

CIRCULAR DATED 15 DECEMBER 2020

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

This Circular is circulated to the shareholders of the Company (the “Shareholders”) together with the Notice of EGM dated 15 December 2020. The purpose of this Circular is to provide the Shareholders with information in relation to, and to seek Shareholders’ approval for the proposed loan agreement between Dongming Petrochem and Dongming Qianhai as an interested person transaction (the “Proposed Resolution”) to be tabled at the annual general meeting of the Company to be held by way of electronic means (the “EGM”).

If you have sold or transferred all your ordinary shares in the capital of the Company (the “Shares”), you should immediately forward this Circular, the Notice of EGM and the accompanying proxy form immediately to the purchaser, transferee or the stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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

This Circular has been made available on SGXNet and the Company’s website. A printed copy of this Circular will not be despatched to Shareholders.

Due to the current COVID-19 restriction orders in Singapore, Shareholders will not be able to attend the EGM in person. Instead, alternative arrangements have been put in place to allow Shareholders to participate at the EGM by way of (a) watching and/or listening to the EGM proceedings via “live” webcast, (b) submitting questions in advance of the EGM, and/or (c) voting by proxy at the EGM. Questions can be submitted via pre-registration, further details of which are set out in Section 9 of this Circular.

Please refer to this Circular and the Notice of Extraordinary General Meeting for further information including the steps to be taken by Shareholders to participate at the EGM.

Shareholders should note that the Company may make further changes to its EGM arrangements (including but not limited to any applicable alternative arrangements as may be prescribed or permitted (as the case may be) under the COVID-19 (Temporary Measures) Act 2020, the Infectious Diseases Act and any regulations promulgated thereunder as well as other guidelines issued by the relevant authorities) as the situation evolves. Shareholders are advised to keep abreast of any such changes as may be announced by the Company from time to time on SGXNet.



Sinostar PEC Holdings Limited

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

CIRCULAR IN RELATION TO

**THE PROPOSED LOAN AGREEMENT BETWEEN DONGMING PETROCHEM AND
DONGMING QIANHAI AS AN INTERESTED PERSON TRANSACTION**

*Independent Financial Adviser to the Independent Directors
in relation to the Proposed Loan Agreement*

CICF

CEL Impetus Corporate Finance Pte Ltd

CEL Impetus Corporate Finance Pte. Ltd.

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

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DEFINITIONS

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

- “Acquisition Circular” : The circular in relation to the Dongming Qianhai Acquisition, dated 7 December 2017
- “associate” : (a) in relation to any Director, CEO, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Audit Committee” : The audit committee of the Company as at the date of this Circular, comprising Mr Teo Moh Gin, Mr Li Xiang Ping and Mr Zhao Jinqing
- “Board” or “Directors” : The directors of the Company as at the date of this Circular and “Director” shall be construed accordingly
- “CDP” : The Central Depository (Pte) Limited
- “CEO” : Chief executive officer of the Company
- “Companies Act” : The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
- “Company” : Sinostar PEC Holdings Limited
- “Completion Outstanding Loan” : The aggregate amount of the Initial Loans outstanding to Dongming Petrochem at completion of the Dongming Qianhai Acquisition on 26 December 2018
- “Constitution” : The constitution or other regulations of the Company for the time being in force as originally framed, or as amended from time to time
- “Construction Bank Loan” : The bank loan of RMB 500 million taken by Dongming Qianhai for the purpose of financing the construction of the Propylene Plant
- “Control” : The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company

