

CIRCULAR DATED 7 DECEMBER 2017

THIS CIRCULAR TO SHAREHOLDERS ("CIRCULAR") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Circular is issued by Sinostar PEC Holdings Limited ("Company", together with its subsidiaries, "Group"). If you are in any doubts as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of the Company ("**Shares**") you should immediately forward this Circular, the enclosed Notice of Extraordinary General Meeting and the Proxy Form to the purchaser or 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.

Capitalised terms appearing on the cover of this Circular have the same meanings as defined herein.

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, opinions expressed 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**

THE PROPOSED ACQUISITION OF 70% EQUITY INTEREST IN THE REGISTERED AND PAID-UP CAPITAL OF DONGMING QIANHAI PETROCHEMICAL CO LIMITED AS A MAJOR TRANSACTION AND INTERESTED PERSON TRANSACTION ("PROPOSED ACQUISITION")

INDEPENDENT FINANCIAL ADVISER TO THE RECOMMENDING DIRECTORS



RHB Securities Singapore Pte. Ltd.

RHB SECURITIES SINGAPORE PTE. LTD.

(Company Registration Number: 198701140E)

(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Forms	:	20 December 2017 at 9 a.m.
Date and time of Extraordinary General Meeting	:	22 December 2017 at 9 a.m.
Place of Extraordinary General Meeting	:	Conrad Centennial Singapore, Level 2 East West Ballroom 2 Temasek Boulevard, Singapore 038982

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DEFINITIONS

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

"Act" or "Companies Act"	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
"Amount Payable"	:	Shall have the meaning ascribed to it in Section 5.2.4(4)
"Associate"	:	(a) in relation to any director, chief executive officer, 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. (30.0%) 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. (30.0%) or more
"Audit Committee"	:	The audit committee of the Company as at the date of this Circular, comprising Mr Teo Moh Gin, Mr Zhao Jinqing, and Mr Li Xiang Ping
"Board" or "Directors"	:	The board of directors of the Company as at the Latest Practicable Date
"Business Day"	:	A day (other than Saturday, Sunday or public holiday) on which banks are open for normal banking business in the PRC
"CDP"	:	The Central Depository (Pte) Limited
"Circular"	:	This circular to Shareholders dated 7 December 2017 in respect of the Proposed Acquisition
"Company"	:	Sinostar PEC Holdings Limited
"Completion"	:	The completion of the Proposed Acquisition pursuant to the SPA
"Completion Audit"	:	Shall have the meaning ascribed to it in Section 5.2.4(1)
"Completion Audit Notice"	:	Shall have the meaning ascribed to it in Section 5.2.4(1)
"Completion Date"	:	Shall have the meaning ascribed to it in Section 5.2.3
"Control"	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating practice of the Company

“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly fifteen percent (15%) or more of the total number of issued shares excluding treasury shares and subsidiary holdings in the company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over a company
“Dongming Petrochem”	:	Shandong Dongming Petrochem Group Co., Ltd
“Dongming Qianhai”	:	Dongming Qianhai Petrochemical Co Limited, being the target of the Proposed Acquisition
“EGM” or “Extraordinary General Meeting	:	The extraordinary general meeting of the Company to be held on 22 December 2017 at 9 a.m.
“EPS”	:	Earnings per Share
“Equity Valuation Report”	:	The equity valuation report dated 12 June 2017 issued by the Independent Valuer in connection with the Proposed Acquisition, a copy of which is annexed to this Circular as Appendix C
“FY”	:	Financial Year
“Group”	:	The Company, together with its subsidiaries
“IFA” or “Independent Financial Adviser”	:	RHB Securities Singapore Pte. Ltd.
“IFA Letter”	:	The IFA’s letter to the Recommending Directors regarding the Proposed Acquisition, dated 7 December 2017, a copy of which is annexed to this Circular as Appendix B
“Independent Valuer”	:	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
“Interested Person”	:	A director, chief executive officer or Controlling Shareholder of the Company or an associate of such director, chief executive officer or Controlling Shareholder
“Interested Person Transaction” or “IPT”	:	A transaction proposed to be entered into between the Group and an Interested Person
“IPT Independent Shareholders”	:	Shareholders who are deemed independent for the Proposed Acquisition
“Latest Practicable Date”	:	24 November 2017, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The mainboard rules of the listing manual of the SGX-ST, as amended, modified or supplemented from time to time
“LPG”	:	Liquefied petroleum gas
“Market Value”	:	Shall have the meaning ascribed to it in Section 5.3.3
“Mr Li”	:	Mr Li Xiang Ping, the Non-Executive Chairman of the Company

“NAV”	:	Net asset value
“NTA”	:	Net tangible assets
“Non-Executive Directors”	:	The non-executive Directors of the Company
“PRC”	:	The People’s Republic of China
“Proposed Acquisition”	:	The proposed acquisition by the Purchaser of 70% equity interest in the registered and paid-up capital of Dongming Qianhai from the Vendor, on the terms and subject to the conditions set out in the SPA
“Purchaser”	:	Dongming Hengchang Petrochemical Co., Ltd, a wholly owned subsidiary of the Company
“Purchase Consideration”	:	The sum of RMB 317,800,000, being the aggregate consideration for the purchase of the Target Equity Interest
“Recommending Directors”	:	The Directors who are regarded as independent for the purpose of the Listing Manual and the Proposed Acquisition as an IPT, namely Mr Zhang Liu Cheng, Mr Wu Guo Zhi, Mr Teo Moh Gin and Mr Zhao Jinqing
“SFA”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
“SPA”	:	The conditional equity interest transfer agreement dated 29 June 2017 entered into between the Purchaser and the Vendor relating to the Proposed Acquisition
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The registered holders of the Shares, except where the registered depositor is CDP, the term “Shareholders” shall, in relation to such shareholders, means the persons to whose securities accounts maintained with CDP are credited with the Shares
“Shares”	:	Ordinary shares in the capital of the Company
“Target Equity Interest”	:	70% equity interest in the registered and paid-up capital of Dongming Qianhai
“TT”	:	Telegraphic transfer
“Vendor”	:	Dongming Zhongyou Fuel and Petrochemical Company Limited

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

Unless the context otherwise requires:

- (a) the terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the same meanings ascribed to them, respectively, in section 81SF of the SFA. The terms “**subsidiary**”, “**related company**” and “**substantial shareholder**” shall have the meanings ascribed to them respectively, in the Companies Act;
- (b) 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 include corporations;
- (c) the headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular;
- (d) any reference in this Circular to any statute or enactment is a reference to that statute or 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 not otherwise defined in this Circular shall 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;
- (e) any discrepancies between the figures listed 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;
- (f) any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time;
- (g) certain names with Chinese characters have been translated into English. Such translations are provided solely for the convenience of Singapore-based Shareholders. They may not be registered with the relevant PRC authorities and should not be construed as representations that the English names actually represent the Chinese characters;
- (h) any reference to a time of day and to dates in this Circular shall be a reference to Singapore time and dates, unless otherwise stated; and
- (i) unless otherwise stated, the exchange rate of S\$1: RMB 4.88 has been used in this Circular.

SINOSTAR PEC HOLDINGS LIMITED

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

LETTER TO SHAREHOLDERS

Directors:

Mr Li Xiang Ping (Non-Executive Chairman)
Mr Zhang Liu Cheng (CEO and Executive Director)
Mr Wu Guo Zhi (Non-Executive Director)
Mr Teo Moh Gin (Independent Non-Executive Director)
Mr Zhao Jinqing (Independent Non-Executive Director)

Registered Office:

Six Battery Road
#10-01
Singapore 049909

7 December 2017

To: The Shareholders of Sinostar PEC Holdings Limited

Dear Sir/Madam,

THE PROPOSED ACQUISITION OF 70% EQUITY INTEREST IN THE REGISTERED AND PAID-UP CAPITAL OF DONGMING QIANHAI PETROCHEMICAL CO LIMITED AS A MAJOR TRANSACTION AND INTERESTED PERSON TRANSACTION

1. INTRODUCTION

- 1.1. The Directors propose to convene the EGM to seek Shareholders' approval for the Proposed Acquisition.
- 1.2. The purpose of this Circular is to explain the rationale for, and to provide Shareholders with the relevant information relating to the Proposed Acquisition, and to seek Shareholders' approval for the ordinary resolution thereof to be tabled at the EGM, notice of which is set out on pages N-1 to N-2 of this Circular.
- 1.3. The SGX-ST assumes no responsibility for the accuracy of any statements made, reports contained or opinions expressed in this Circular.

2. PROPOSED ACQUISITION AS A MAJOR TRANSACTION

- 2.1. On 3 May 2017, the Board announced that the Company had executed a non-binding Letter of Intent relating to the proposed acquisition by Dongming Hengchang Petrochemical Co., Ltd, a wholly-owned subsidiary of the Company ("**Purchaser**"), of 70% equity interest in the registered and paid-up capital of Dongming Qianhai from Dongming Zhongyou Fuel and Petrochemical Company Limited ("**Vendor**"), on the terms and subject to the conditions set out in the SPA ("**Proposed Acquisition**").
- 2.2. On 29 June 2017, the Board announced that the Purchaser had executed the SPA relating to the Proposed Acquisition for 70% of the equity interest in the registered and paid-up capital of Dongming Qianhai from the Vendor at the Purchase Consideration of RMB 317,800,000. The Purchase Consideration will be fully satisfied by the payment of a cash consideration of RMB 317,800,000.

2.3. Relative figures under Rule 1006 of the Listing Manual

2.3.1 The relative figures in relation to the Proposed Acquisition pursuant to Rule 1006 of the Listing Manual, using the latest announced consolidated accounts of the Group as at 31 March 2017, are:

- | | | |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| (a) | The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets. | Not applicable. |
| (b) | The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits. | (25.6%) ⁽¹⁾ |

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| (c) The aggregate value of the Purchase Consideration given, compared with the Company's market capitalisation. | 44.3% ⁽²⁾ |
| (d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue. | Not applicable. |

Notes:

- (1) Based on Dongming Qianhai's unaudited net loss attributable to the asset acquired for the three-month period ended 31 March 2017 of RMB 8,765,000 and the Group's net profit (before tax) from the latest announced consolidated accounts for the three-month period ended 31 March 2017 of RMB 34,192,000.
- (2) Based on 640,000,000 ordinary shares (excluding treasury shares) in issue and the volume weighted average price of S\$0.2297 per share as at 28 June 2017.
- 2.3.2 As the relative figure under Rule 1006(c) exceeds 20%, the Proposed Acquisition constitutes a **"Major Transaction"** as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Acquisition is subject to the approval of the Shareholders at an extraordinary general meeting.
- 2.3.3 Dongming Qianhai is in a pre-operational position due to the ongoing investments into and expenditures in the construction of the new manufacturing plant. The production line and ancillary facilities of the said plant are into the end completion and installation testing phase, and is expected to commence production in the last quarter of 2017. Notwithstanding the foregoing, based on Dongming Qianhai's business plans and the Group's intentions for the business of Dongming Qianhai, the Board believes that, through the Proposed Acquisition, the Group will be able to leverage on the business synergy and achieve greater potential for growth. This will ultimately benefit the Group, the Company, and its Shareholders.

3. RATIONALE FOR THE PROPOSED ACQUISITION

- 3.1.** The Board is of the view that the Proposed Acquisition will be in the best interests of the Group. The Board believes that based on the Group's expertise and experience in the processing and production of propylene related products, the Proposed Acquisition is a strategic fit to the Group's business expansion plans and creates business synergy.
- 3.2.** Currently, the Purchaser is mainly engaged in the production of propylene, polypropylene and processed LPG using raw LPG. Dongming Qianhai, on the other hand, uses processed LPG purchased from the Purchaser to produce propylene, purified isobutene, isobutylene and methyl tert-butyl ether (**"MTBE"**). Propylene is a raw material used in the production of a wide variety of products. It is used to further produce polypropylene, the end uses of which include films, fibers, containers, packaging, caps and closures. MTBE is normally used as a fuel component in fuel for gasoline engines.
- 3.3.** The Purchaser and Dongming Qianhai are at different levels of the production process, and are not in competition with each other. Please refer to **Appendix D** to this Circular for a flowchart on the production process for the Purchaser and Dongming Qianhai.
- 3.4.** The Company believes that there is business synergy arising from the Proposed Acquisition, as follows:
- 3.4.1 The combination of product offerings of both the Purchaser and Dongming Qianhai will enlarge the Purchaser's product offerings for its customers;
- 3.4.2 Currently, the Purchaser's annual production capacity for propylene is approximately 100,000 tonnes. Dongming Qianhai's annual production capacity for propylene is also approximately 100,000 tonnes. The quality of the propylene produced by the Purchaser and Dongming Qianhai are of similar quality. Combined, the increased production capacity of 200,000 tonnes of propylene for the Purchaser and Dongming Qianhai will boost the Group's production capacity and further boost the Group's revenue, as the sale of propylene normally commands higher margins than the sale of processed LPG.

In view of the above, the Board believes that the Group will be able to leverage on the business synergy and achieve greater potential for growth. This will ultimately benefit the Group, the Company, and its Shareholders.

- 3.5.** Following the Proposed Acquisition, Dongming Qianhai will become a Group company, but remain as an “interested person” of the Company under Chapter 9 of the Listing Manual in view that Dongming Petrochem will still hold 30% equity interest in Dongming Qianhai and is still an associate of Dongming Petrochem. Notwithstanding that, the revenue derived from Dongming Qianhai will subsequently form part of the Group’s revenue and hence contribute to the Group’s financial performance.

To ensure that the Company does not face cash flow and/or increased working capital problems for its business operations, the Company plans to fund the Proposed Acquisition using internal funds and avoid any bank financing for the Proposed Acquisition. Accordingly, the Company plans to acquire only 70% equity interest of Dongming Qianhai.

