, controlling unitholder (where applicable), and officer occupying a managerial position and above who is a relative of such director, controlling shareholder or controlling unitholder (where applicable), in the form set out in paragraph 8, Part 7 of the Fifth Schedule, Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018, as amended from time to time.</p>	

(c) Rules 1015(2) and 210(6) of the Listing Manual

Requirement(s)	Reasons for seeking concurrence that Rules 1015(2) and 210(6) of the Listing Manual are inapplicable
<p>Rule 1015(2) of the Listing Manual provides that the enlarged group must comply with the requirements in Rule 210(6).</p> <p>Rule 210(6) of the Listing Manual provides that a subsidiary or parent company of an existing listed issuer will not normally be considered suitable for listing if the assets and operations of the applicant are substantially the same as those of the existing issuer. In arriving at a decision, the SGX-ST will consider the applicant's business or commercial reasons for listing.</p>	<p>The Company had sought the SGX-ST's concurrence that Rules 1015(2) and 210(6) of the Listing Manual are inapplicable as the Company is not intending to list Dongming Qianhai or any other subsidiary or parent company.</p>

APPENDIX G – REASONS FOR SEEKING THE WAIVER FROM THE SGX-ST

(d) Rules 1015(4)(a), 210 and 222 of the Listing Manual

Requirement(s)	Reasons for seeking concurrence that Rules 1015(4)(a), 210 and 222 of the Listing Manual are inapplicable
<p>Rule 1015(4)(a) provides that the issuer must submit a compliance checklist for Rule 210 or Rule 222, whichever is applicable.</p> <p>Rule 210 of the Listing Manual sets out conditions that an issuer applying for listing of its equity securities on the SGX Mainboard must fulfil. Rule 222 of the Listing Manual sets out additional requirements that a property investment or development company applying for admission to the Official List must fulfil.</p>	<p>The Company had sought the SGX-ST's concurrence that Rules 1015(4)(a), 210 and 222 of the Listing Manual are inapplicable as the Company is already listed on the SGX-ST and the Proposed Acquisition of Dongming Qianhai does not envisage the backdoor listing of any other business. Further, the Company is not a property investment or development company applying for admission to the Official List. The Company will continue to meet the admission criteria of the Mainboard of the SGX-ST upon completion of the Proposed Acquisition of Dongming Qianhai.</p>

(e) Rules 1015(4)(b) and 1015(5)(a) of the Listing Manual

Requirement(s)	Reasons for seeking concurrence that Rules 1012, 1013 and Part II of Chapter 6 of the Listing Manual are inapplicable
<p>Rule 1015(4)(b) of the Listing Manual provides that the issuer must submit a compliance checklist for the information required in Rule 1015(5).</p> <p>Rule 1015(5)(a) of the Listing Manual provides that the shareholders' circular must contain information required by Rules 1010, 1011, 1012, 1013 and Part II of Chapter 6 of the Listing Manual, where applicable.</p> <p>Rule 1010 of the Listing Manual sets out the content requirements of the announcement to be immediately issued after terms have been agreed if any of the relative figures computed on the bases set out in Rule 1006 exceed 5% but does not exceed 20%.</p> <p>Rule 1011 of the Listing Manual provides that where a sale and purchase agreement is entered into, or a valuation is conducted on the assets, the issuer must include a statement in the announcement that a copy of the relevant agreement, or valuation report is available for inspection during normal business hours at the issuer's registered office for 3 months from the date of the announcement.</p>	<p>The Company will comply with Rules 1010 and 1011 of the Listing Manual. In relation to Rules 1012 and 1013, as the Company does not envisage that it will provide a profit forecast or accept a profit guarantee or profit forecast from Dongming Petrochem, the Company had sought the SGX-ST's concurrence that that they are inapplicable.</p> <p>In relation to Part II of Chapter 6 of the Listing Manual, the Company had sought the SGX-ST's concurrence that that they are inapplicable for the following reasons:</p> <ol style="list-style-type: none"> a. The Company is primarily involved in the business of energy, oil and gas and consumable fuels (the "Energy Business"). The Proposed Acquisition of Dongming Qianhai is made in the ordinary course of business, an expansion of the Company's existing core business and is in line with the Group's acquisition strategy to expand the Energy Business. The acquisition of the remaining equity interests of Dongming Qianhai presents a commercially attractive opportunity for the Group; b. In connection with the above, the Proposed Acquisition of Dongming Qianhai does not envisage the injection of any other businesses for the purpose of backdoor listing. The Proposed Acquisition of Dongming Qianhai