“Controlling Shareholder”	: A person who:
	(a) holds directly or indirectly 15% or more of the total voting rights 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 the Company
“Dongming Petrochem Undertaking”	: The undertaking provided by Dongming Petrochem to Dongming Qianhai that (a) it shall not recall any amounts under the Interim Loan Agreement prior to its expiry; (b) it shall not recall any amounts under the Interim Loan Agreement in the event Shareholders do not approve the Proposed Loan Agreement for it to come into effect prior to the expiry of the Interim Loan Agreement, and (c) in the event Dongming Qianhai is experiencing insufficient working capital to repay the Interim Outstanding Loan, it shall negotiate in good faith with Dongming Qianhai for a new repayment schedule in respect of the Interim Outstanding Loan without requiring Dongming Qianhai to pay any penalty amounts.
“Dongming Petrochem”	: Shandong Dongming Petrochem Group Co., Ltd (山东东明石化集团有限公司), an Interested Person of the Group. Mr Li Xiang Ping is currently the chairman and legal representative of Dongming Petrochem and he has a deemed interest in 87.25% of Dongming Petrochem
“Dongming Qianhai Acquisition”	: The acquisition by Dongming Hengchang of 70.0% equity interest in Dongming Qianhai
“Dongming Qianhai”	: Dongming Qianhai Petrochemical Co Limited (东明前海化工有限公司), an indirect subsidiary of the Company, an associate of Dongming Petrochem and an interested person of the Group
“EGM”	: The extraordinary general meeting of the Company to be held by way of electronic means
“Executive Director”	: A Director of the Company, holding office in an executive capacity
“FY” or “Financial Year”	: Financial year ended, or ending, as the case may be, on 31 December
“Group”	: The Company and its subsidiaries as at the date of this Circular
“Hong Li Yuan”	: Shandong Hong Li Yuan Stock Limited Company, an 87.25% shareholder of Dongming Petrochem and an entity 99.41% owned by Mr Li Xiang Ping, as set out in Schedule A of this Circular
“IFA” or “CICF”	: CEL Impetus Corporate Finance Pte Ltd, being the independent financial adviser to the Independent Directors in respect of the Proposed Loan Agreement as an interested person transaction
“IFA Letter”	: The letter, from the IFA to the Independent Directors, advising the Independent Directors on whether the Proposed Loan Agreement as an Interested Person Transaction is on normal commercial terms and prejudicial to the interests of the Company and its minority Shareholders

“Initial Loan Agreements”	: The loan agreements between Dongming Petrochem as lender and Dongming Qianhai as borrower dated 10 October 2016, 31 December 2016, 5 April 2017, 5 June 2017, 1 September 2017, 30 September 2017 and 5 January 2018 for loans in the aggregate amount of RMB 1.4 billion as detailed in Section 4.1 of this Circular
“Interim Loan Agreement”	: The loan agreement between Dongming Petrochem as lender and Dongming Qianhai as borrower dated 2 April 2020, as varied on 7 October 2020, for a loan in the amount of RMB 750 million, as detailed in Section 4.1 of this Circular
“Interim Loan Repayments”	: The principal repayments of RMB 15.0 million each made on 20 June 2020 and 20 September 2020 and the principal repayment of RMB 15.0 million that will become due on 20 December 2020, pursuant to the terms of the Interim Loan Agreement (as varied by the Supplemental Interim Loan Agreement)
“Initial Loans Interest Rate”	: The interest rate of 4.5675% per annum under each of the Initial Loan Agreements
“Initial Loans”	: Loans in the aggregate amount of RMB 1.4 billion extended by Dongming Petrochem to Dongming Qianhai pursuant to seven (7) loan agreements dated 10 October 2016, 31 December 2016, 5 April 2017, 5 June 2017, 1 September 2017, 30 September 2017 and 5 January 2018
“Initial Outstanding Sum”	: RMB 750 million, being the aggregate amount outstanding under the Subsequent Renewal Agreements on 2 April 2020
“Intelligent People”	: Intelligent People Holdings Limited, a 57.79% Shareholder of the Company and an entity wholly-owned by Mr Li Xiang Ping, as set out in Schedule A of this Circular.
“Interested Person Transaction(s)” or “IPT(s)”	: Interested person transactions (within the meaning of Chapter 9 of the Listing Manual) entered or to be entered between an entity at risk and an Interested Person
“Interested Person”	: Dongming Petrochem
“IPT Independent Shareholders”	: Shareholders who are deemed independent for the Proposed Loan Agreement
“Latest Practicable Date”	: 14 December 2020, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	: The mainboard listing manual of the SGX-ST, as amended, modified or supplemented from time to time
“LPR”	: The People’s Bank of China’s basic interest rate for loans of between one (1) and five (5) years (基准利率)
“Minority Shareholders”	: The minority Shareholders of the Company
“Non-Executive Directors”	: A director of the Group other than one who performs an executive function
“NTA”	: Net tangible assets
“PRC”	: The People’s Republic of China