4. INFORMATION ON THE VENDOR AND DONGMING QIANHAI

- 4.1.** The Vendor is a company incorporated in the PRC and is primarily engaged in the production and sale of raw LPG, petroleum asphalt, diesel, gasoline, naphtha, propylene and solvent oil. It is a wholly-owned subsidiary of Dongming Petrochem.
- 4.2.** Dongming Qianhai is a company incorporated in Shandong Province, the PRC and has a registered and paid-up capital of RMB 400,000,000. Dongming Petrochem owns 30.0% equity interest of Dongming Qianhai while the remaining 70.0% equity interest is owned by the Vendor.
- 4.3.** Dongming Qianhai is principally engaged in the business of processing and selling of propylene, purified isobutylene and methyl tert-butyl ether, commonly known as MTBE, with an expected production capacity of up to 120,000 tonnes per annum of the said products. The expected production capacity is based on Dongming Qianhai’s business activities registered with the relevant PRC authority, and would depend on the consistent production of propylene and purified butane at a rate of approximately 120,000 tonnes per annum. On the basis that the raw ingredients can be supplied on a regular basis, the production capacity will be able to achieve 120,000 tonnes per annum. As at the date of the SPA, Dongming Qianhai has not commenced operations as the production line and ancillary facilities are into the end completion and installation phase, but is expected to commence production in the last quarter of 2017.
- 4.4.** Based on Dongming Qianhai’s unaudited financial statements for the financial year ended 31 December 2016, the net loss was approximately RMB 26,678,000. Based on Dongming Qianhai’s unaudited financial statements for the three-month period ended 31 March 2017, the net loss was approximately RMB 8,765,474. As at 31 March 2017, Dongming Qianhai had total assets of approximately RMB 1,327,425,659 and total liabilities of approximately RMB 973,751,731. This would mean that the NAV of Dongming Qianhai as at 31 March 2017 is RMB 353,673,927.
- 4.5.** A summary of the financials of Dongming Qianhai as at 31 March 2017 is set out below:

Revenue	:	Nil ⁽¹⁾
Loss Before Tax	:	RMB (8,765,474)
Loss After Tax	:	RMB (8,765,474)
Total Assets	:	RMB 1,327,425,659
Total Liabilities	:	RMB 973,751,731
Total Current Assets	:	RMB 11,633,096
Total Current Liabilities	:	RMB 473,751,731
Net Current Liabilities	:	RMB (462,118,634)
Shareholders’ Equity	:	RMB 353,673,927

Note:

(1) As at 31 March 2017, there was no revenue recorded for Dongming Qianhai as it has yet to commence operations.

5. PURCHASE CONSIDERATION

5.1. The Purchase Consideration for the Target Equity Interest is RMB 317,800,000, to be fully satisfied in cash, the basis of which is elaborated under Section 5.3 of this Circular.

5.2. Terms of Payment

Pursuant to the SPA, the Purchase Consideration shall be payable to the Vendor by the Purchaser as follows:

5.2.1 10% of the Purchase Consideration as deposit shall be paid via TT within five (5) Business Days after the execution of the SPA. In the event that any condition precedents as set out in Clause 2(3) of the SPA cannot be fulfilled and/or waived, and the Proposed Acquisition is unable to proceed, the Vendor shall refund the said deposit and pay an additional interest at the rate of 1.5% per annum;

5.2.2 40% of the Purchase Consideration shall be paid via TT within ten (10) Business Days after the condition precedents as set out in Clause 2(3) of the SPA have been fulfilled and/or waived in writing (Clause 2(3)(v) and (vi) shall not be waived). The conditions precedent to be fulfilled are set out in Section 6.1 of this Circular. As at the date of this Circular, the 40% of the Purchase Consideration under this Section 5.2.2 has not been paid by the Purchaser to the Vendor;

5.2.3 Upon the fulfilment and/or waiver of the condition precedents as set out in Clause 2(3) of the SPA, and upon the receipt of the aforesaid 50% of the Purchase Consideration, the Vendor shall immediately inform and procure Dongming Qianhai to process the change of registration (including but not limited to amendments to the articles of association, change of shareholder and change of legal representative) in respect of the transfer of the Target Equity Interest with the relevant authorities in the PRC. The completion date of the Proposed Acquisition shall be the date the Purchaser is registered as the legal beneficiary of the Target Equity Interest with the competent administration of industry and commerce in the PRC ("**Completion Date**");

5.2.4 The Purchaser and the Vendor agree to settle 40% of the Purchase Consideration after the Completion Date, subject to the following arrangements:

(1) Within five (5) Business Days after the Completion Date, the Purchaser shall conduct an audit on Dongming Qianhai based on its financial figures and status on the Completion Date ("**Completion Audit**"). Based on the results of the Completion Audit, the Purchaser shall compare the Completion Audit NAV (as defined below) with the Purchase Consideration and inform the Vendor in writing in respect of the Completion Audit results and Completion Audit NAV ("**Completion Audit Notice**");

(2) The Completion Audit NAV means: the NAV of Dongming Qianhai based on the Completion Audit + Valuation Premium, which has not been reflected in the NAV of Dongming Qianhai based on the Completion Audit x 70% x discount for lack of marketability of 11.6% derived by the Independent Valuer and stated in the Equity Valuation Report;

For clarity purposes, Valuation Premium shall mean the difference between the revalued NAV and book value of Dongming Qianhai on 31 March 2017 as stated in the equity valuation report prepared by the Independent Valuer dated 12 June 2017 ("**Equity Valuation Report**"). The revalued NAV and book value of Dongming Qianhai as stated in the Equity Valuation Report are RMB 513,622,667 and RMB 353,673,927 respectively. As such, the Valuation Premium would be RMB 159,948,740. For the avoidance of doubt, the assets that have been revalued include construction in progress and the land use right.

(3) In the event that the Completion Audit NAV is equal to the Purchase Consideration or the Completion Audit NAV is no less than 95% of the Purchase Consideration, or the Completion Audit NAV is no more than 105% of the Purchase Consideration, the Purchaser shall make payment of 40% of the Purchase Consideration via TT to the Vendor within ten (10) Business Days after the date of the Completion Audit Notice;

- (4) In the event that the Completion Audit NAV is less than 95% of the Purchase Consideration, the Purchaser shall deduct the difference between the Completion Audit NAV and the Purchase Consideration from the 40% of the Purchase Consideration ("**Amount Payable**") and then make payment of the balance via TT to the Vendor within ten (10) Business Days after the date of Completion Audit Notice; in the event that the Amount Payable is negative, the Purchaser shall state such situation clearly in the Completion Audit Notice, and the Vendor shall make payment of the amount equivalent to the absolute figure of the Amount Payable via TT to the designated bank account within ten (10) Business Days after the date of the Completion Audit Notice; and
- (5) In the event that the Completion Audit NAV is more than 105% of the Purchase Consideration, the Purchaser shall make payment of 40% of the Purchase Consideration as well as the difference between the Completion Audit NAV via TT to the Vendor within ten (10) Business Days after the date of the Completion Audit Notice.

5.2.4A In relation to Sections 5.2.4(4) and 5.2.4(5) above, the adjustment to be made to the Purchase Consideration has factored in that the Proposed Acquisition by the Company is for 70% of the equity interest of Dongming Qianhai. Please refer to the illustrations below for more details:

Illustration A:

For illustration purposes only, assuming the NAV of Dongming Qianhai based on the Completion Audit is RMB 300,000,000, the calculation of the Completion Audit NAV shall be as follows:

Completion Audit NAV:

$$(RMB\ 300,000,000 + RMB\ 159,948,740) \times 70\% \times (1 - 11.61\%) = RMB\ 284,584,084$$

As the Completion Audit NAV of RMB 284,584,084 is less than 95% of the Purchase Consideration, in accordance to Section 5.2.4(4), the Purchaser shall deduct the difference between the Completion Audit NAV and the Purchase Consideration, which is RMB 33,215,916, from 40% of the Purchase Consideration.

Illustration B:

For illustration purposes only, assuming the NAV of Dongming Qianhai based on the Completion Audit is RMB 400,000,000, the calculation of the Completion Audit NAV shall be as follows:

Completion Audit NAV:

$$(RMB\ 400,000,000 + RMB\ 159,948,740) \times 70\% \times (1 - 11.61\%) = RMB\ 346,457,084$$

As the Completion Audit NAV of RMB 346,457,084 is more than 105% of the Purchase Consideration, in accordance to Section 5.2.4(5), the Purchaser shall make payment of (i) 40% of the Purchase Consideration; and (ii) the difference between Completion Audit NAV and Purchase Consideration of RMB 28,657,084, to the Vendor.

- 5.2.5 Within five (5) Business Days after the first anniversary of the Completion Date, 10% of the Purchase Consideration shall be paid via TT by the Purchaser to the Vendor. In the event that the Purchaser and/or Dongming Qianhai suffers from any losses and damages arising from any breach of the SPA, false representations and/or breach of undertakings or other form of breach by the Vendor before the first anniversary, the Purchaser shall be entitled to deduct the relevant compensation to the said losses from the 10% of the Purchase Consideration. In the event that the 10% of the Purchase Consideration cannot cover the losses, the Vendor shall make such further payment to the Purchaser in respect of the shortfall to the Purchaser as compensation.

5.3. Basis of Purchase Consideration

- 5.3.1 The Purchase Consideration was arrived at based on the independent valuation conducted by the Independent Valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

- 5.3.2 For the purpose of the Proposed Acquisition, the Purchaser has appointed the Independent Valuer to conduct a valuation to estimate the Market Value (as defined below) of the Target Equity Interest as at 31 March 2017.
- 5.3.3 The Independent Valuer has adopted the market value basis in arriving at the valuation of Target Equity Interest. Market Value 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”.
- 5.3.4 In performing its valuation, the Independent Valuer has considered the types of assets and liabilities and their conditions of Dongming Qianhai when arriving at the market values of these items. The Independent Valuer has relied primarily on the market approach and cost approach in valuing the Target Equity Interest. Market approach is adopted for land and other assets where active secondary market data are available, whereas cost approach is adopted where there is a lack of active secondary data, for example, for buildings and machinery. After due consideration of key assumptions, including the assumption that all relevant title certifications for the land use rights had been obtained and the properties could be freely transferred, limitations and valuation basis, the Market Value of the Target Equity Interest as determined by the Independent Valuer is RMB 317,800,000.

For clarity purposes, in order to obtain title certifications for the land use rights, Dongming Qianhai will need to carry out various filings with Dongming Bureau of Land and Resources. Dongming Bureau of Land and Resources only has a limited number of land use rights certifications to issue annually, and the land use rights certifications will only be granted after Dongming Qianhai receives approval from Dongming Bureau of Land and Resources. Presently, 549 acres of land has been designated by the local government to Dongming Qianhai for its production usage and another 158 acres of land is pending approval and designation from the local government to Dongming Qianhai for the same usage. As of the date of this Circular, Dongming Qianhai has already received land use rights for 187 acres and has submitted applications for the land use rights for 285 acres, but pending the supply of land use rights certifications. Dongming Qianhai has also completed collating the documents required for the application for land use rights for 77 acres. The pre-clearance with the local government has been obtained for the use of land by Dongming Qianhai, and although the land use rights certifications have not been obtained by Dongming Qianhai, this would not affect its business operations.

5.4. Source of funds

The total Purchase Consideration will be fully funded by internal resources generated from operations.

6. PRINCIPLE TERMS OF THE SPA

6.1. Conditions Precedent

Completion is subject to the satisfaction or exemption of the following conditions precedent on or before 30 September 2017 or such later date as may be mutually agreed upon by the Purchaser and the Vendor in writing:

- 6.1.1 that the Purchaser procures all the necessary and relevant internal approvals and consents in respect of the Proposed Acquisition, including but not limited to, the relevant shareholders’ and/or board approvals;
- 6.1.2 that the Vendor procures all the necessary and relevant internal approvals and consents in respect of the Proposed Acquisition, including but not limited to, the relevant shareholders’ and/or board approvals;
- 6.1.3 that the Proposed Acquisition shall be approved in accordance with Dongming Qianhai’s constitution and/or will not be in breach of any shareholders’ agreements;

- 6.1.4 that the results of the financial and legal due diligence as conducted by the relevant professionals are satisfactory and acceptable to the Purchaser at its sole and absolute discretion;
- 6.1.5 that the Proposed Acquisition shall be approved by the Shareholders of the Company in accordance with the relevant applicable laws and regulations of Singapore;
- 6.1.6 that Mr Li Xiang Ping, as the legal representative of the Purchaser and as a director of both of Dongming Qianhai's shareholders, will abstain from voting on all matters relating to the Proposed Acquisition; and
- 6.1.7 that the other shareholder of Dongming Qianhai shall consent in writing to waiving their respective pre-emption rights in respect of the Proposed Acquisition.

6.2. Warranties

The warranties given by the Vendor are as follows:

- 6.2.1 that the Vendor's investment in the equity interest in Dongming Qianhai was lawfully and validly made;
- 6.2.2 that the Vendor is the legal beneficiary of the Target Equity Interest and the Target Equity Interest under the Proposed Acquisition has not been pledged, used as security, is the subject of any litigation and is otherwise free from encumbrances and any third party claims;
- 6.2.3 that the Vendor will use its best endeavours to procure that the shareholders of Dongming Qianhai pass all necessary shareholders' resolutions required to carry out the Proposed Acquisition;
- 6.2.4 that the financial information provided by the Vendor to the Purchaser in respect of Dongming Qianhai is true and accurate in all material aspects as of 31 March 2017;
- 6.2.5 that as of 31 March 2017, Dongming Qianhai has not obtained the land use right for the 347,671.42 square meters of land used by Dongming Qianhai. As such, the Vendor warrants that it has already made the necessary applications to the relevant authorities for the land use right. It is estimated that the application will take two (2) years to complete; and
- 6.2.6 that the Vendor will compensate the Purchaser for any damage or loss suffered by the Purchaser and/or Dongming Qianhai as a result of the possession, ownership or use of the land.

