



SINOSTAR PEC HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200609833N)

EXTENSION OF INTERIM LOAN AGREEMENT AS AN INTERESTED PERSON TRANSACTION

1. INTRODUCTION AND BACKGROUND

- 1.1 The board of directors (the “**Board**” or “**Directors**”) of Sinostar PEC Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to its announcement dated 15 May 2020 (the “**Loan Agreement Announcement**”) on the entry into a loan agreement by its indirect subsidiary, Dongming Qianhai Petrochemical Co Limited, with Shandong Dongming Petrochem Group Co., Ltd as lender (the “**Lender**”) (the “**Loan Agreement**”). Pursuant to the Loan Agreement, the Lender has agreed to grant a loan in the principal amount of RMB 720 million (the “**Principal Amount**”) to the Borrower, subject to the terms and conditions set out in the Loan Agreement. Unless otherwise defined herein, all capitalised terms shall have the meaning ascribed to them in the Loan Agreement Announcement.
- 1.2 Pursuant to the terms of the Loan Agreement, the term of the Loan Agreement is 54 months from 1 October 2020 to 1 April 2025 and the Loan Agreement shall become effective upon (i) its execution; and (ii) approval by the Company's shareholders in general meeting. As Shareholders' approval for the Loan Agreement has not been obtained, the Loan Agreement did not come into effect on 1 October 2020. The Company is negotiating with the Lender on, amongst others, the revised term of the Loan Agreement, and will make the appropriate announcement as and when any amendments to the Loan Agreement have been agreed upon.
- 1.3 In the interim, the Company has negotiated with the Lender to extend the term of the Interim Loan Agreement to 31 December 2020 (the “**Extended Interim Loan Agreement**”). The Borrower had made two repayments of RMB 15.0 million each on 20 June 2020 and 20 September 2020, pursuant to the terms of the Interim Loan Agreement. Under the Extended Interim Loan Agreement, an additional repayment of RMB 15.0 million will become due on 20 December 2020. The total amount of interest paid and payable to the Lender under the Extended Interim Loan Agreement is RMB 23,419,312.50, which represents approximately 2.4% of the Group's Latest Audited NTA. For completeness, the total amount of interest paid and payable to the Lender in FY2020 is RM 33,873,812.50, representing 3.4% of the Group's Latest Audited NTA. While the value at risk represents less than 3.0% of the Group's Latest Audited NTA, and the Extended Interim Loan Agreement is not subject to the announcement requirements pursuant to Rule 905(1) of the Listing Manual, the Company is announcing the entry into the Extended Interim Loan Agreement in view of the total interest paid to the Lender in FY2020.
- 1.4 As at the date of this announcement, the aggregate value of all interested person transactions entered into by the Group with the Lender and its subsidiaries for FY2020 (not including transactions below S\$100,000 and transactions previously approved by shareholders) is approximately RMB 26,090,543.50 representing 2.6% of the Group's Latest Audited NTA. The Group has not entered into any interested person transactions with interested persons other than the Lender and its subsidiaries in FY2020.
- 1.5 A summary of the principal terms of the Extended Interim Loan Agreement is set out in Section 2 of this announcement.
- 1.6 The Company will continue to keep its stakeholders updated and will make the appropriate announcements as and when there are any material updates or developments. Shareholders, noteholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully and should exercise caution when dealing in the

Company's securities. Stakeholders and potential investors who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisors.

2. PRINCIPAL TERMS OF THE EXTENDED INTERIM LOAN AGREEMENT

The terms of the Extended Interim Loan Agreement were negotiated between the Borrower and the Lender, taking into account factors including the COVID-19 pandemic, the time required for the Borrower to ramp up production to pre-pandemic levels and to build up its cash resources in FY2020, and time required for the Company to obtain Shareholders' approval for the Loan Agreement. In negotiating the terms of the Extended Interim Loan Agreement and in considering alternative sources of financing, the Borrower had regard to its status as a recently incorporated entity, the quantum of the loan and its preference for the loan to be unsecured.