“Production Trial Run”	: The production trial run of the Propylene Plant which commenced in June 2017 and concluded in June 2018
“Proposed Loan Agreement”	: The loan agreement between Dongming Petrochem as lender and Dongming Qianhai as borrower dated 15 May 2020 for a loan in the amount of RMB 705 million and as supplemented by a supplemental agreement dated 14 December 2020. The loan agreement and its supplemental agreement is further detailed in Section 4.1 of this Circular
“Proposed Resolution”	: Approval for the Proposed Loan Agreement between Dongming Petrochem and Dongming Qianhai as an interested person transaction
“Propylene Plant”	: Dongming Qianhai’s 120,000-tonne production plant for propylene, purified isobutylene and methyl tert-butyl ether in Shandong province
“Repayment Schedule”	: The repayment schedule in respect of the Proposed Loan Agreement as set out in Section 4.2 of this Circular
“SFA”	: The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Shareholders”	: The registered holders of the Shares in the register of members of the Company, except where the registered depositor is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the persons to whose securities accounts maintained with CDP are credited with the Shares
“Shares”	: Ordinary share(s) in the issued and paid-up capital of the Company
“Subsequent Renewal Agreements”	: The loan agreements entered into in renewal of the Initial Loan Agreements on 9 October 2017, 4 April 2018, 4 June 2018, 29 September 2018, 8 October 2018, 4 January 2019, 3 April 2019, 3 June 2019, 28 September 2019 and 7 October 2019 as detailed in Section 4.1 of this Circular
“Substantial Shareholder”	: A person (including a corporation) who has an interest or interests in one (1) or more voting shares (excluding treasury shares) in the Company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares (excluding treasury shares) in the Company
“Supplemental Agreement”	: The supplemental agreement entered into on 14 December 2020 between Dongming Qianhai and Dongming Petrochem to vary the Proposed Loan Agreement
“Supplemental Interim Loan Agreement”	: The supplemental agreement entered into between Dongming Qianhai and Dongming Petrochem on 7 October 2020 to reduce the interest rate under the Interim Loan Agreement and to extend the term of the Interim Loan Agreement to 31 December 2020
“treasury shares”	: Issued Shares of the Company which were (or are treated as having been) purchased by the Company in circumstances in which Section 76H of the Companies Act applies and have since purchase been continuously held by the Company

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:

- (i) 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;
- (ii) 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;
- (iii) the headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular;
- (iv) 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;
- (v) 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;
- (vi) 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;
- (vii) 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
- (viii) unless otherwise stated, the exchange rate of S\$1:RMB5 has been used in this Circular.

SINOSTAR PEC HOLDINGS LIMITED

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

Directors:

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

Registered Office:

30 Cecil Street
#19-08
Prudential Tower
Singapore 049712

15 December 2020

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

Dear Sir/Madam

1. INTRODUCTION

- 1.1. The Directors propose to table, for Shareholders' consideration and approval, the Proposed Loan Agreement between Dongming Petrochem, an Interested Person, as lender, and Dongming Qianhai, a 70% subsidiary of the Company's wholly-owned subsidiary, Dongming Hengchang, as borrower, for a 51-month unsecured loan in the amount of RMB 705 million at an interest rate of 4.75%, for the purpose of refinancing an existing loan between Dongming Petrochem and Dongming Qianhai, as an interested person transaction (the "**Proposed Resolution**"). The remaining 30% of Dongming Qianhai is owned by Dongming Petrochem.
- 1.2. The purpose of this Circular is to explain the rationale for and provide information to Shareholders for the Proposed Resolution.
- 1.3. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Circular.
- 1.4. This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any person (other than the Shareholders to whom this Circular is issued by the Company) or for any other purpose.

2. CHAPTER 9 OF THE LISTING MANUAL

- 2.1 Chapter 9 of the Listing Manual regulates transactions by a listed company, its subsidiaries and associated companies that are considered to be at risk (each referred to as an "**entity at risk**") with interested persons that may adversely affect the interests of the listed company.
- 2.2 Chapter 9 of the Listing Manual applies to a transaction when the value of that transaction alone or in aggregation with other transactions conducted with the same interested person during the financial year is equivalent to or exceeds certain financial thresholds. In such situations, the listed company is required to make an immediate announcement and may additionally be required to seek shareholders' approval for that transaction.

For the purpose of Chapter 9 of the Listing Manual:

- i. An "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual.