The warranties given by the Purchaser are as follows:

- 6.2.7 that all relevant documents and statements made in connection with the Proposed Acquisition are true, accurate and complete and do not contain any false information, material omissions or misstatements; and
- 6.2.8 that the Purchaser has full authority and capacity to perform all its obligations under the SPA, and the Purchaser has sufficient fund to settle the payment of the Purchase Consideration.

7. FINANCIAL EFFECTS

- 7.1.** The financial effects of the Proposed Acquisition are purely for illustrative purposes and should not be taken as an indication of the actual financial performance of the Group following the Proposed Acquisition nor a projection of the future financial performance or position of the Group after Completion.
- 7.2.** For purposes of illustration only, and based on the audited financial statements of the Group for FY2016, the financial effects of the Proposed Acquisition on the Group are set out below:

7.2.1 NTA per Share

For illustrative purposes only, assuming that the Proposed Acquisition had been effected on 31 December 2016, the net tangible assets per share of the Group as at 31 December 2016 would have been as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (RMB'000)	613,673	549,579
Number of Shares ('000)	640,000	640,000
NTA per Share attributable to Shareholders (RMB cents)	95.89	85.87

7.2.2 EPS

For illustrative purposes only, the financial effect of the Proposed Acquisition on the EPS of the Company for the financial year ended 31 December 2016 assuming that the Proposed Acquisition had been effected on 1 January 2016 would have been as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition ⁽¹⁾
Net profit attributable to Shareholders (RMB'000)	89,802	71,129
Weighted average number of shares used in the computation of basic EPS ('000)	640,000	640,000
Basic EPS (RMB cents)	14.03	11.11

Note:

(1) The relevant figures in this column have been rectified from those disclosed in the Company's announcement dated 29 June 2017, which was originally based on the unaudited financial statement for the first quarter ended 31 March 2017.

8. NO SERVICE CONTRACTS

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

9. THE PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION

- 9.1.** Chapter 9 of the Listing Manual governs transactions by an issuer (that is, a company which is listed on the SGX-ST), as well as transactions by the issuer's subsidiaries and associated companies that are considered to be "at risk", with the issuer's interested persons (that is, the issuer's directors, chief executive officer, controlling shareholders and their respective associates (as defined in the Listing Manual)). In general,

when Chapter 9 of the Listing Manual applies to a transaction with an interested person and the value of the transaction singly, or, in aggregation with the values of other transactions entered into with the same interested person in the same financial year equals or exceeds 5% of the issuer's latest audited consolidated NTA, that transaction shall be subject to the approval of the shareholders of the issuer being obtained at an extraordinary general meeting to be convened.

9.2. As at the Latest Practicable Date, the Company's Non-Executive Chairman and Controlling Shareholder, Mr Li, holds 42.87% of Shandong Si Yuan Trading Co., Ltd, which in turn holds 19.06% of the equity interest in Shandong Hong Li Yuan Stock Limited Company. Shandong Hong Li Yuan Stock Limited Company is the majority shareholder of Dongming Petrochem with 87.25% equity interest. Dongming Petrochem in turn holds the entire equity interest in the Vendor, and 30% equity interest in Dongming Qianhai. A diagram setting out, *inter alia*, Mr Li's indirect shareholding interests in the Vendor is contained in **Appendix A** to this Circular.

9.3. In addition, Mr Li as the Company's Non-Executive Chairman and controlling shareholder, through Intelligent People Holdings Limited, holds 52.82% of the Company.

9.4. While Mr Li is not deemed interested in the equity interest of Dongming Petrochem, as he holds less than 20% interest in Shandong Hong Li Yuan Stock Limited, he is the chairman and legal representative of Dongming Petrochem. Therefore, in the interest of good corporate governance, the Company will be treating the Vendor and Mr Li as "interested persons" of the Company, and the Proposed Acquisition as an "interested person transaction".

9.5. Save as disclosed in this Circular, Mr Li and the Vendor do not have any other interest, whether direct or indirect, in the Proposed Acquisition.

9.6. NTA

9.6.1 Under Chapter 9 of the Listing Manual, where a listed issuer proposes to enter into a transaction with an Interested Person, the approval of the listed issuer's shareholders is required in respect of the transaction if such transaction is equal to or exceeds 5% of the latest audited NTA of the Group.

9.6.2 Based on the latest audited consolidated financial statements for the Group as at 31 December 2016 the audited consolidated NTA was RMB 613,673,000. The Purchase Consideration of RMB 317,800,000 has exceeded 5% of the latest audited consolidated NTA of the Group as at 31 December 2016.

9.7. Shareholders' Approval

9.7.1 Accordingly, the Proposed Acquisition would be considered an Interested Person Transaction that requires the approval of Shareholders under Rule 906 of the Listing Manual.

9.7.2 Pursuant to Rule 919 of the Listing Manual, Mr Li and his associates must not vote on the resolution nor accept appointment as proxies unless specific instructions as to voting are given.

9.8. Total Value of Interested Person Transaction

9.8.1 The total value of all interested person transactions entered into by the Group with only the Vendor (excluding all transactions which are less than S\$100,000) for the current financial year up to the date of this Circular is approximately RMB 1,120,000,000 (equivalent to S\$229,100,000).

9.8.2 The total value of all interested person transactions entered into by the Group (excluding all transactions which are less than S\$100,000) for the current financial year up to the date of this Circular is approximately RMB 1,150,000,000 (equivalent to S\$235,500,000).

9.8.3 Save as disclosed above, there are no other interested person transactions since the beginning of the current financial year up to the date of this Circular.

9.9. Directors' and Substantial Shareholders' Interests

9.9.1 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	
	No. of Shares	%	No. of Shares	%
Directors				
Li Xiang Ping	-	-	334,056,600 ⁽²⁾	52.19
Zhang Liu Cheng	200,000	0.03	-	-
Wu Guo Zhi	-	-	-	-
Teo Moh Gin	100,000	0.02	-	-
Zhao Jinqing	-	-	-	-
Substantial Shareholders				
Intelligent People Holdings Limited	329,996,000	51.56	4,060,600 ⁽¹⁾	0.63
Yoof Investments Limited	35,070,000	5.48	-	-

Notes:

- (1) Intelligent People Holdings Limited is deemed to be interested in 4,060,600 Shares held on its behalf under the name of its nominee – RHB Securities Singapore Pte. Ltd.
- (2) Mr Li, by virtue of the provisions of Section 7 of the Companies Act, is deemed to have an interest in the aggregate number of 334,056,600 Shares that Intelligent People Holdings Limited is interest or deemed to be interested in, due to his 100.0% shareholding interest in Intelligent People Holdings Limited.

9.9.2 Save as disclosed above, none of the Directors or Shareholders of the Company has any interest, whether direct or indirect, in the Proposed Acquisition.

10. ADVICE OF THE IFA IN RELATION TO THE INTERESTED PERSON TRANSACTION

- 10.1. Pursuant to Chapter 9 of the Listing Manual, RHB Securities Singapore Pte. Ltd. has been appointed as the independent financial adviser to advise the Recommending Directors on whether the financial terms of the Proposed Acquisition are on normal commercial terms and are not prejudicial to the interests of the Company and its independent Shareholders.
- 10.2. A copy of this IFA Letter is set out in the **Appendix B** to this Circular. The following is an extract from Section 5 of the IFA Letter and Shareholders should read such extract in conjunction with, and in full context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated:

"5. RECOMMENDATION

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

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 the Proposed Acquisition are normal commercial terms and will not be prejudicial to the interests of the Company and its Independent Shareholders. We therefore advise you to recommend that Independent Shareholders vote in favour of the Proposed Acquisition to be proposed at the extraordinary general meeting to be convened ("EGM").

The Recommending 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."

- 10.3. Shareholders are advised to read and consider the IFA Letter for the Proposed Acquisition as an interested person transaction in its entirety as reproduced in **Appendix B** to this Circular and consider carefully the recommendations of the Recommending Directors for the Proposed Acquisition set out in this Circular.

11. AUDIT COMMITTEE STATEMENT

11.1.1 The Audit Committee of our Company consists of Mr Teo Moh Gin, Mr Li and Mr Zhao Jinqing.

11.1.2 The Audit Committee (save for Mr Li who is deemed interested and/or does not consider himself independent), having considered, *inter alia*, the terms of the Proposed Acquisition and the opinion of the IFA is satisfied that the Proposed Acquisition are on normal commercial terms and is not prejudicial to the interests of the Company and its independent Shareholders ("**AC Opinion**").

12. DIRECTORS' RECOMMENDATIONS

12.1. The Recommending Directors having considered and reviewed, *inter alia*, the terms of the SPA, the rationale for, the AC Opinion on, and the financial effects of the Proposed Acquisition and all other relevant facts set out in this Circular, are collectively of the view that the Proposed Acquisition is in the best interests of the Company. The Recommending Directors therefore recommend that Shareholders vote in favour of the Proposed Acquisition at the EGM.

12.2. Shareholders, in deciding whether to vote in favour of the resolution, should read carefully the terms and conditions, rationale, information on the Vendor, financial effects of the Proposed Acquisition and consider carefully the advice of the IFA (including the IFA Letter in its entirety as set out in **Appendix B** to this Circular). In giving the above recommendations, the Recommending Directors have not had regard to the specific investment objectives, financial situation, tax position or unique needs or constraints of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Recommending Directors recommend that any individual Shareholder who may require specific advice in relation to his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

13. EXTRAORDINARY GENERAL MEETING

13.1. The EGM, notice of which is set out on pages N-1 to N-2 of this Circular, will be held at Conrad Centennial Singapore, Level 2 East West Ballroom, 2 Temasek Boulevard, Singapore 038982 on 22 December 2017 at 9 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the ordinary resolution set out in the notice of EGM.

14. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING

14.1. Rule 919 of the Listing Manual requires that Interested Persons and their associates must not vote on any Shareholders' resolution relating to the Proposed Acquisition at the forthcoming EGM.

14.2. Mr Li who is deemed to have an interest in the aggregate number of 334,056,600 Shares, which Intelligent People Holdings Limited is interested in or deemed to be interested in, due to his 100.0% shareholding interest in Intelligent People Holdings Limited, will abstain, and procure that Intelligent People Holdings Limited and all its other associates will abstain, from voting at the forthcoming EGM in relation to the Proposed Acquisition in respect of the ordinary resolution as set out in the notice of EGM on pages N-1 to N-2 of this Circular unless the IPT Independent Shareholders appointing them as proxies give specific instructions in the relevant Proxy Form in the manner in which they wish their votes to be cast in relation to the ordinary resolution as set out in the notice of EGM.

15. ACTION TO BE TAKEN BY SHAREHOLDERS

15.1. Shareholders who are unable to attend the forthcoming 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 Six Battery Road #10-01, Singapore 049909 not less than forty-eight (48) hours before the time fixed for the forthcoming EGM. The completion and lodgement of the Proxy Form by a Shareholder will not prevent him from attending and voting at the forthcoming EGM in person if he subsequently wishes to do so.

- 15.2.** A Depositor shall not be regarded as a member of the company entitled to attend the forthcoming EGM and to speak and vote thereat unless his name appears on the Depository Register at least forty-eight (48) hours before the forthcoming EGM.

16. DIRECTORS' RESPONSIBILITY STATEMENT

- 16.1. 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 Acquisition, 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.
- 16.2. Where information in the 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.

17. CONSENTS

- (a) The IFA, RHB Securities Singapore Pte. Ltd., has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter reproduced in **Appendix B** to this Circular and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular; and
- (b) The Independent Valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the Equity 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 and to act in such capacity in relation to this Circular.