Lender	Shandong Dongming Petrochem Group Co., Ltd										
Borrower	Dongming Qianhai Petrochemical Co Limited										
Principal Amount	RMB 750 million										
Term	2 April 2020 to 31 December 2020										
Interest	The interest rate is equivalent to the basic interest rate for short-term bank loans of under one (1) year issued by the People's Bank of China as at the date of the Interim Loan Agreement, being 4.35% per annum. ⁽¹⁾ Interest shall accrue on a monthly basis and is payable on the 21st day of each month.										
Default Interest	Overdue repayments shall be subject to a penalty interest rate of 115% of the then-prevailing interest rate under the Extended Interim Loan Agreement.										
Repayment	Repayments were due in installments according to the repayment schedule (" Repayment Schedule ") below. As the purpose of the Extended Interim Loan Agreement is to provide interim financing for the Borrower while the Company seeks Shareholders' approval for the Loan Agreement, the remaining amounts will be refinanced through the Loan Agreement. <table> <thead> <tr> <th>Due date</th><th>Amount due</th></tr> </thead> <tbody> <tr> <td>20 June 2020</td><td>15,000,000.00</td></tr> <tr> <td>20 September 2020</td><td>15,000,000.00</td></tr> <tr> <td>20 December 2020</td><td>15,000,000.00</td></tr> <tr> <td>Total</td><td>45,000,000.00</td></tr> </tbody> </table>	Due date	Amount due	20 June 2020	15,000,000.00	20 September 2020	15,000,000.00	20 December 2020	15,000,000.00	Total	45,000,000.00
Due date	Amount due										
20 June 2020	15,000,000.00										
20 September 2020	15,000,000.00										
20 December 2020	15,000,000.00										
Total	45,000,000.00										
Governing Law	People's Republic of China										

Note:

- (1) Under the Extended Interim Loan Agreement, the interest rate is reduced from 4.75% to the basic interest rate for short-term bank loans of under one (1) year issued by the People's Bank of China as at the date of the Interim Loan Agreement, being 4.35% per annum.

3. RATIONALE FOR THE EXTENDED INTERIM LOAN AGREEMENT

- 3.1 The purpose of the Extended Interim Loan Agreement is to provide interim financing for the Borrower while the Company seeks Shareholders' approval for the Loan Agreement.
- 3.2 Additionally, as the Extended Interim Loan Agreement is an unsecured loan, it allows the Borrower access to funds without the need to provide any security, charge or mortgage over assets.
- 3.3 The interest rate charged by the Lender for the provision of the loan is, in the Company's view, no less favourable than the rates charged by third party financial institutions as it is based on the interest rate for short-term bank loans of under one (1) year issued by the People's Bank of China.

4. INFORMATION ON THE LENDER

- 4.1 The Lender is incorporated in the PRC. Its principal business activities are refining crude oil, distributing gasoline, diesel, paraffin wax, tar and related products, producing raw LPG derived from the refining of crude oil and downstream processing of raw LPG into propylene, polypropylene and LPG.
- 4.2 As at the date of this announcement, the Company's Non-Executive Chairman and Controlling Shareholder, Mr Li Xiang Ping, holds 99.41% of the equity interest in Shandong Hong Li Yuan Stock Limited Company ("**Hong Li Yuan**"). Hong Li Yuan is the majority shareholder of the Lender with 87.25% equity interest.
- 4.3 As Mr Li Xiang Ping holds more than 20% interest in Hong Li Yuan, Mr Li Xiang Ping is deemed interested in the entire equity interest of the Lender held by Hong Li Yuan. Therefore, the Lender is an "interested person" of the Company, and the Extended Interim Loan Agreement is an "interested person transaction" under Chapter 9 of the Listing Manual.

5. AUDIT COMMITTEE STATEMENT

The Audit Committee of the Company is of the view that the entry into the Extended Interim Loan Agreement is on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save for Mr Li Xiang Ping (who is the chairman of the Lender) and Mr Li Zhi (who is the chief executive officer and a director of the Lender), none of the Directors (other than in his capacity as Director or Shareholder of the Company) nor (as far as the Directors are aware) substantial Shareholders of the Company has any interest (other than their respective shareholdings in the Company), direct or indirect, in the Extended Interim Loan Agreement.

7. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Extended Interim Loan Agreement will be made available for inspection at the registered address of the Company at 30 Cecil Street #19-08 Prudential Tower Singapore 049712, during normal business hours for a period of three (3) months commencing from the date of this Announcement.

8. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement (save for any information on the Lender in this announcement) and confirm after making all reasonable enquiries that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Extended Interim Loan Agreement and the Group, and the Directors are not aware of any facts the omissions of which would make any statement in this announcement misleading. Where information in this announcement 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 this announcement in its proper form and context.

By Order of the Board

Zhang Liucheng
Executive Director and Chief Executive Officer
8 October 2020