- ii. An “**associate**” means:
 - (i) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
 - (1) his immediate family;
 - (2) 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
 - (3) any company in which he and his immediate family together (directly or indirectly) have any interest of 30% or more;
 - (ii) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.
- iii. An “**associated company**” means, in relation to a listed company, any company in which at least 20% but not more than 50% of its shares are held by the listed company or group.
- iv. A “**chief executive officer**” means the most senior executive officer who is responsible under the immediate authority of the board of directors for the conduct of the business of the listed company.
- v. A “**controlling shareholder**” means a person who:
 - (i) holds directly or indirectly 15% or more of the total voting rights in the listed company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or
 - (ii) in fact exercises control over the listed company.
- vi. An “**entity at risk**” means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.
- vii. An “**interested person**” means:
 - (i) a director, chief executive officer, or controlling shareholder of the listed company; or
 - (ii) an associate of any such director, chief executive officer, or controlling shareholder.
- viii. An “**interested person transaction**” means a transaction between an entity at risk and an interested person and a “**transaction**” includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of goods or services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

- ix. A “**primary interested person**” means:
- (i) a director, chief executive officer, or controlling shareholder of the listed company; or
 - (ii) an associate of any such director, chief executive officer, or controlling shareholder.

2.3 Materiality Thresholds, Disclosure Requirements and Shareholders’ Approval

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

In particular, an immediate announcement is required where:

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

In addition, Shareholders’ approval (in addition to an immediate announcement) is required where:

- (a) the value of an Interested Person Transaction is equal to or exceeds 5% of the listed group’s latest audited consolidated NTA (“**Threshold 2**”); or
- (b) the aggregate value of all Interested Person Transactions entered into with the same interested person during the same financial year, is equal to or more than Threshold 2. The aggregation will exclude any Interested Person Transaction that has been approved by Shareholders previously, or is the subject of aggregation with another Interested Person Transaction that has been previously approved by Shareholders.

The above requirements for immediate announcement and/or for Shareholders’ approval do not apply to any transaction below S\$100,000, and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence excluded from the ambit of Chapter 9 of the Listing Manual. While transactions below \$100,000 are not normally aggregated, the SGX-ST may aggregate any such transaction entered into during the same financial year and treat them as if they were one transaction.

If the group’s latest audited NTA is negative, the listed company should consult the SGX-ST on the appropriate benchmark to calculate the relevant thresholds above, which may be based on the market capitalisation of the listed company.

The value of a transaction is the amount at risk to the listed company. This is illustrated by the following examples:

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

2.4 Same Interested Person

Under Rule 908 of the Listing Manual, in interpreting the term “**same interested person**” for the purpose of aggregation as described in Section 2.3 of this Circular, the following applies:

- (a) Transactions between (a) an entity at risk and a primary interested person; and (b) an entity at risk and an associate of that primary interested person, are deemed to be transactions between an entity at risk with the same interested person. Transactions between (i) an entity at risk and a primary interested person; and (ii) an entity at risk and another primary interested person, are deemed to be transactions between an entity at risk with the same interested person if the primary interested person is also an associate of the other primary interested person.
- (b) Transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person. If an interested person (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person has a board the majority of whose directors are different and are not accustomed to act on the instructions of the other interested persons and has an audit committee whose members are completely different.

3. INTERESTED PERSON

3.1 THE INTERESTED PERSON UNDER THE PROPOSED LOAN AGREEMENT

The Interested Person under the Proposed Loan Agreement is Dongming Petrochem (山东东明石化集团有限公司). Under the Proposed Loan Agreement, Dongming Petrochem agreed to extend to Dongming Qianhai, an indirect subsidiary of the Company, a loan in the amount of RMB 705 million, subject to Shareholders' approval being obtained.

Dongming Petrochem is a limited liability company (有限责任公司) which was incorporated in Dongming County, Shandong Province, PRC on 8 February 1997 and has a paid-up capital of RMB 1.239 billion. Mr Li Xiang Ping is currently the chairman and legal representative of Dongming Petrochem. The principal business activities of Dongming Petrochem are refining crude oil, distributing gasoline, diesel, paraffin wax, tar and related products, producing raw LPG derived from the refining of crude oil and downstream processing of raw LPG into propylene, polypropylene and LPG. Oil refinery constitutes the core business of Dongming Petrochem and accounted for RMB 112.6 billion of its annual turnover in FY2019.