18. DOCUMENTS AVAILABLE FOR INSPECTION

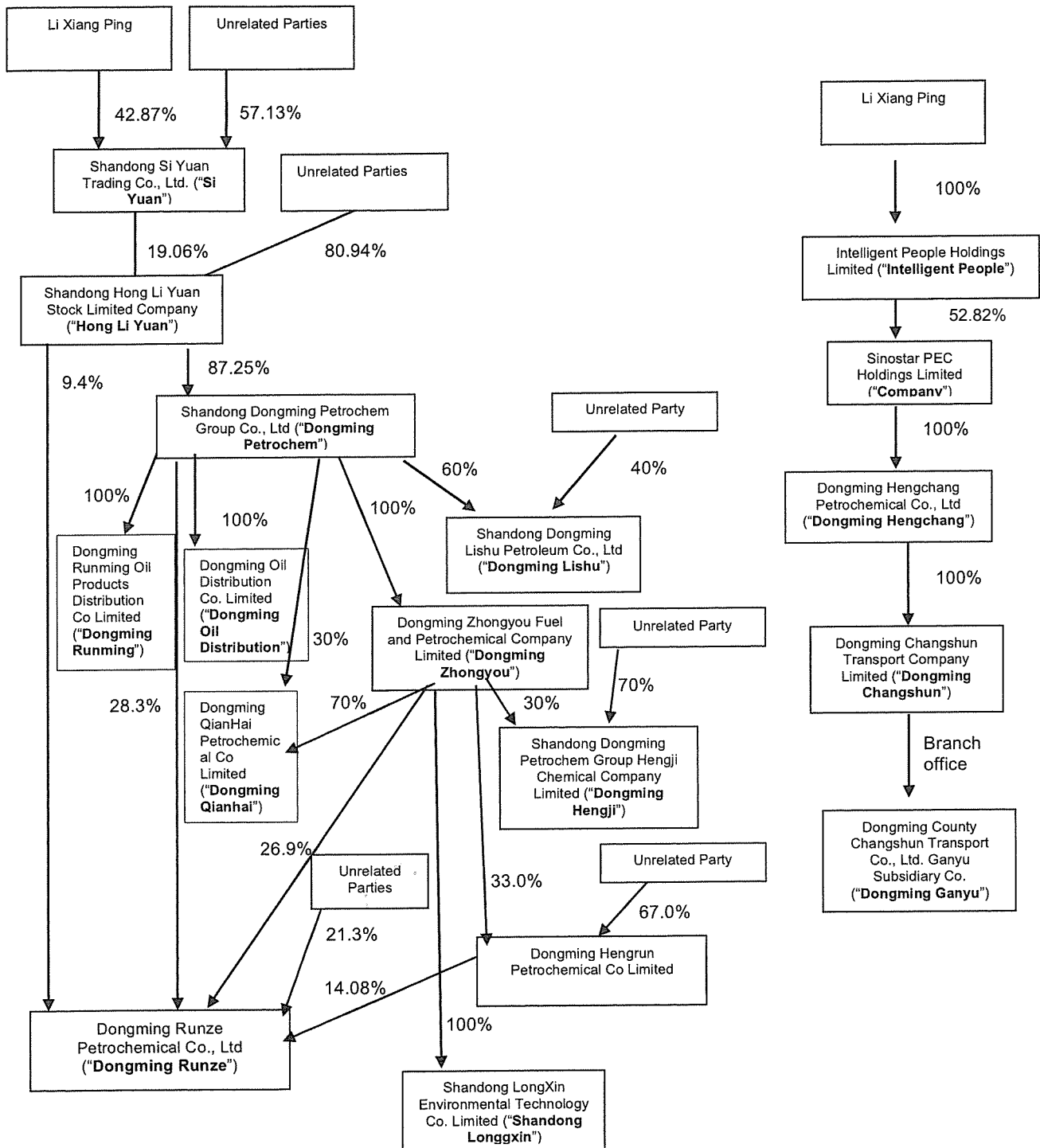
- 18.1. Copies of the following documents are available for inspection at the registered office of the Company at Six Battery Road #10-01, Singapore 049909, during normal business hours from the date hereof up to and including the date of the forthcoming EGM:
- (a) the Constitution of the Company;
- (b) the IFA Letter dated 7 December 2017;
- (c) the Equity Valuation Report;
- (d) the letters of consent referred to in Section 17 above;
- (e) the SPA; and
- (f) the annual report of the Company for FY2016.

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

Zhang Liu Cheng
Chief Executive Officer and Executive Director

APPENDIX A

SHAREHOLDING INTERESTS OF MR LI AND THE SHAREHOLDING STRUCTURE OF SHANDONG DONGMING PETROCHEM GROUP CO., LTD



APPENDIX B

IFA LETTER

LETTER FROM RHB SECURITIES SINGAPORE PTE. LTD. TO THE RECOMMENDING DIRECTORS OF SINOSTAR PEC HOLDINGS LIMITED

7 December 2017

The Recommending Directors of
Sinostar PEC Holdings Limited
Six Battery Road
#10-01
Singapore 049909

Dear Sirs,

THE PROPOSED ACQUISITION OF 70% EQUITY INTEREST IN THE REGISTERED AND PAID-UP CAPITAL OF DONGMING QIANHAI PETROCHEMICAL CO LIMITED ("DONGMING QIANHAI") AS A MAJOR TRANSACTION AND INTERESTED PERSON 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 7 December 2017 (the "Circular").

1. INTRODUCTION

On 3 May 2017, Sinostar PEC Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") announced that its wholly owned subsidiary, Dongming Hengchang Petrochemical Co., Ltd ("**Purchaser**"), entered into a non-binding letter of intent in relation to a potential acquisition.

On 29 June 2017, the Company announced that the Purchaser had on 29 June 2017 executed a conditional equity interest transfer agreement ("**SPA**") relating to the proposed acquisition of 70% equity interest in the total registered and paid-up capital of Dongming Qianhai ("**Target Equity Interest**") from Dongming Zhongyou Fuel and Petrochemical Company Limited ("**Vendor**") for the purchase consideration of RMB317,800,000 ("**Proposed Acquisition**"). The purchase consideration will be fully satisfied in cash.

The Proposed Acquisition constitutes an "interested person transaction" within the meaning of Chapter 9 of the Listing Manual and a "major acquisition" within the meaning of Chapter 10 of the Listing Manual. As such, the Proposed Acquisition is conditional upon the approval of the Company's shareholders who are not interested persons as defined in Chapter 9 of the Listing Manual ("**Independent Shareholders**"), pursuant to Rule 906 of the Listing Manual.

For information on the interested person, please refer to section 3.4 of this letter.

In connection with the above and pursuant to the requirements of Chapter 9 of the Listing Manual, RHB Securities Singapore Pte. Ltd. ("**RHBSec**") was appointed by the Company as the independent financial adviser ("**IFA**") to advise the Directors who are deemed to be independent in respect of the Proposed Acquisition ("**Recommending Directors**") whether the terms of the Proposed Acquisition are on normal commercial terms and are not prejudicial to the interests of the Company and its Independent Shareholders.

This letter ("**Letter**") sets out, inter alia, our evaluation of the Proposed Acquisition as an Interested Person Transaction, and our advice to the Recommending Directors in relation to their recommendations to the Independent Shareholders on the Proposed Acquisition and forms part of the Circular providing, inter alia, details of the Proposed Acquisition and the recommendations of the Recommending Directors in respect thereof.

2. TERMS OF REFERENCE

RHBSec has been appointed to advise the Recommending Directors only in respect of whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and the Independent Shareholders.

RHBSec is neither a party to the negotiations or discussions in relation to the Proposed Acquisition nor were we involved in the deliberations leading up to the decision on the part of the Company to enter into the SPA. We do not, by this Letter, in any way advise on the merits of the Proposed Acquisition other than to form an opinion on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its 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 Acquisition 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 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 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 and/or Dongming Qianhai stated herein (if any).

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 Acquisition, the Company, the Group and 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 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 Acquisition, the Company, the Group and 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 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 and/or the Group, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Listing Manual and/or deemed necessary or appropriate by us) in arriving at our advice as set out in this Letter. We have not obtained from the Company and/or the Group any projection of the future performance including financial performance of the Company and/or the Group and further, we did not conduct discussions with the Directors and management of the

Company and/or the Group on, and did not have access to, any business plan and financial projections of the Company and/or the Group. We also do not express any opinion herein as to the prices at which the shares of the Company may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after completion of the Proposed Acquisition.

We have not made any independent evaluation and appraisal on the assets and liabilities of the Company, the Group 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, through the Purchaser, appointed Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") as the independent valuer ("**Independent Valuer**") to conduct a valuation to estimate the Market Value of the Target Equity Interest as at 31 March 2017 ("**Equity Valuation Report**"), which is reproduced in Appendix C to the Circular. With respect to the Equity Valuation Report, we are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on the Equity Valuation Report 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 Recommending 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.

This Letter is required under Rule 921(4)(a) of the Listing Manual and is only for the use and benefit of the Recommending Directors. The recommendations made by them to the Independent Shareholders are the responsibility of the Recommending Directors. Shareholders should also take note of any announcements relevant to the Proposed Acquisition which may be released by the Company after the Latest Practicable Date.

3. THE PROPOSED ACQUISITION

3.1 INFORMATION ON THE VENDOR AND DONGMING QIANHAI

Information on the Vendor and Dongming Qianhai has been extracted from section 4 of the Circular and set out in italics below.

"4. INFORMATION ON THE VENDOR AND DONGMING QIANHAI

- 4.1. The Vendor is a company incorporated in the PRC and is primarily engaged in the production and sale of raw LPG, petroleum asphalt, diesel, gasoline, naphtha, propylene and solvent oil. It is a wholly-owned subsidiary of Dongming Petrochem.*
- 4.2. Dongming Qianhai is a company incorporated in Shandong Province, the PRC and has a registered and paid-up capital of RMB400,000,000. Dongming Petrochem owns 30.0% equity interest of Dongming Qianhai while the remaining 70.0% equity interest is owned by the Vendor.*
- 4.3. Dongming Qianhai is principally engaged in the business of processing and selling of propylene, purified isobutylene and methyl tert-butyl ether, commonly known as MTBE, with an expected production capacity of up to 120,000 tonnes per annum of the said products. The expected*

production capacity is based on Dongming Qianhai's business activities registered with the relevant PRC authority, and would depend on the consistent production of propylene and purified butane at a rate of approximately 120,000 tonnes per annum. On the basis that the raw ingredients can be supplied on a regular basis, the production capacity will be able to achieve 120,000 tonnes per annum. As at the date of the SPA, Dongming Qianhai has not commenced operations as the production line and ancillary facilities are into the end completion and installation phase, but is expected to commence production in the last quarter of 2017.

4.4. Based on Dongming Qianhai's unaudited financial statements for the financial year ended 31 December 2016, the net loss was approximately RMB26,678,000. Based on Dongming Qianhai's unaudited financial statements for the three-month period ended 31 March 2017, the net loss was approximately RMB 8,765,474. As at 31 March 2017, Dongming Qianhai had total assets of approximately RMB 1,327,425,659 and total liabilities of approximately RMB 973,751,731. This would mean that the NAV of Dongming Qianhai as at 31 March 2017 is RMB 353,673,927.

4.5. A summary of the financials of Dongming Qianhai as at 31 March 2017 is set out below:

Revenue	:	Nil ⁽¹⁾
Loss Before Tax	:	RMB (8,765,474)
Loss After Tax	:	RMB (8,765,474)
Total Assets	:	RMB 1,327,425,659
Total Liabilities	:	RMB 973,751,731
Total Current Assets	:	RMB 11,633,096
Total Current Liabilities	:	RMB 473,751,731
Net Current Liabilities	:	RMB (462,118,634)
Shareholders' Equity	:	RMB 353,673,927

Note:

(1) As at 31 March 2017, there was no revenue recorded for Dongming Qianhai as it has yet to commence operations."

3.2 PURCHASE CONSIDERATION AND TERMS OF PAYMENT

Information on the Purchase Consideration and its terms of payments has been extracted from sections 5.1 and 5.2 of the Circular and set out in italics below. Shareholders are advised to read sections 5.1 and 5.2 of the Circular carefully.

"5. PURCHASE CONSIDERATION

5.1. The Purchase Consideration for the Target Equity Interest is RMB317,800,000, to be fully satisfied in cash, the basis of which is elaborated under Section 5.3 of this Circular.

5.2. Terms of Payment

Pursuant to the SPA, the Purchase Consideration shall be payable to the Vendor by the Purchaser as follows:

5.2.1 10% of the Purchase Consideration as deposit shall be paid via TT within five (5) Business Days after the execution of the SPA. In the event that any condition precedents as set out in Clause 2(3) of the SPA cannot be fulfilled and/or waived, and the Proposed Acquisition is unable to proceed, the Vendor shall refund the said deposit and pay an additional interest at the rate of 1.5% per annum;

5.2.2 40% of the Purchase Consideration shall be paid via TT within ten (10) Business Days after the condition precedents as set out in Clause 2(3) of the SPA have been fulfilled and/or waived in writing (Clause 2(3)(v) and (vi) shall not be waived). The conditions precedent to be fulfilled are set out in Section 6.1 of this Circular. As at the date of this

Circular, the 40% of the Purchase Consideration under this Section 5.2.2 has not been paid by the Purchaser to the Vendor;

5.2.3 *Upon the fulfilment and/or waiver of the condition precedents as set out in Clause 2(3) of the SPA, and upon the receipt of the aforesaid 50% of the Purchase Consideration, the Vendor shall immediately inform and procure Dongming Qianhai to process the change of registration (including but not limited to amendments to the articles of association, change of shareholder and change of legal representative) in respect of the transfer of the Target Equity Interest with the relevant authorities in the PRC. The completion date of the Proposed Acquisition shall be the date the Purchaser is registered as the legal beneficiary of the Target Equity Interest with the competent administration of industry and commerce in the PRC ("**Completion Date**");*

5.2.4 *The Purchaser and the Vendor agree to settle 40% of the Purchase Consideration after the Completion Date, subject to the following arrangements:*

(1) *Within five (5) Business Days after the Completion Date, the Purchaser shall conduct an audit on Dongming Qianhai based on its financial figures and status on the Completion Date ("**Completion Audit**"). Based on the results of the Completion Audit, the Purchaser shall compare the Completion Audit NAV (as defined below) with the Purchase Consideration and inform the Vendor in writing in respect of the Completion Audit results and Completion Audit NAV ("**Completion Audit Notice**");*

(2) *The Completion Audit NAV means: the NAV of Dongming Qianhai based on the Completion Audit + Valuation Premium, which has not been reflected in the NAV of Dongming Qianhai based on the Completion Audit x 70% x discount for lack of marketability of 11.6% derived by the Independent Valuer and stated in the Equity Valuation Report;*

*For clarity purposes, Valuation Premium shall mean the difference between the revalued NAV and book value of Dongming Qianhai on 31 March 2017 as stated in the equity valuation report prepared by the Independent Valuer dated 12 June 2017 ("**Equity Valuation Report**"). The revalued NAV and book value of Dongming Qianhai as stated in the Equity Valuation Report are RMB513,622,667 and RMB353,673,927 respectively. As such, the Valuation Premium would be RMB159,948,740. For the avoidance of doubt, the assets that have been revalued include construction in progress and the land use right.*

(3) *In the event that the Completion Audit NAV is equal to the Purchase Consideration or the Completion Audit NAV is no less than 95% of the Purchase Consideration, or the Completion Audit NAV is no more than 105% of the Purchase Consideration, the Purchaser shall make payment of 40% of the Purchase Consideration via TT to the Vendor within ten (10) Business Days after the date of the Completion Audit Notice;*

(4) *In the event that the Completion Audit NAV is less than 95% of the Purchase Consideration, the Purchaser shall deduct the difference between the Completion Audit NAV and the Purchase Consideration from the 40% of the Purchase Consideration ("**Amount Payable**") and then make payment of the balance via TT to the Vendor within ten (10) Business Days after the date of Completion Audit Notice; in the event that the Amount Payable is negative, the Purchaser shall state such situation clearly in the Completion Audit Notice, and the Vendor shall make payment of the amount equivalent to the absolute figure of the Amount Payable via TT to the designated bank account within ten (10) Business Days after the date of the Completion Audit Notice; and*

(5) *In the event that the Completion Audit NAV is more than 105% of the Purchase Consideration, the Purchaser shall make payment of 40% of the Purchase Consideration as well as the difference between the Completion Audit NAV via TT to the Vendor within ten (10) Business Days after the date of the Completion Audit Notice.*

5.2.4A *In relation to Sections 5.2.4(4) and 5.2.4(5) above, the adjustment to be made to the Purchase Consideration has factored in that the Proposed Acquisition by the Company is for 70% of the equity interest of Dongming Qianhai. Please refer to the illustrations below for more details:*

Illustration A:

For illustration purposes only, assuming the NAV of Dongming Qianhai based on the Completion Audit is RMB300,000,000, the calculation of the Completion Audit NAV shall be as follows:

*Completion Audit NAV:
(RMB300,000,000 + RMB159,948,740) × 70% × (1 – 11.61%) = RMB284,584,084*

As the Completion Audit NAV of RMB284,584,084 is less than 95% of the Purchase Consideration, in accordance to Section 5.2.4(4), the Purchaser shall deduct the difference between the Completion Audit NAV and the Purchase Consideration, which is RMB33,215,916, from 40% of the Purchase Consideration.