APPENDIX G – REASONS FOR SEEKING THE WAIVER FROM THE SGX-ST

Requirement(s)	Reasons for seeking concurrence that Rules 1012, 1013 and Part II of Chapter 6 of the Listing Manual are inapplicable
<p>Rule 1012 of the Listing Manual provides that where the announcement in Rule 1010 contains a profit forecast, which may include any statement which quantifies the anticipated level of future profits, the issuer must announce the additional information stated in Rule 1012.</p> <p>Rule 1013(1) of the Listing Manual provides that where an issuer enters into a discloseable transaction, a major transaction, a very substantial acquisition or a reverse takeover and accepts a profit guarantee or a profit forecast (or any covenant which quantifies the anticipated level of future profits) from a vendor of assets/business, the issuer's announcement in Rule 1010 must contain information on the profit guarantee or the profit forecast as stated in Rule 1013(1).</p> <p>Rule 1013(2) of the Listing Manual provides that with reference to Rule 1013(1), where the transaction is a major transaction, a very substantial acquisition or a reverse takeover, the shareholders' circular must contain the information in Rule 1013(1) and the following: (a) A confirmation from the auditors that they have reviewed the bases and assumptions, accounting policies and calculations for the profit guarantee or the profit forecast, and that the basis of preparation of the profit guarantee or the profit forecast is consistent with the accounting policies of the issuer; and (b) A statement by the financial advisor to the issuer as to whether or not they are of the view that the transaction is on normal commercial terms and is not prejudicial to the interest of the issuer and its shareholders.</p> <p>Rule 1013(3) of the Listing Manual provides that where the profit guarantee or the profit forecast has been met, the issuer should immediately announce this via SGXNET. Where the profit guarantee or the profit forecast has not been met, the issuer should immediately announce via SGXNET the information contained in Rule 1013(3).</p>	<p>is an expansion of the Group's existing core business and does not seek to diversify the Group's business into a different area that will result in a change of risk profile. The Company had emphasised that it is not entering into a new geographical market and/or a new business sector in connection with the Proposed Acquisition of Dongming Qianhai; and</p> <p>c. There will be no change to the Company's shareholding, the Board or management of the Company as a result of the Proposed Acquisition of Dongming Qianhai.</p>

APPENDIX G – REASONS FOR SEEKING THE WAIVER FROM THE SGX-ST

(f) Rule 1015(5)(d) of the Listing Manual

Requirement(s)	Reasons for seeking a waiver from compliance with Rule 1015(5)(d) of the Listing Manual
<p>Rule 1015(5)(d) of the Listing Manual states that in relation to the assets to be acquired, the shareholders' circular must contain a statement by the issue manager(s) and/or financial adviser(s) in the form set out in paragraph 3.1 of Practice Note 12.1.</p>	<p>The Company had sought a waiver from compliance with Rule 1015(5)(d) of the Listing Manual in relation to the appointment of a financial adviser as the Company had, instead, appointed the Independent Valuer to prepare the Dongming Qianhai Valuation Report. The Dongming Qianhai Valuation Report will provide an objective assessment of the transaction's value. In negotiating the Dongming Qianhai SPA, the Company had relied on the findings of the Dongming Qianhai Valuation Report to safeguard the interests of both the Company and the Shareholders, ensuring that it reflects normal commercial terms.</p> <p>Given that the Independent Valuer possesses the necessary expertise to assess the fair market value of the Dongming Qianhai Sale Equity, the Company believes it is sufficient to provide an unbiased perspective of the Proposed Acquisition of Dongming Qianhai. Coupled with cost considerations, the Company had sought a waiver from compliance with Rule 1015(5)(d) of the Listing Manual.</p> <p>Further, the Company had sought the SGX-ST's concurrence that the requirement for the Circular containing a statement by an issue manager is inapplicable as the Company had not appointed an issue manager, given that the Proposed Acquisition of Dongming Qianhai is a relatively straightforward transaction with limited stakeholders.</p>