As at the Latest Practicable Date, and with effect from July 2020, the Company's Non-Executive Chairman and Controlling Shareholder, Mr Li Xiang Ping, holds 99.41% of the equity interest in Hong Li Yuan. Hong Li Yuan is the majority shareholder of Dongming Petrochem with 87.25% equity interest. A diagram setting out, *inter alia*, Mr Li Xiang Ping's indirect shareholding interests in Dongming Petrochem is contained in **Schedule A** to this Circular.

As Mr Li Xiang Ping holds more than 20% interest in Hong Li Yuan, Mr Li Xiang Ping is deemed interested in the entire equity interest of Dongming Petrochem held by Hong Li Yuan. Therefore, the Dongming Petrochem is an “interested person” of the Company, and the Proposed Loan Agreement with Dongming Petrochem is an “interested person transaction” under Chapter 9 of the Listing Manual.

4. THE PROPOSED LOAN AGREEMENT AS AN INTERESTED PERSON TRANSACTION

4.1 BACKGROUND

Summary of the Initial Loan Agreements

The details of the Initial Loan Agreements and the subsequent renewals thereof are set out in the table below:

Date / Amount of Initial Loan Agreements / Interest Rate	Date / Amount of Renewal Agreements / Interest Rate	Date / Amount of Renewal Agreements / Interest Rate	Date / Amount of Renewal Agreements / Interest Rate
10 October 2016 / RMB 200 million / 4.5675% per annum	→ 9 October 2017 / RMB 200 million / 4.5675% per annum	→ 8 October 2018 / RMB 200 million / 4.5675% per annum	→ 7 October 2019 / RMB 200 million / 4.5675% per annum
31 December 2016 / RMB 300 million ⁽¹⁾ / 4.5675% per annum	–	–	–
5 April 2017 / RMB 200 million / 4.5675% per annum	→ 4 April 2018 / RMB 200 million ⁽⁴⁾ / 4.5675% per annum	→ 3 April 2019 / RMB 150 million / 4.5675% per annum	–
5 June 2017 / RMB 200 million / 4.5675% per annum	→ 4 June 2018 / RMB 200 million / 4.5675% per annum	→ 3 June 2019 / RMB 200 million / 4.5675% per annum	–
1 September 2017 / RMB 100 million ⁽²⁾ / 4.5675% per annum	–	–	–
30 September 2017 / RMB 200 million / 4.5675% per annum	→ 29 September 2018 / RMB 200 million / 4.5675% per annum	→ 28 September 2019 / RMB 200 million / 4.5675% per annum	–
5 January 2018 / RMB 200 million ⁽³⁾ / 4.5675% per annum	→ 4 January 2019 / RMB 100 million ⁽⁵⁾ / 4.5675% per annum	–	–

Notes:

- (1) Repaid in full on 30 December 2017.
- (2) Repaid in full on 31 August 2018.
- (3) Partially repaid in the amount of RMB 100 million on 4 January 2019.
- (4) Partially repaid in the amount of RMB 50 million on 3 April 2019.
- (5) Repaid in full on 3 January 2020.

Please refer to the sub-section below entitled “Further elaboration on the Initial Loans” for more information on the Initial Loan Agreements.

Summary of the Dongming Qianhai Acquisition

The Company had, on 6 January 2019, announced the completion of the acquisition of 70.0% equity interest in Dongming Qianhai (the “**Dongming Qianhai Acquisition**”) by its wholly-owned subsidiary, Dongming Hengchang. Dongming Qianhai is a limited liability company (有限责任公司) incorporated under the laws of the PRC. The sale and purchase agreement for the Dongming Qianhai Acquisition was entered into by Dongming Hengchang Petrochemical Co.,Ltd (东明恒昌化工有限公司), a wholly-owned subsidiary of the Company and Dongming Zhongyou Fuel and Petrochemical Company Ltd (东明中油燃料石化有限公司), a wholly-owned subsidiary

of Dongming Petrochem on 30 June 2017. On 7 December 2017, a circular in relation to the Dongming Qianhai Acquisition (the “**Acquisition Circular**”) was circulated to Shareholders. The Company announced extensions to the long stop date on 29 September 2017, 28 December 2017, 31 January 2018 and 30 April 2018 to allow for the completion of a production trial-run and fine-tuning of Dongming Qianhai’s installation and equipment at the Propylene Plant, for the resolution of any teething issues prior to completion of the Dongming Qianhai Acquisition to ensure that such issues will be resolved by Dongming Zhongyou prior to the Group acquiring it.