Illustration B:

For illustration purposes only, assuming the NAV of Dongming Qianhai based on the Completion Audit is RMB400,000,000, the calculation of the Completion Audit NAV shall be as follows:

*Completion Audit NAV:
(RMB400,000,000 + RMB159,948,740) × 70% × (1 – 11.61%) = RMB346,457,084*

As the Completion Audit NAV of RMB346,457,084 is more than 105% of the Purchase Consideration, in accordance to Section 5.2.4(5), the Purchaser shall make payment of (i) 40% of the Purchase Consideration; and (ii) the difference between Completion Audit NAV and Purchase Consideration of RMB28,657,084, to the Vendor.

5.2.5 *Within five (5) Business Days after the first anniversary of the Completion Date, 10% of the Purchase Consideration shall be paid via TT by the Purchaser to the Vendor. In the event that the Purchaser and/or Dongming Qianhai suffers from any losses and damages arising from any breach of the SPA, false representations and/or breach of undertakings or other form of breach by the Vendor before the first anniversary, the Purchaser shall be entitled to deduct the relevant compensation to the said losses from the 10% of the Purchase Consideration. In the event that the 10% of the Purchase Consideration cannot cover the losses, the Vendor shall make such further payment to the Purchaser in respect of the shortfall to the Purchaser as compensation."*

3.3 CONDITIONS PRECEDENT

Information relating to the conditions precedent of the Proposed Acquisition have been extracted from section 6.1 of the Circular and set out in italics below.

"6.1. Conditions Precedent

Completion is subject to the satisfaction or exemption of the following conditions precedent on or before 30 September 2017 or such later date as may be mutually agreed upon by the Purchaser and the Vendor in writing:

6.1.1 *that the Purchaser procures all the necessary and relevant internal approvals and consents in respect of the Proposed Acquisition, including but not limited to, the relevant shareholders' and/or Board approvals;*

- 6.1.2 *that the Vendor procures all the necessary and relevant internal approvals and consents in respect of the Proposed Acquisition, including but not limited to, the relevant shareholders' and/or Board approvals;*
- 6.1.3 *that the Proposed Acquisition shall be approved in accordance with Dongming Qianhai's constitution and/or will not be in breach of any shareholders' agreements;*
- 6.1.4 *that the results of the financial and legal due diligence as conducted by the relevant professionals are satisfactory and acceptable to the Purchaser at its sole and absolute discretion;*
- 6.1.5 *that the Proposed Acquisition shall be approved by the Shareholders of the Company in accordance with the relevant applicable laws and regulations of Singapore;*
- 6.1.6 *that Mr Li Xiang Ping, as the legal representative of the Purchaser and as a director of both of Dongming Qianhai's shareholders, will abstain from voting on all matters relating to the Proposed Acquisition; and*
- 6.1.7 *that the other shareholder of Dongming Qianhai shall consent in writing to waiving their respective pre-emption rights in respect of the Proposed Acquisition."*

3.4 THE PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION

Information relating to the Proposed Acquisition as an interested person transaction have been extracted from section 9.1 to 9.5 of the Circular and set out in italics below.

- "9.1. *Chapter 9 of the Listing Manual governs transactions by an issuer (that is, a company which is listed on the SGX-ST), as well as transactions by the issuer's subsidiaries and associated companies that are considered to be "at risk", with the issuer's interested persons (that is, the issuer's directors, chief executive officer, controlling shareholders and their respective associates (as defined in the Listing Manual)). In general, when Chapter 9 of the Listing Manual applies to a transaction with an interested person and the value of the transaction singly, or, in aggregation with the values of other transactions entered into with the same interested person in the same financial year equals or exceeds 5% of the issuer's latest audited consolidated NTA, that transaction shall be subject to the approval of the shareholders of the issuer being obtained at an extraordinary general meeting to be convened.*
- 9.2. *As at the Latest Practicable Date, the Company's Non-Executive Chairman and Controlling Shareholder, Mr Li, holds 42.87% of Shandong Si Yuan Trading Co., Ltd, which in turn holds 19.06% of the equity interest in Shandong Hong Li Yuan Stock Limited Company. Shandong Hong Li Yuan Stock Limited Company is the majority shareholder of Dongming Petrochem with 87.25% equity interest. Dongming Petrochem in turn holds the entire equity interest in the Vendor, and 30% equity interest in Dongming Qianhai. A diagram setting out, inter alia, Mr Li's indirect shareholding interests in the Vendor is contained in **Appendix A** to this Circular.*
- 9.3. *In addition, Mr Li as the Company's Non-Executive Chairman and controlling shareholder, through Intelligent People Holdings Limited, holds 52.82% of the Company.*
- 9.4. *While Mr Li is not deemed interested in the equity interest of Dongming Petrochem, as he holds less than 20% interest in Shandong Hong Li Yuan Stock Limited, he is the chairman and legal representative of Dongming Petrochem. Therefore, in the interest of good corporate governance, the Company will be treating the Vendor and Mr Li as "interested persons" of the Company, and the Proposed Acquisition as an "interested person transaction".*
- 9.5. *Save as disclosed in this Circular, Mr Li and the Vendor do not have any other interest, whether direct or indirect, in the Proposed Acquisition."*

4. ASSESSMENT OF THE FINANCIAL TERMS OF THE PROPOSED ACQUISITION

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

- (a) rationale for the Proposed Acquisition;
- (b) valuation of Dongming Qianhai, taking into consideration the Equity Valuation Report;
- (c) NTA-based valuation for Dongming Qianhai;
- (d) comparison of valuation ratios of selected listed companies whose business are broadly comparable to Dongming Qianhai;
- (e) comparison with recent interested person transactions;
- (f) financial effects of the Proposed Acquisition;
- (g) financial condition of Dongming Qianhai;
- (h) Purchase Consideration adjustments; and
- (i) other considerations in relation to the Proposed Acquisition which may have a significant bearing on our assessment.

4.1 RATIONALE FOR THE PROPOSED ACQUISITION

Information relating to the rationale for and benefits of the Proposed Acquisition has been extracted from section 3 of the Circular and set out in italics below.

"3. RATIONALE FOR THE PROPOSED ACQUISITION

- 3.1. *The Board is of the view that the Proposed Acquisition will be in the best interests of the Group. The Board believes that based on the Group's expertise and experience in the processing and production of propylene related products, the Proposed Acquisition is a strategic fit to the Group's business expansion plans and will create business synergy.*
- 3.2. *Currently, the Purchaser is mainly engaged in the production of propylene, polypropylene and processed LPG using raw LPG. Dongming Qianhai, on the other hand, uses processed LPG purchased from the Purchaser to produce propylene, purified isobutene, isobutylene and methyl tert-butyl ether ("**MTBE**"). Propylene is a raw material used in the production of a wide variety of products. It is used to further produce polypropylene, the end uses of which include films, fibers, containers, packaging, caps and closures. MTBE is normally used as a fuel component in fuel for gasoline engines.*
- 3.3. *The Purchaser and Dongming Qianhai are at different levels of the production process, and are not in competition with each other. Please refer to **Appendix D** to this Circular for a flowchart on the production process for the Purchaser and Dongming Qianhai.*
- 3.4. *The Company believes that there is business synergy arising from the Proposed Acquisition as follows:*
 - 3.4.1 *The combination of product offerings of both the Purchaser and Dongming Qianhai will enlarge the Purchaser's product offerings for its customers;*
 - 3.4.2 *Currently, the Purchaser's annual production capacity for propylene is approximately 100,000 tonnes. Dongming Qianhai's annual production capacity for propylene is also approximately 100,000 tonnes. The propylene produced by the Purchaser and Dongming Qianhai are of similar quality. Combined, the increased production capacity of 200,000*

tonnes of propylene for the Purchaser and Dongming Qianhai will boost the Group's production capacity and further boost the Group's revenue, as the sale of propylene normally commands higher margins than the sale of processed LPG.

In view of the above, the Board believes that the Group will be able to leverage on the business synergy and achieve greater potential for growth. This will ultimately benefit the Group, the Company, and its Shareholders.

- 3.5. *Following the Proposed Acquisition, Dongming Qianhai will become a Group company, but remain as an "interested person" of the Company under Chapter 9 of the Listing Manual in view that Dongming Petrochem will still hold 30% equity interest in Dongming Qianhai and is still an associate of Dongming Petrochem. Notwithstanding that, the revenue derived from Dongming Qianhai will subsequently form part of the Group's revenue and hence contribute to the Group's financial performance.*

To ensure that the Company does not face cash flow and/or increased working capital problems for its business operations, the Company plans to fund the Proposed Acquisition using internal funds and avoid any bank financing for the Proposed Acquisition. Accordingly, the Company plans to acquire only 70% equity interest of Dongming Qianhai."

4.2 VALUATION OF DONGMING QIANHAI, TAKING INTO CONSIDERATION THE EQUITY VALUATION REPORT

In connection with the Proposed Acquisition, the Company has, through the Purchaser, appointed JLL as the Independent Valuer to conduct a valuation to estimate the Market Value of the Target Equity Interest as at 31 March 2017. Please refer to Appendix C to the Circular for further details on the Equity Valuation Report.

Information relating to the valuation basis has been extracted from section 5.3 of the Circular and set out in italics below.

"5.3. Basis of Purchase Consideration

- 5.3.1 *The Purchase Consideration was arrived at based on the independent valuation conducted by the Independent Valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited.*
- 5.3.2 *For the purpose of the Proposed Acquisition, the Purchaser has appointed the Independent Valuer to conduct a valuation to estimate the Market Value (as defined below) of the Target Equity Interest as at 31 March 2017.*
- 5.3.3 *The Independent Valuer has adopted the market value basis in arriving at the valuation of Target Equity Interest. Market Value 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".*
- 5.3.4 *In performing its valuation, the Independent Valuer has considered the types of assets and liabilities and their conditions when arriving at the market values of these items. The Independent Valuer has relied primarily on the market approach and cost approach in valuing the Target Equity Interest. Market approach is adopted for land and other assets where active secondary market data are available, whereas cost approach is adopted where there is a lack of active secondary data, for example, for buildings and machinery. After due consideration of key assumptions, including the assumption that all relevant title certifications for the land use rights had been obtained and the properties could be freely transferred, limitations and valuation basis, the Market Value of the Target Equity Interest as determined by the Independent Valuer is RMB317,800,000.*

For clarity purposes, in order to obtain title certifications for the land use rights, Dongming Qianhai will need to carry out various filings with Dongming Bureau of Land and Resources. Dongming Bureau of Land and Resources only has a limited number of land use rights certifications to issue annually, and the land use rights certifications will only be granted after Dongming Qianhai receives approval from Dongming Bureau of Land and Resources. Presently, 549 acres of land has been designated by the local government to Dongming Qianhai for its production usage and another 158 acres of land is pending approval and designation from the local government to Dongming Qianhai for the same usage. As of the date of this Circular, Dongming Qianhai has already received land use rights for 187 acres and has submitted applications for the land use rights for 285 acres, but pending the supply of land use rights certifications. Dongming Qianhai has also completed collating the documents required for the application for land use rights for 77 acres. The pre-clearance with the local government has been obtained for the use of land by Dongming Qianhai, and although the land use rights certifications have not been obtained by Dongming Qianhai, this would not affect its business operations.”

We have relied on the Equity Valuation Report in relation to the valuation of Dongming Qianhai. We have not independently verified (nor have we assumed responsibility or liability for independently verifying) any such information in the Equity Valuation Report for its accuracy, completeness or adequacy. We have made reasonable enquires and exercised judgement on the reasonable use of such information.