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 Suntec Singapore Convention & Exhibition Centre, Room MR 331, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 on 24 December 2024 at 10.00 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 9 December 2024 (the “**Circular**”).*

Shareholders should note that:

- (a) **the passing of Ordinary Resolution 2 and Ordinary Resolution 3 are conditional upon the passing of Ordinary Resolution 1, but NOT *vice versa*. This means that if Ordinary Resolution 1 is not passed, none of the resolutions set out in this Notice of EGM will be carried. However, the passing of Ordinary Resolution 1 is not conditional upon the passing of the Ordinary Resolution 2 and/or Ordinary Resolution 3; and**
- (b) **the passing of Ordinary Resolution 2 and Ordinary Resolution 3 are inter-conditional on one another. This means that if either of the Ordinary Resolution 2 or Ordinary Resolution 3 is not passed, both resolutions will not be carried.**

ORDINARY RESOLUTION 1: THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE

RESOLVED THAT:

- (a) the renounceable non-underwritten rights issue (the “**Proposed Rights Issue**”) of up to 320,000,000 Rights Shares, at the Issue Price of S\$0.14 for each Rights Share (the “**Issue Price**”), on the basis of one (1) Rights Share for every two (2) existing Shares held by shareholders of the Company (“**Shareholders**”) as at a time and date as the Directors may, in their absolute discretion, determine (“**Record Date**”), fractional entitlements to be disregarded, be and is hereby approved;
- (b) the authority be and is hereby given to the Directors (or any of them) to:
 - (i) allot and issue up to 320,000,000 Rights Shares at the Issue Price for each Rights Share;
 - (ii) provisionally allot and issue up to 320,000,000 Rights Shares at the Issue Price for each Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares held by Shareholders as at the Record Date, fractional entitlements to be disregarded, on such terms and conditions as the Directors may think fit;
 - (A) the provisional allotments of the Rights Shares pursuant to the Proposed Rights Issue shall be made on a renounceable non-underwritten basis to Shareholders whose names appear in the Register of Members of the Company or the records of The Central Depository (Pte) Limited (“**CDP**”) as at the Record Date with registered addresses in Singapore, or who have, at least three (3) Market Days prior to the Record Date, provided to the CDP or the share registrar of the Company (“**Share Registrar**”), as the case may be, addresses in Singapore for the service of notices and documents;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (B) no provisional allotment of the Rights Shares shall be made in favour of Shareholders with registered addresses outside Singapore as at the Record Date and who have not, at least three (3) Market Days prior to the Record Date, provided to CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents (“**Foreign Shareholders**”);
 - (C) the provisional allotment of the Rights Shares which would otherwise accrue to Foreign Shareholders may be disposed of or dealt with by the Company in such manner and on such terms and conditions as the Directors may in their absolute discretion deem fit for the purpose of renouncing the provisional allotments relating thereto to purchasers thereof, and to pool and thereafter distribute the net proceeds, if any, thereof (after deducting all expenses) proportionately to and among such Foreign Shareholders in proportion to their respective shareholdings as at the Record Date, provided that if the amount to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall instead be retained or dealt with as the Directors may deem fit in the interests of the Company;
 - (D) the provisional allotment of the Rights Shares not taken up or allotted for any reason or which represent fractional entitlements disregarded in accordance with the term of the Proposed Rights Issue shall be used to satisfy applications for Excess Rights Shares (if any) or disposed of or otherwise dealt with in such manner as the Directors may in their absolute discretion deem fit in the interests of the Company;
 - (E) the Rights Shares when issued and fully paid-up will rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distribution that may be declared or paid, the Record Date for which falls before the date of issue of the Rights Shares;
- (c) the Directors or any of them be and are hereby authorised to fix the Record Date in their absolute discretion; and
 - (d) the Directors (or any of them) be and are hereby authorised to take such steps, do all such acts, matters and things as they may consider necessary or expedient for the purposes of or in connection with the Proposed Rights Issue (including but not limited to amending, finalising, approving and executing all such documents as may be required in connection with the Proposed Rights Issue), and make such amendments to the terms and conditions of the Proposed Rights Issue and to exercise such discretion as the Directors (or any of them) may in their absolute discretion deem fit, advisable or necessary in connection with all or any of the above matters.