The financial condition of Dongming Qianhai, including its total liabilities, based on its unaudited financial statements for the three (3) month period ended 31 March 2017, was highlighted to Shareholders in the Acquisition Circular. As at 31 March 2017, RMB 500 million in aggregate of the Initial Loans had been extended from Dongming Petrochem to Dongming Qianhai. The remaining RMB 900 million in aggregate of the Initial Loans was extended to Dongming Qianhai after 31 March 2017 but prior to the completion of the Dongming Qianhai Acquisition, and was used for Dongming Qianhai’s working capital requirements to finance its production trial-run, which commenced in June 2017 and concluded in June 2018 (the “**Production Trial Run**”), and to make principal repayments on the bank loan of RMB 500 million taken by Dongming Qianhai for the purpose of financing the construction of the Propylene Plant (the “**Construction Bank Loan**”). The Construction Bank Loan was originally secured by a mortgage over the property, plant and equipment of a subsidiary of Dongming Petrochem. Following the Dongming Qianhai Acquisition, given that Dongming Qianhai is no longer a subsidiary of Dongming Petrochem but an indirect subsidiary of our Group, Dongming Qianhai no longer had the benefit of providing such mortgage as security and repaid the Construction Bank Loan. Please also refer to the section below entitled “Principal Terms of the Proposed Loan Agreement” on Dongming Qianhai’s inability to obtain loans from third party financial institutions on similar terms or terms reasonably acceptable to the Company for the rationale for the Proposed Loan Agreement, and accordingly, reasons for the Initial Loans. Please refer to the sub-section below entitled “Use of Proceeds from Initial Loans” for more details on the use of proceeds from the initial loans and the sources of financing for the construction of the Propylene Plant. The aggregate cost of the Production Trial Run was RMB 2.4 billion of which RMB 2.3 billion was used for direct costs such as the acquisition of raw materials and consumables for production, RMB 24 million was used for labour costs, and RMB 11 million was used for production overheads. The RMB 2.4 billion in aggregate spent on the Production Trial Run, was financed by the Initial Loans and the proceeds of the Production Trial Run. RMB 156.25 million of the Initial Loans was used to make principal repayments on the Construction Bank Loan, as it was incurring a higher interest rate than what the Company was paying under the Initial Loan Agreements. The RMB 900 million in aggregate of the Initial Loans extended to Dongming Qianhai after 31 March 2017 but prior to the completion of the Dongming Qianhai Acquisition was borrowed over the course of the Production Trial Run on an as-required basis, pursuant to the Initial Loan Agreements dated 5 April 2017, 5 June 2017, 1 September 2017, 30 September 2017 and 5 January 2018. The Initial Loans did not constitute an interested person transaction until the Dongming Qianhai Acquisition was completed. An aggregate of RMB 2.3 billion of revenue was generated by Dongming Qianhai over the course of the Production Trial Run and such proceeds were partly used to finance the Production Trial Run and to repay the Construction Bank Loan. The Production Trial Run was necessary in order for the Group to take over a working plant which, since FY2019, has accounted for 60% of the Group’s revenue. Please refer to the sub-section below entitled “Further elaboration on the Initial Loans” for more information on such Initial Loans. Please refer to the sub-section below entitled “Use of proceeds from Initial Loans” for more details on the Propylene Plant.

At completion of the Dongming Qianhai Acquisition on 26 December 2018, the aggregate amount outstanding to Dongming Petrochem was RMB 1.0 billion (the “**Completion Outstanding Loan**”), constituting 41.1% of the Company’s total assets and 115.1% of the Company’s NAV at the relevant time. The total amount of interest payable pursuant to the Completion Outstanding Loan as at completion of the Dongming Qianhai Acquisition was RMB 21,112,000, representing 2.4% of the Group’s latest audited NTA at the relevant time. As such, Shareholders’ approval for the Initial Loan Agreements was not required pursuant to the requirements of the Listing Manual. The Dongming Qianhai Acquisition was approved by Shareholders at an extraordinary general meeting of the Company held on 22 December 2017. The Company had also engaged a valuer and an independent financial advisor for the Dongming Qianhai Acquisition, who were both aware of

and considered the Initial Loans, Dongming Qianhai's bank borrowings, as well as the financial condition of Dongming Qianhai (which included its liabilities). The Initial Loans were not specifically disclosed to Shareholders in the Acquisition Circular nor upon completion of the Dongming Qianhai Acquisition, as the Board then was of the view that the Dongming Qianhai Acquisition and the financial condition of Dongming Qianhai, including its liabilities pursuant to the Initial Loans and its bank borrowings, had been considered in its entirety, including the views of the valuer and the independent financial advisor, which were set out in the Acquisition Circular. The Company had disclosed the Completion Outstanding Loan in its financial results announcements and annual reports after completion of the Dongming Qianhai Acquisition.