The following table summarizes the key variances arising from the valuation conducted by the Independent Valuer:

	Book value as at 31 March 2017 RMB'000	Market Value as at 31 March 2017 RMB'000	Surplus/(Deficit) RMB'000
Construction-in-progress	1,107,788	1,252,676 ⁽¹⁾	144,888
Land use rights	34,196	84,878 ⁽¹⁾	50,682
Other payables	(1.8)	(35,623)	(35,621)
Net assets	353,674	513,623	159,949

Note:

- (1) The Independent Valuer has assumed that all relevant title certificates for a portion of the properties of Dongming Qianhai with a site area of approximately 347,671.42 sq.m., for the land use rights of which the Independent Valuer had not been provided with any title documents, had been obtained and that the properties could be freely transferred. Please refer to section 4.9.2 of this Letter for further information.

We note from the Equity Valuation Report that in deriving the Market Value of the Target Equity Interest, the Independent Valuer has applied a discount of 11.61% for the lack of marketability (“**DLOM**”) of Dongming Qianhai’s shares. Accordingly, the Market Value of the Target Equity Interest as at 31 March 2017 would be as follows:

As at 31 March 2017	RMB'000
Book value of net assets (“ NAV ”)	353,677
Market Value	513,623
100% equity interest after applying DL0M	453,991
70% equity interest	317,793

We note that the Purchase Consideration of RMB317,800,000 is supported by the equity valuation of Dongming Qianhai.

4.3 NTA-BASED VALUATION OF DONGMING QIANHAI

The net tangible asset (“**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 Dongming Qianhai’s shares is backed by tangible assets. However, it does not take into account the value of any intangible assets such as goodwill, 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.

Dongming Qianhai’s NAV as at 31 March 2017 was approximately RMB353.7 million (or RMB247.6 million based on 70% equity interest) and based on the Equity Valuation Report, as at 31 March 2017, the Market Value of its net assets (re-valued net assets or “**RNAV**”) was approximately RMB513.6 million (or RMB359.5 million based on 70% equity interest). We understand from Management that there are no intangible assets as at 31 March 2017, the NTA of Dongming Qianhai is equivalent to its NAV.

The Purchase Consideration of RMB317.8 million represents a premium of 28.4% over the 70% equity interest of Dongming Qianhai’s NAV and a discount of 11.6% to the 70% equity interest of Dongming Qianhai’s RNAV.

4.4 COMPARISON OF VALUATION RATIOS OF SELECTED LISTED COMPANIES WHOSE BUSINESS ARE BROADLY COMPARABLE TO DONGMING QIANHAI

For the purpose of assessing the Purchase Consideration, references were made to listed companies which are engaged in the business of processing and production of propylene related oil products that are considered comparable to 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 Selected Comparable Companies have been identified through a search on publicly available information. Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. We have had discussions with the Management about the suitability of the Selected Comparable Companies serving as a basis for comparison with the core businesses of Dongming Qianhai and have obtained confirmations from the Management on the appropriateness of the Selected Comparable Companies.

We recognise, however, that our list of 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, 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 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 Selected Comparable Companies on a historical basis using the following:

Valuation Ratio	General Description
Price-to-Earnings (“ P/E ”)	P/E ratio illustrates the ratio of the market price of a company’s shares to its consolidated basic earnings per share attributable to the owners of the company 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 recent announced four quarters earnings per share where publicly available.

Enterprise Value-to-Earnings Before Interest, Tax, Depreciation and Amortisation ("EV/EBITDA")	<p>"EV" or "Enterprise Value" is the sum of a company's market capitalisation, preferred equity, non-controlling interest, 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 amortisation 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 to its historical pre-tax consolidated operating cashflow performance, without regard to its capital structure. In our analysis, we used the Enterprise Value based on the market capitalisation as of the Latest Practicable Date divided by the aggregate of the most recent announced four quarters EBITDA where publicly available.</p>
Price-to-Net Asset Value ("P/NAV")	<p>"NAV" or "net asset value" is defined as total assets (including intangibles) less total liabilities and excludes, where applicable, non-controlling interest. P/NAV ratio illustrates the ratio of the market price of a company's share relative to its historical NAV per share as recorded in its financial statements. The NAV figure provides an estimate of the value of a company assuming the sale of all its 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 NAVs 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 NAV per share where publicly available.</p>
Price-to-Net Tangible Asset ("P/NTA")	<p>"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.</p>

The statistics for the Selected Comparable Companies are based on their closing prices 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 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 the above, 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 Selected Comparable Companies, together with brief information on these companies.

Selected Comparable Companies	Listing location	Brief business description	Market capitalisation (\$ million)⁽¹⁾
Yueyang Xingchang Petrochemical Co., Ltd. (岳阳兴长石化股份有限公司) ("Yueyang Xingchang")	PRC	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.	709.1 ⁽²⁾
Maoming Petro-chemical Shihua Co., Ltd. (茂名石化实华股份有限公司) ("Maoming Petro-chemical")	PRC	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.	616.2 ⁽²⁾
Befar Group Co., Ltd. (滨化集团) ("Befar")	PRC	Befar produces, processes and sells organic and inorganic chemical products. The company's products include propylene-oxide, food additives, industrial hydrochloric acid, reagent hydrochloric acid and crude oil emulsifier.	1,829.8 ⁽²⁾
Shenyang Chemical Industry Co., Ltd. (沈阳化工股份有限公司) ("Shenyang Chemical")	PRC	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.	966.3 ⁽²⁾

Source: Bloomberg L.P.

Notes:

- (1) Based on the exchange rate of S\$1: RMB4.9 as at the Latest Practicable Date.
(2) Based on the closing price of the respective Selected Comparable Companies as at the Latest Practicable Date.

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

Selected Comparable Companies	Historical P/E (times)	Historical EV/EBITDA (times)	Historical P/NAV (times)	Historical P/NTA (times)
Yueyang Xingchang	86.9	37.7	5.0	5.2
Maoming Petro-chemical	26.5	16.6	3.4	3.4
Befar	11.0	10.8	1.6	1.8
Shenyang Chemical	17.1	5.1	1.1	1.3
High	86.9	37.7	5.0	5.2
Mean	35.4	17.5	2.8	2.9
Median	21.8	13.7	2.5	2.6
Low	11.0	5.1	1.1	1.3
Dongming Qianhai (as implied by the Purchase Consideration)	N.M. ⁽¹⁾	N.M. ⁽¹⁾	1.3	1.3

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

Note:

- (1) Denotes not meaningful as Dongming Qianhai recorded a loss and a negative EBITDA based on the aggregate of the earnings of the latest four quarters prior to 1 April 2017.

Based on the above ratio analysis, we noted that:-

- (a) the P/NAV ratio of Dongming Qianhai of 1.3 times as implied by the Purchase Consideration is within the range and below the mean and median of the P/NAV ratios of the Selected Comparable Companies.
- (b) the P/NTA ratio of Dongming Qianhai of 1.3 times as implied by the Purchase Consideration is within the range and below the mean and median of the P/NTA ratios of the Selected Comparable Companies.

4.5 COMPARISON WITH RECENT INTERESTED PERSON TRANSACTIONS

In assessing the reasonableness of the Purchase Consideration, we have compared the P/NAV ratio implied by the Purchase Consideration with other acquisitions of majority equity interest which constitutes interested person transactions undertaken by companies listed on the SGX-ST in the 18-months period prior to the Latest Practicable Date ("**Comparable Transactions**").

We wish to highlight that the level of premium or discount an acquirer would normally pay for acquisition varies in different circumstances depending on, inter alia, the attractiveness of the underlying business to the acquirer, the synergies to be gained by the acquirer from integrating the target company's business with the existing business of the acquirer, the availability of substantial cash reserves, the liquidity in the trading of acquirer's shares, the extent of control the acquirer already has in the target company or the extent of control the existing substantial or controlling shareholders have on the acquirer, current market expectation as well as general economic and business sentiments.

We wish to highlight that the transactions set out below are by no means exhaustive. In addition, as Dongming Qianhai is not directly comparable to the companies in the Comparable Transactions in terms of business activities, scale of operations, market capitalisation, geographical spread, risk profile, accounting policies, financial performance, operating and financial leverage, track record and future prospects, the comparison merely serves as a general guide to provide an indication of the premia/discounts represented by the respective purchase considerations. Each transaction must be evaluated and analysed on its own commercial and financial merits.

Therefore, any comparison with the Comparable Transactions is purely for illustrative purpose only and merely serves as a guide to illustrate the relative premia/discounts for the transactions.

Name of company	Details of acquisition	Date of circular	Purchase consideration (\$ millions)	P/NAV (times)	P/RNAV (times)
Pollux Properties Ltd	100% of the issued and paid-up share capital of Pollux Alpha Investments Ltd	29-Sep-17	200.9	1.0	0.7
Pharmesis International Ltd	100% equity interest of Jiangyou Neatus Traditional Chinese Medicine Technology Co. Ltd.	12-Dec-16	1.8	1.0	0.9 ⁽¹⁾
Sen Yue Holdings Limited	50% of the total issued and paid-up shares of SMC Industrial Pte Ltd	7-Dec-16	8.4 ⁽²⁾	1.0	0.7 – 0.9 ⁽²⁾

Name of company	Details of acquisition	Date of circular	Purchase consideration (S\$ millions)	P/NAV (times)	P/RNAV (times)
Ocean Sky International Limited	70% of the issued and paid-up share capital of Ang Tong Seng Brothers Enterprises Pte Ltd	4-Nov-16	22.8	3.3	0.7 ⁽³⁾
ISEC Healthcare Limited	100% of the issued and paid-up share capital of the JL Medical group of companies	22-Sep-16	13.9	27.9 ⁽⁴⁾	N.A.
Singapore Medical Group Limited	61.9% of the total issued and paid-up share capital of Lifescan Imaging Pte. Ltd.	17-Aug-16	8.5	2.7	0.8 - 0.9 ⁽⁵⁾
3cnergy Limited	100% of the issued and paid-up share capital of Liberty Bridge Sdn Bhd	28-Jun-16	64	1.1	1.0 ⁽⁶⁾
High				3.3	1.0
Mean				1.8	0.8
Median				1.1	0.8 – 0.9
Low				1.0	0.7
Dongming Qianhai (as implied by the Purchase Consideration)				1.3	0.9

Source: SGX-ST announcements and circulars of the respective Comparable Transactions

Notes:

- (1) Based on the market value of the target company of RMB9.22 million as ascribed by the valuer.
- (2) Based on the adjusted consideration of S\$8.4 million and the fair market value of 50% interest in the target company of S\$9.8 million to S\$11.4 million.
- (3) Based on the midpoint market value of the target company of S\$31.1 million as ascribed by the valuer.
- (4) Based on the minimum NTA of S\$500,000 of the target company that the vendors have agreed to maintain prior to completion, excluded as statistical outlier in computing the range, mean and median issue price over NAV per share ratios.
- (5) Based on the fair market value of 61.9% interest in the target company of S\$9.66 million to S\$11.08 million.
- (6) Based on the fair market value of the target company of S\$65 million.

The key observations in respect of the above are highlighted below:-

- (a) the P/NAV ratio of Dongming Qianhai of 1.3 times implied by the Purchase Consideration is within the range, above the median but below the mean of P/NAV ratios of the Comparable Transactions; and
- (b) the P/RNAV ratio of Dongming Qianhai of 0.9 times implied by the Purchase Consideration is above the mean and within the range of the median of P/RNAV ratios of the Comparable Transactions.

4.6 FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Information relating to the financial effects of the Proposed Acquisition has been extracted from section 7 of the Circular and set out in italics below.

"7. FINANCIAL EFFECTS

7.1. The financial effects of the Proposed Acquisition are purely for illustrative purposes and should not be taken as an indication of the actual financial performance of the Group following the Proposed Acquisition nor a projection of the future financial performance or position of the Group after Completion.

7.2. For purposes of illustration only, and based on the audited financial statements of the Group for FY2016, the financial effects of the Proposed Acquisition on the Group are set out below:

7.2.1 NTA per Share

For illustrative purposes only, assuming that the Proposed Acquisition had been effected on 31 December 2016, the net tangible assets per share of the Group as at 31 December 2016 would have been follows:

	<i>Before the Proposed Acquisition</i>	<i>After the Proposed Acquisition</i>
<i>NTA (RMB'000)</i>	<i>613,673</i>	<i>549,579</i>
<i>Number of Shares ('000)</i>	<i>640,000</i>	<i>640,000</i>
<i>NTA per Share attributable to Shareholders (RMB cents)</i>	<i>95.89</i>	<i>85.87</i>

7.2.2 EPS

For illustrative purposes only, the financial effect of the Proposed Acquisition on the EPS of the Company for the financial year ended 31 December 2016 assuming that the Proposed Acquisition had been effected on 1 January 2016 would have been as follows:

	<i>Before the Proposed Acquisition</i>	<i>After the Proposed Acquisition⁽¹⁾</i>
<i>Net profit attributable to Shareholders (RMB'000)</i>	<i>89,802</i>	<i>71,129</i>
<i>Weighted average number of shares used in the computation of basic EPS ('000)</i>	<i>640,000</i>	<i>640,000</i>
<i>Basic EPS (RMB cents)</i>	<i>14.03</i>	<i>11.11</i>

Note:

(1) The relevant figures in this column have been rectified from those disclosed in the Company's announcement dated 29 June 2017, which was originally based on the unaudited financial statement for the first quarter ended 31 March 2017."

Based on the above, we note that following the completion of the Proposed Acquisition, as at 31 December 2016,

- (a) the NTA per Share attributable to Shareholders will decrease from 95.89 RMB cents to 85.87 RMB cents; and
- (b) the EPS of the Group will decrease from 14.03 RMB cents to 11.11 RMB cents.