ORDINARY RESOLUTION 2: THE PROPOSED DISPOSAL OF 18% OF THE EQUITY INTEREST IN THE REGISTERED CAPITAL OF DONGMING QIANHAI RELI CO., LTD. (东明前海热力有限公司) FOR A CONSIDERATION OF RMB27,911,000, BEING AN INTERESTED PERSON TRANSACTION

RESOLVED THAT, subject to and contingent upon the passing of Ordinary Resolution 1 and Ordinary Resolution 3:

- (a) approval be and is hereby given for the Proposed Disposal of Qianhai Reli on the terms and conditions set out in the Qianhai Reli SPA (as may be supplemented or amended from time to time), as described in the Circular, and the entry into the Qianhai Reli SPA and all documents required to be executed or assigned by the parties in order to give effect to the Proposed Disposal of Qianhai Reli, be and is hereby approved and (as the case may be) ratified;
- (b) approval be and is hereby given for the payment of all fees and expenses relating to the Proposed Disposal of Qianhai Reli; and
- (c) the Directors or any one of them be authorised and directed to do all things necessary or expedient or in the interests of the Company and the Shareholders (including executing any document) as the Directors or any one of them may deem fit, to give effect to the Proposed Disposal of Qianhai Reli as contemplated in this Resolution.

NOTICE OF EXTRAORDINARY GENERAL MEETING

ORDINARY RESOLUTION 3: THE PROPOSED ACQUISITION OF 30% OF THE EQUITY INTEREST IN THE REGISTERED CAPITAL OF DONGMING QIANHAI PETROCHEMICAL CO., LTD. (东明前海化工有限公司) FOR A CONSIDERATION OF RMB573,598,000, BEING AN INTERESTED PERSON TRANSACTION AND A MAJOR TRANSACTION

RESOLVED THAT, subject to and contingent upon the passing of Ordinary Resolution 1 and Ordinary Resolution 2:

- (a) approval be and is hereby given for the Proposed Acquisition of Dongming Qianhai on the terms and conditions set out in the Dongming Qianhai SPA (as may be supplemented or amended from time to time), as described in the Circular, and the entry into the Dongming Qianhai SPA and all documents required to be executed or assigned by the parties in order to give effect to the Proposed Acquisition of Dongming Qianhai, be and is hereby approved and (as the case may be) ratified;
- (b) approval be and is hereby given for the payment of all fees and expenses relating to the Proposed Acquisition of Dongming Qianhai; and
- (c) the Directors or any one of them be authorised and directed to do all things necessary or expedient or in the interests of the Company and the Shareholders (including executing any document) as the Directors or any one of them may deem fit, to give effect to the Proposed Acquisition of Dongming Qianhai as contemplated in this Resolution.

BY ORDER OF THE BOARD

Tan Chee How
Company Secretary
9 December 2024

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 **10.00 a.m. on 13 December 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
 - (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 **10.00 a.m. on 22 December 2024** (being no later than forty-eight (48) hours before the time set for the EGM).

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 **10.00 a.m. on 17 December 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 **19 December 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 members 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 **10.00 a.m.** on **13 December 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 9 December 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 Suntec Singapore Convention & Exhibition Centre, Room MR 331, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 on 24 December 2024 at 10.00 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.	Ordinary Resolution(s) relating to:	For	Against	Abstain
1.	The proposed renounceable non-underwritten rights issue			
2.	The proposed disposal of 18% of the equity interest in the registered capital of Dongming Qianhai Reli Co., Ltd. (东明前海热力有限公司) for a consideration of RMB27,911,000, being an interested person transaction			
3.	The proposed acquisition of 30% of the equity interest in the registered capital of Dongming Qianhai Petrochemical Co., Ltd. (东明前海化工有限公司) for a consideration of RMB573,598,000, being an interested person transaction and a major transaction			

(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 Member(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 **10.00 a.m. on 22 December 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 **10.00 a.m. on 13 December 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 **10.00 a.m. on 21 December 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 9 December 2024.