Further elaboration on the Initial Loans

Prior to the completion of the Dongming Qianhai Acquisition, Dongming Qianhai had entered into seven (7) loan agreements dated 10 October 2016, 31 December 2016, 5 April 2017, 5 June 2017, 1 September 2017, 30 September 2017 and 5 January 2018 with Dongming Petrochem (the "**Initial Loan Agreements**") pursuant to which loans in the aggregate amount of RMB 1.4 billion were extended by Dongming Petrochem to Dongming Qianhai (the "**Initial Loans**"). The term of repayment under each of the Initial Loan Agreements was 12 months from the date of disbursement and carried an interest rate of 4.5675% per annum (the "**Initial Loans Interest Rate**"), the rate offered by Dongming Petrochem for short term loans. The loan agreements dated 31 December 2016 and 1 September 2017, for principal amounts of RMB 300 million and RMB 100 million, respectively, were repaid in full upon their expiry on 30 December 2017 and 31 August 2018, respectively, prior to the completion of the Dongming Qianhai Acquisition. Interest payments due on all the Initial Loans were fully settled on a monthly basis when due.

The total amount of interest payable on the Initial Loan Agreements entered into in FY2017 was RMB 41,107,500, representing 6.7% of the Group's NTA for FY2016, while the total amount of interest payable on the Initial Loan Agreements entered into in FY2018 was RMB 45,675,000, representing 6.8% of the Group's NTA for FY2017. Notwithstanding this, the total amount of interest payable pursuant to the Completion Outstanding Loan as at completion of the Dongming Qianhai Acquisition, being the time from which the Initial Loan Agreements constituted interested person transactions of the Company, was RMB 21,112,000, representing 2.4% of the Group's latest audited NTA at the relevant time. As such, shareholders' approval for the Initial Loan Agreements was not required pursuant to the requirements of the Listing Manual. Please refer to the disclosures above under the section entitled "Summary of the Dongming Qianhai Acquisition" for more details on the Completion Outstanding Loan.

To the extent that the Initial Loan Agreements remained outstanding, Dongming Petrochem and Dongming Qianhai subsequently entered into agreements for their renewal upon their expiry, for further terms of twelve (12) months (the "**Subsequent Renewal Agreements**"). The Subsequent Renewal Agreements applied the same Initial Loans Interest Rate. Further repayments of RMB 50 million, RMB 100 million and RMB 100 million under the Subsequent Renewal Agreements were made to Dongming Petrochem on 4 January 2019, 3 April 2019 and 3 January 2020 with such repayments funded by Dongming Qianhai's operating revenue.

The total amount of interest paid pursuant to the Subsequent Renewal Agreements entered into in FY2019 after completion of the Dongming Qianhai Acquisition, pursuant to which the loans between Dongming Qianhai and Dongming Petrochem constituted interested person transactions of the Group, is RMB 38,823,750 at the Initial Loans Interest Rate, representing 4.5% of the Group's NTA for FY2018 of RMB 868,868,000. The aggregate value of all interested person transactions entered into by the Group with Dongming Petrochem and its subsidiaries for FY2019 (not including transactions below S\$100,000 and transactions previously approved by Shareholders) is approximately RMB 42,348,869 representing 4.9% of the Group's NTA for FY2018. As such, the Subsequent Renewal Agreements entered into in FY2019 after completion of the Dongming Qianhai Acquisition were subject to the announcement requirements pursuant to Rule 905 of the Listing Manual but not subject to the approval of the Independent Shareholders pursuant to Rule 906 of the Listing Manual. The Company did not separately announce the Subsequent Renewal Agreements, and the Subsequent Renewal Agreements were not reviewed by the Audit Committee or recorded in the IPT register of the Company, as the Company had

considered these to effectively be an extension of the Completion Outstanding Loan under the Initial Loan Agreements and effectively the same loan which had already been entered into. Notwithstanding this, the Company had disclosed the interested person loans from Dongming Petrochem in its annual report for FY2019 pursuant to Rule 907 of the Listing Manual under the section entitled 'Interested Person Transactions'.