4.7 FINANCIAL CONDITION OF DONGMING QIANHAI

Dongming Qianhai is currently in at a pre-operational position due to the ongoing investments in and expenditures in the construction of the new manufacturing plant. The production line and ancillary facilities of the said plant are into the end completion phase and into installation testing phase, and expected to commence production in the last quarter of 2017.

Based on Dongming Qianhai's unaudited financial statements for the financial year ended 31 December 2016, the net loss was approximately RMB26.7 million. Based on Dongming Qianhai's unaudited financial statements for the three-month period ended 31 March 2017, the net loss was approximately RMB8.8 million. As at 31 March 2017, Dongming Qianhai had total assets of approximately RMB1.3 billion and total liabilities of approximately RMB973.8 million.

Notwithstanding that the Proposed Acquisition will be wholly paid in cash and fully funded by internal resources generated from operations, we note that as at 31 March 2017 the total borrowing of Dongming Qianhai is approximately RMB1 billion. Please refer to section 4.5 of the Circular for a summary of the financials of Dongming Qianhai as at 31 March 2017.

As at the Latest Practicable Date, the Directors are of the opinion that, barring unforeseen circumstances and after taking into consideration the Purchase Consideration, the working capital available to the Group is sufficient to meet its requirements for the next 12 months.

4.8 PURCHASE CONSIDERATION ADJUSTMENTS

We understand that the Purchase Consideration for the Target Equity Interest is RMB317,800,000, to be fully satisfied in cash. We wish to highlight that the Purchase Consideration payable may be adjusted subject to a Completion Audit. Information relating to such adjustments has been extracted from sections 5.2.4 and 5.2.4A of the Circular and set out in italics below:

"5.2.4 The Purchaser and the Vendor agree to settle 40% of the Purchase Consideration after the Completion Date, subject to the following arrangements:

(1) *Within five (5) Business Days after the Completion Date, the Purchaser shall conduct an audit on Dongming Qianhai based on its financial figures and status on the Completion Date ("**Completion Audit**"). Based on the result of the Completion Audit, the Purchaser shall compare the Completion Audit NAV (as defined below) with the Purchase Consideration and inform the Vendor in writing in respect of the Completion Audit result and Completion Audit NAV ("**Completion Audit Notice**");*

(2) *The Completion Audit NAV means: the NAV of Dongming Qianhai based on the Completion Audit + Valuation Premium, which has not been reflected in the NAV of Dongming Qianhai based on the Completion Audit x 70% x discount for lack of marketability of 11.6% applied by the Independent Valuer in the Equity Valuation Report;*

*For clarity purposes, Valuation Premium shall mean the difference between the revalued NAV and book value of Dongming Qianhai on 31 March 2017 as stated in the equity valuation report prepared by the Independent Valuer dated 12 June 2017 ("**Equity Valuation Report**"). The revalued NAV and book value of Dongming Qianhai as stated in the Equity Valuation Report are RMB513,622,667 and RMB353,673,927 respectively. As such, the Valuation Premium would be RMB159,948,740. For the avoidance of doubt, the assets that have been revalued include construction in progress and the land use right.*

(3) *In the event that the Completion Audit NAV is equal to the Purchase Consideration or the Completion Audit NAV is no less than 95% of the Purchase Consideration, or the Completion Audit NAV is no more than 105% of the Purchase Consideration, the Purchaser shall make payment of 40% of the Purchase Consideration via TT to the Vendor within ten (10) Business Days after the date of the Completion Audit Notice;*

- (4) In the event that the Completion Audit NAV is less than 95% of the Purchase Consideration, the Purchaser shall deduct the difference between the Completion Audit NAV and the Purchase Consideration from the 40% of the Purchase Consideration ("**Amount Payable**") and then make payment of the balance via TT to the Vendor within ten (10) Business Days after the date of Completion Audit Notice; in the event that the Amount Payable is negative, the Purchaser shall state such situation clearly in the Completion Audit Notice, and the Vendor shall make payment of the amount equivalent to the absolute figure of the Amount Payable via TT to the designated bank account within ten (10) Business Days after the date of the Completion Audit Notice; and
- (5) In the event that the Completion Audit NAV is more than 105% of the Purchase Consideration, the Purchaser shall make payment of 40% of the Purchase Consideration as well as the difference between the Completion Audit NAV via TT to the Vendor within ten (10) Business Days after the date of the Completion Audit Notice.

5.2.4A In relation to Sections 5.2.4(4) and 5.2.4(5) above, the adjustment to be made to the Purchase Consideration has factored in that the fact the Proposed Acquisition by the Company is for 70% of the equity interest of Dongming Qianhai. Please refer to the illustrations below for more details:

Illustration A:

For illustration purposes only, assuming the NAV of Dongming Qianhai based on the Completion Audit is RMB300,000,000, the calculation of the Completion Audit NAV shall be as follows:

Completion Audit NAV:
 $(\text{RMB}300,000,000 + \text{RMB}159,948,740) \times 70\% \times (1 - 11.61\%) = \text{RMB}284,584,084$

As the Completion Audit NAV of RMB284,584,084 is less than 95% of the Purchase Consideration, in accordance to Section 5.2.4(4), the Purchaser shall deduct the difference between the Completion Audit NAV and the Purchase Consideration, which is RMB33,215,916, from 40% of the Purchase Consideration.

Illustration B:

For illustration purposes only, assuming the NAV of Dongming Qianhai based on the Completion Audit is RMB400,000,000, the calculation of the Completion Audit NAV shall be as follows:

Completion Audit NAV:
 $(\text{RMB}400,000,000 + \text{RMB}159,948,740) \times 70\% \times (1 - 11.61\%) = \text{RMB}346,457,084$

As the Completion Audit NAV of RMB346,457,084 is more than 105% of the Purchase Consideration, in accordance to Section 5.2.4(5), the Purchaser shall make payment of (i) 40% of the Purchase Consideration; and (ii) the difference between Completion Audit NAV and Purchase Consideration of RMB28,657,084, to the Vendor."

We understand from the Management that such Purchase Consideration adjustment mechanism mentioned above was set in place to compensate the Purchaser or the Vendor accordingly in the event there are any material changes of more than 5% to the NAV of Dongming Qianhai between 31 March 2017 and the Completion Date. We note the adjustment mechanism mentioned above has also factored in the discount for lack of marketability of the Target Equity Interest as applied in the Equity Valuation Report.

4.9 OTHER RELEVANT CONSIDERATIONS

4.9.1 Outlook of the Group

In the Company's results announcement for the nine months ended 30 September 2017, the following commentary was made on the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group

in the next reporting period and the next 12 months from the date of the results announcement:

“The announced plan to acquire the 70% controlling stake of Dongming Qianhai Petrochemical Co., Limited from its long-term strategic partner, Dongming Zhongyou Fuel and Petrochemical Company Limited, with the intention to enable the group to expand the current product lines, and to increase the capacity in the production of propylene. As of date of reporting, the proposed shareholders’ circular is still pending the SGX’s review.

Oil and petrochemical industry is still expect to be challenging in the remaining year of 2017 in view of the volatility of oil price that likely to affects the products gross margins. Barring unforeseen circumstance, the Group remains cautiously optimistic of its abilities to continue to deliver profitability in 2017.”

4.9.2 Key warranties given by the Vendor

We understand from section 6.2.5 of the Circular that as of 31 March 2017, Dongming Qianhai has not obtained the land use right for the 347,671.42 square meters of land used by Dongming Qianhai. Based on the Equity Valuation Report, we note that the Market Value was concluded based on the assumption all relevant title certificates had been obtained and the properties could be freely transferred.

We understand from section 6.2.5 of the Circular that the Vendor warrants that it has already made the necessary applications to the relevant authorities for the land use right and that it is estimated that the application will take two (2) years to complete. Section 6.2.6 of the Circular states that the Vendor will compensate the Purchaser for any damage or loss suffered by the Purchaser and/or Dongming Qianhai as a result of the possession, ownership or use of the land.

5. RECOMMENDATION

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

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 the Proposed Acquisition are normal commercial terms and will not be prejudicial to the interests of the Company and its Independent Shareholders. We therefore advise you to recommend that Independent Shareholders vote in favour of the Proposed Acquisition to be proposed at the extraordinary general meeting to be convened (“**EGM**”).

The Recommending 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 Recommending Directors for their use and benefit, in connection with and for the purposes of their consideration of the Proposed Acquisition. Their recommendations to the Independent Shareholders in respect of the Proposed Acquisition 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 Acquisition, at any time in any manner without our prior written consent in each specific case.

Yours faithfully
For and on behalf of
RHB Securities Singapore Pte. Ltd.

Kenneth Yeoh
Chief Executive Officer

Lien I Ping
Associate Director
Corporate Finance

APPENDIX C - EQUITY VALUATION REPORT



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**VALUATION REPORT
CONSIDERING
THE 70% EQUITY INTEREST
IN
DONGMING QIANHAI PETROCHEMICAL CO
LIMITED
(东明前海化工有限公司)**

Client : Sinostar PEC Holdings Limited
Ref. No. : CON000346025
Report Date : 12 June 2017

Our reference: CON000346025

12 June 2017

The Board of Directors
Sinostar PEC Holdings Limited
80 Raffles Place,
#32-01, UOB Plaza 1,
Singapore 048624

Dear Sirs,

In accordance with your instructions, we have undertaken an investigation and analysis to determine an independent opinion of the market value of 70% equity interest in Dongming Qianhai Petrochemical Co Limited (东明前海化工有限公司) (the “Target Company”) as at 31 March 2017 (the “Valuation Date”). The report which follows is dated 12 June 2017 (the Report Date”).

The purpose of this valuation is for full inclusion in the circular to the shareholders of Sinostar PEC Holdings Limited (“Sinostar” or the “Company”) for the proposed acquisition of 70% equity interest in the Target Company (the “Circular”).

Our valuation was carried out on a market value basis. Market value 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*”.



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As part of our analysis, we have been furnished with information prepared by the Target Company regarding the subject businesses. We have relied to a considerable extent on such information in arriving at our opinion of value.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Target Company. We have also considered various risks and uncertainties that have potential impact on the businesses. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Sinostar, the Target Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.



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Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the market value of 70% equity interest in the Target Company as at the Valuation Date is reasonably stated as below:

31 March 2017	Market Value (RMB)
70% Equity Interest	317,800,000

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan

Regional Director



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INTRODUCTION

This report has been prepared in accordance with instructions from Sinostar PEC Holdings Limited (“Sinostar” or the “Company”) to express an independent opinion of the market value of 70% equity interest in Dongming Qianhai Petrochemical Co Limited (东明前海化工有限公司) (the “Target Company”) as at 31 March 2017 (the “Valuation Date”). The report which follows is dated 12 June 2017 (the “Report Date”).

PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion of the market value of 70% equity interest in the Target Company as at the Valuation Date for full inclusion in the circular to the shareholders of Sinostar for the proposed acquisition of 70% equity interest in the Target Company (the “Circular”).

BASIS OF VALUE

Our valuation was carried out on a market value basis. Market value 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*”.



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BASIS OF OPINION

We have conducted our valuation in accordance with international valuation standards issued by International Valuation Standards Council (“IVSC”). The valuation procedures employed include a review of economic condition of the Target and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition of the Target Company;
- Market-driven investment returns of companies engaged in similar lines of business;
- Consideration and analysis on the micro and macro economy affecting the Target Company; and
- Assessment of the leverage and liquidity of the Target Company.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Target Company.



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BACKGROUND

Sinostar, an investment holding company, produces and supplies petrochemical products in the People's Republic of China (the "PRC"). Sinostar operates through two segments, gas separation; and transport and logistic services. Its principal products include liquefied petroleum gas ("LPG"), which is used as a source of fuel by households and industrial manufacturers; propylene, an organic compound to produce chemical intermediates, such as polypropylene and vinyl; polypropylene, a thermoplastic polymer that is used to produce plastic products for various industrial applications. Sinostar also engages in the provision of logistics and transportation services for petroleum products. It sells its products to manufacturers of petrochemical and plastic products, as well as LPG distributors. Sinostar is based in Dongming County, the PRC and it is a subsidiary of Intelligent People Holdings Limited.

The Target Company is a company incorporated in the PRC and is principally engaged in the business of processing and production of propylene related oil products.



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BOOK VALUES OF ASSETS AND LIABILITIES

The table below summarizes the book values of the assets and liabilities of the Target Company as at the Valuation Date, which are provided by the management of the Target Company:

Asset	Book Value (RMB)
Cash and Cash Equivalents	9,186,128
Trade Receivables	1,998,407
Prepayments	720,124
Other Receivables	-271,562
Long-Term Equity Investment	9,000,000
Construction in Process	1,107,788,027
Land Use Right	34,195,936
Long-Term Deferred Expenses	164,808,600
Total Assets	1,327,425,659

Liability	Book Value (RMB)
Short-Term Loans	500,000,000
Trade Payables	91,483,600
Receipt in Advance	9,362,740
Wage Payables	876,372
Tax Payables	-127,972,781
Other Payables	1,800
Short-Term Loans	500,000,000
Total Liabilities	973,751,732



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VALUATION METHODOLOGY

In arriving at our assessed value for 70% equity interest in the Target Company, we have considered three generally accepted approaches, namely, market approach, cost approach, income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

SELECTION OF APPROACH AND METHODOLOGY

In this report, we had considered the types of assets and liabilities and their conditions when arriving at the market values of these items. We adopted appropriate valuation methodology for each different class of assets and liabilities as below:

Asset	Valuation Approach and Methodology
Current assets (including cash and cash equivalents, trade receivables, prepayments and other receivables)	Based on the book values. We have checked the breakdowns and natures of these items.
Non-current assets (including long-term equity investment and long-term deferred expenses)	Based on the book values. We have checked the breakdowns and natures of these items.
Non-current assets (construction in process and land use right)	Based on the valuation report titled “Valuation Report considering the Market Value of Machinery and Equipment under Construction as of 31 March 2017 belonging to Dongming Qian Hai Chemicals Pte Ltd located in Shandong Province the PRC” and the letter and valuation certificate in connection with the valuation as at 31 March 2017 of the selected property interest held by the Target Company prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited.



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Liability	Valuation Approach and Methodology
Current liabilities (including short-term loans, trade payables, receipt in advance, wage payables and tax payables)	Based on the book values. We have checked the breakdowns and natures of these items.
Current liabilities (other payables)	Apart from the existing other payables on the book, the management of the Target Company advised that there would be an outstanding payable related to the properties of the Target Company and it is estimated based on the difference between the budget and book value of the properties.
Non-current liabilities (long-term loans)	Based on the book value. We have checked the breakdown and nature of this item.



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MARKET VALUES OF ASSETS AND LIABILITIES

The table below summarizes the market values of the assets and liabilities of the Target Company as at the Valuation Date:

Asset	Market Value (RMB)
Cash and Cash Equivalents	9,186,128
Trade Receivables	1,998,407
Prepayments	720,124
Other Receivables	-271,562
Long-Term Equity Investment	9,000,000
Construction in Process *	1,252,676,000
Land Use Right *	84,878,000
Long-Term Deferred Expenses	164,808,600
Total Assets	1,522,995,697

* Assuming all relevant title certificates for a portion of the properties of the Target Company with a site area of approximately 347,671.42 sq.m., for the land use rights of which we have not been provided with any title documents, had been obtained and the properties could be freely transferred.

Liability	Market Value (RMB)
Short-Term Loans	500,000,000
Trade Payables	91,483,600
Receipt in Advance	9,362,740
Wage Payables	876,372
Tax Payables	-127,972,781
Other Payables	35,623,099
Short-Term Loans	500,000,000
Total Liabilities	1,009,373,030

The re-valued net asset value of the Target Company is estimated as RMB513,622,666 as at the Valuation Date.



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ADDITIONAL CONSIDERATION

Having obtained the re-valued net asset value of the Target Company, the equity interest is derived through application of appropriate discount for lack of marketability (“DLOM”).

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies and are typically not as readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

We have assessed the DLOM of this investment using put option method. The concept is that when comparing a public share and a private share, holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. As the time to a liquidity event getting shorter, the degree of the DLOM becomes smaller.

We have adopted Black Scholes option pricing model with the following parameters to estimate the DLOM:

Parameter	31 March 2017	Remark
Option Type	European Put	
Spot Price	1.00	
Exercise Price	1.00	
Risk Free Rate	2.86%	Yield rate on China 1-year government bond
Volatility	33.13%	With reference to the comparable companies of the Target Company
Maturity	1 year	
Implied DLOM	11.61%	



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After applying the DLOM of 11.61% to the re-valued net asset value, we arrived at the market value of 100% equity interest in the Target Company to be around RMB454,000,000. Hence, the market value of 70% equity interest in the Target Company is estimated to be around RMB317,800,000.

SOURCES OF INFORMATION

This report was compiled after consideration of all relevant information obtained from the Target Company and other public sources. Documents received include, but were not limited to:

- Background information and business plans of the Target Company;
- Interview with the management of the Target Company;
- Unaudited consolidated financial information of the Target Company for period ending 31 March 2017; and
- Other operational and market information in relation to the Target Company.

We have assumed such information to be reliable and legitimate. We have held discussions with the management of the Target Company and conducted research from public sources. We have relied to a considerable extent on information provided in arriving at our opinion of value.



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VALUATION COMMENTS

As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, legal documentation and other pertinent data concerning the Target Company has been made available to us. Such information has been provided by the management of the Target Company. We have assumed the accuracy of, and have relied on such information. We have relied to a considerable extent on such information provided in arriving at our opinion of value.

In general, we have undertaken the necessary and appropriate valuation procedures in the valuation of the assets and liabilities of the Target Company as at the Valuation Date. The methodologies adopted are generally considered being suitable with regard to the nature of these items.

The conclusion of value is based on the assumption all relevant title certificates for a portion of the properties of the Target Company with a site area of approximately 347,671.42 sq.m., for the land use rights of which we have not been provided with any title documents, had been obtained and the properties could be freely transferred. Based on our discussion with the management of the Target Company, the application of those title certificates has been submitted and there is no legal concern for the Target Company to obtain the approval. Also, the Target Company has the physical control and is in possession of the concerned portion of the properties.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Sinostar, the Target Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.



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OPINION OF VALUE

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the market value of 70% equity interest in the Target Company as at the Valuation Date is reasonably stated as below:

31 March 2017	Market Value (RMB)
70% Equity Interest	317,800,000

This report and opinion of value are subject to our Limiting Conditions as included in Exhibit A of this report.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan

Regional Director

Note: Simon M.K. Chan is a CPA Fellow member of the Hong Kong Institute of Certified Public Accountants, a CPA Fellow member of CPA Australia and a Certified Valuation Analyst, who has extensive experience in valuation and corporate advisory business. He has provided a wide range of valuation and advisory services to numerous listed and private companies in different industries, including petrochemical-related companies, in Mainland China and Hong Kong for over 20 years.



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EXHIBIT A – LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.



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9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party.
11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation / Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.
15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.



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16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.



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EXHIBIT B – VALUERS’ PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers’ personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.
- The valuers’ compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards Council published by the International Valuation Standards Committee.
- The under mentioned persons provided professional assistance in the compilation of this report.

Simon M. K. Chan
Regional Director

Kevin C. W. Chan
Local Director

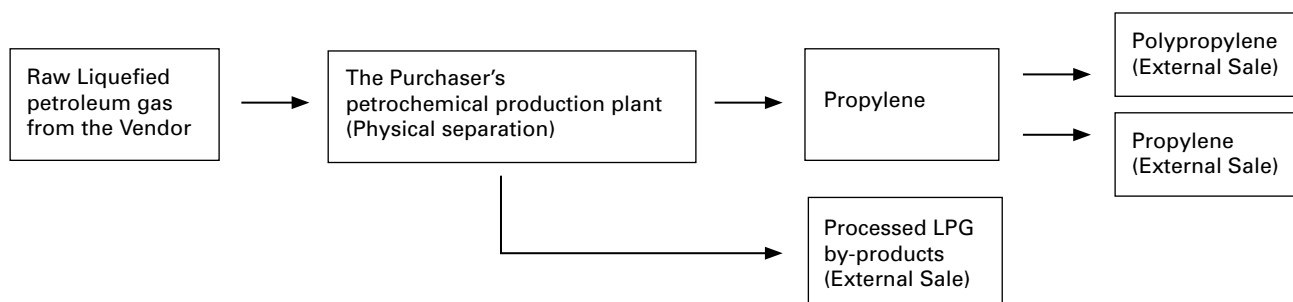
Terry S. W. Hui
Senior Manager

APPENDIX D

FLOWCHART ON THE PRODUCTION PROCESS FOR THE PURCHASER AND DONGMING QIANHAI

Raw materials and products illustration of Dongming Hengchang Petrochemical Co., Ltd (“Purchaser”) and Dongming Qianhai Petrochemical Co., Ltd (“Dongming Qianhai”)

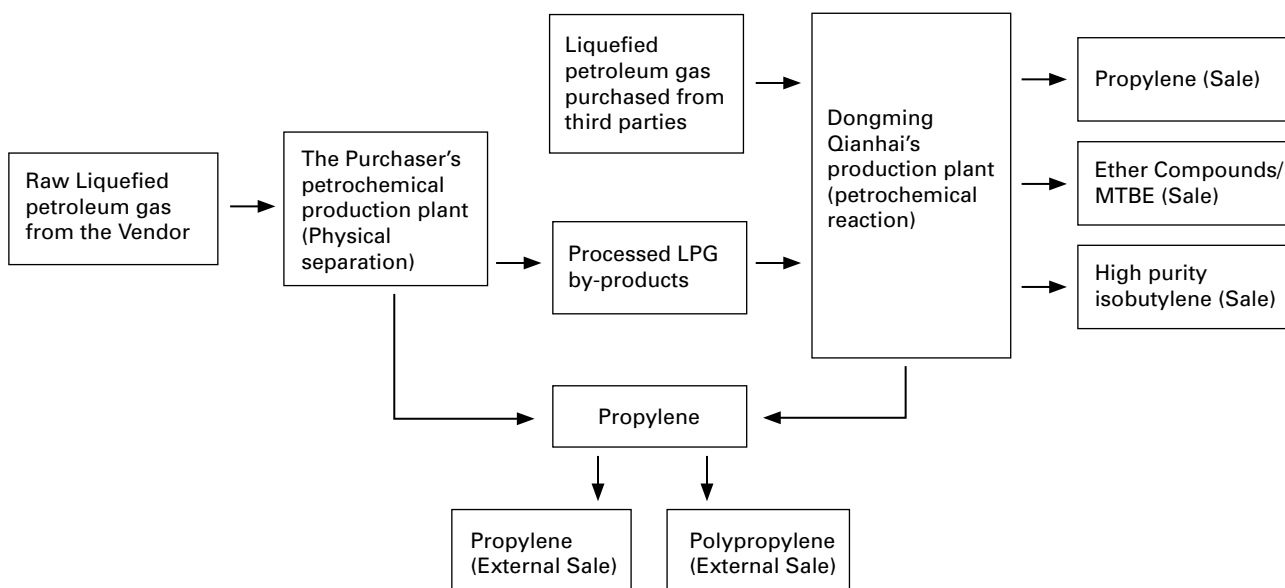
(A) Current raw materials and products illustration of the Purchaser



Note:

The Vendor refers to Dongming Zhongyou Fuel and Petrochemical Company Limited

(B) Current raw materials and products illustration of Dongming Qianhai



Notes:

- (1) the Vendor refers to Dongming Zhongyou Fuel and Petrochemical Company Limited
- (2) when the Purchaser is not able to supply processed LPG, the same will be purchased from third parties.

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 ("**EGM**") of **SINOSTAR PEC HOLDINGS LIMITED** (the "**Company**") will be held at Conrad Centennial Singapore, Level 2 East West Ballroom, 2 Temasek Boulevard, Singapore 038982 on 22 December 2017 at 9 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolution:

Unless otherwise defined, all terms defined in this Notice of EGM shall have the same meanings as those defined or construed in the circular to the shareholders dated 7 December 2017 issued by the Company to the Shareholders.

ORDINARY RESOLUTION:

Proposed Acquisition of 70% equity interest in the registered and paid-up capital of Dongming Qianhai Petrochemical Co Limited ("Target Equity Interest**") as a major transaction and interested person transaction**

That:

- (a) approval be and is hereby given, for the purpose of Chapters 9 and 10 of the Listing Manual for the proposed acquisition by Dongming Hengchang Petrochemical Co., Ltd, a wholly owned subsidiary of Sinostar PEC Holdings Limited, of the Target Equity Interest for a consideration of RMB 317,800,000, on the terms and subject to the conditions of the SPA; and
- (b) save for Mr Li Xiang Ping, the Directors of the Company and any one of them be and are hereby authorised to complete and do all such acts and things (including without limitation, execution of all such documents as may be required) as they and/or he may consider desirable, expedient or necessary or in the interest of the Company to give effect to this resolution.

By Order of the Board

Tan Chee How
Company Secretary

Singapore
7 December 2017

Notes:

- 1. A member of the Company ("**Member**") entitled to attend and vote at the EGM is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
- 2. Where a member (other than a Relevant Intermediary*) appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.
- 3. 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 him (which number and class of shares shall be specified).

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The appointment of proxy must be executed under seal or the hand of its duly authorised officer or attorney in writing.
5. The instrument appointing a proxy or proxies that has been executed by a member, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof), must be lodged at the registered office of the Company at Six Battery Road #10-01, Singapore 049909, not less than forty-eight (48) hours before the time appointed for the EGM. The sending of a Proxy Form by a member does not preclude him from attending and voting in person at the EGM if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) 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; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) 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) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) 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 (iii) 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 No. 200609833N
(Incorporated in Singapore with limited liabilities)

EXTRAORDINARY GENERAL MEETING PROXY FORM

IMPORTANT

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (Name)

with *NRIC/Passport/Co. Registration No.: _____

of _____ (Address)

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

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings %

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings %

or failing him, the Chairman of the Extraordinary General Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Extraordinary General Meeting ("**EGM**") to be held at Conrad Centennial Singapore, Level 2 East West Ballroom, 2 Temasek Boulevard, Singapore 038982 on 22 December 2017 at 9 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the ordinary resolution proposed at the EGM as indicated hereunder. If no specific direction as to voting on a poll is given or in the event of any matter arising at the EGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

Ordinary Resolution relating to	No. of Votes 'For'**	No. of Votes 'Against'**
Proposed Acquisition of 70% equity interest in the registered and paid-up capital of Dongming Qianhai Petrochemical Co Limited ("Target Equity Interest") as a major transaction and interested person transaction		

Dated this _____ day of _____ 2017

Signature(s) of Shareholder(s) or
Common Seal of Corporate Shareholder

* Delete as appropriate

** If you wish to exercise all your votes "For" or "Against", please indicate your vote "For" or "Against" with "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

IMPORTANT: PLEASE READ NOTES 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 (Chapter 289) 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 entered against 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, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. 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 him (which number or class of shares shall be specified).

“Relevant Intermediary” means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) 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; or
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Subject to note 9, Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Six Battery Road #10-01, Singapore 049909, not less than forty-eight (48) hours before the time appointed for the EGM.
 7. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a 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.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
 9. An investor who holds shares under the Central Provident Fund Investment Scheme (“CPF Investor”) and/or the Supplementary Retirement Scheme (“SRS Investor”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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 name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 7 December 2017.