Use of Proceeds from Initial Loans

The proceeds from the Initial Loans were utilised by Dongming Qianhai in the following manner:

Use of Initial Loans proceeds	Amount (RMB)
Construction of Dongming Qianhai's Propylene Plant	500 million ⁽¹⁾
Dongming Qianhai's working capital	743.75 million ⁽²⁾
Repayment of the Construction Bank Loan	156.25 million ⁽³⁾
Total	1.4 billion

Note:

- (1) An aggregate of RMB 500 million of the Initial Loan proceeds used for construction of the Propylene Plant was pursuant to the loan agreements dated 10 October 2016 and 30 December 2016.
- (2) An aggregate of RMB 743.75 million of the Initial Loan proceeds was used for Dongming Qianhai's working capital requirements to finance the Production Trial Run, which commenced in June 2017 and concluded in June 2018. The aggregate cost of the Production Trial Run was RMB 2.4 billion of which RMB 2.3 billion was used for direct costs such as the acquisition of raw materials and consumables for production, RMB 24 million was used for labour costs, and RMB 11 million was used for production overheads. The RMB 2.4 billion in aggregate spent on the Production Trial Run was financed by the Initial Loans and the proceeds of the Production Trial Run.
- (3) An aggregate of RMB 156.25 million of the Initial Loan proceeds was used for principal repayments on the Construction Bank Loan.

An aggregate of approximately RMB 500.0 million of the proceeds from the Initial Loans was used to make payments to external third party suppliers for the construction of Dongming Qianhai's 120,000-tonne production plant for propylene, purified isobutylene and methyl tert-butyl ether (commonly known as MTBE) in Shandong province (the "**Propylene Plant**"). None of such third party suppliers were related or interested persons of Dongming Qianhai at the relevant time and have not become related or interested persons of Dongming Qianhai subsequent to the Initial Loan Agreements. Construction of the Propylene Plant was completed in July 2017 at a total cost of approximately RMB 1.4 billion, excluding the land on which the Propylene Plant is situated, which cost an additional RMB 31 million. The construction costs of RMB 1.4 billion were fully utilised in the construction of the Propylene Plant and fully capitalised as fixed assets. None of the amounts relating to the raw materials and consumables used in the Production Trial Run were capitalised and such amounts were accounted for in the Company's financial statements as working capital. In addition to the Initial Loans, Dongming Qianhai also obtained the Construction Bank Loan of RMB 500 million and used RMB 400 million from its shareholders' equity for construction of the Propylene Plant. As at the Latest Practicable Date, the average cash burn rate of Dongming Qianhai is about RMB 160 million per month.

The remaining amount of approximately RMB 900 million in aggregate of the proceeds from the Initial Loans was pursuant to the loan agreements dated 5 April 2017, 5 June 2017, 1 September 2017, 30 September 2017 and 5 January 2018. Of such amount, RMB 743.75 was used for Dongming Qianhai's working capital purposes to finance the Production Trial Run (including the acquisition of raw materials and consumables for production), which commenced in June 2017 and concluded in June 2018, and RMB 156.25 million was used for principal repayments on the Construction Bank Loan. The Production Trial Run was necessary in order for the Group to take over a working plant which, since FY2019, has accounted for 60% of the Group's revenue.

The Interim Loan Agreement

To consolidate the arrangements under the Subsequent Renewal Agreements, Dongming Qianhai had, on 2 April 2020, entered into the Interim Loan Agreement with Dongming Petrochem for RMB 750 million, being the aggregate amount outstanding under the Subsequent Renewal Agreements (the “**Initial Outstanding Sum**”). The initial term of the Interim Loan Agreement was six (6) months, commencing on 2 April 2020 and expiring on 1 October 2020. On 7 October 2020, Dongming Qianhai entered into a supplemental agreement with Dongming Petrochem (the “**Supplemental Interim Loan Agreement**”) to reduce the interest rate under the Interim Loan Agreement and to extend the term of the Interim Loan Agreement to 31 December 2020, in order to provide interim financing for Dongming Qianhai while the Company seeks Shareholders’ approval for the Proposed Loan Agreement. The interest rate under the Supplemental Interim Loan Agreement is the basic interest rate for short-term bank loans of under one (1) year issued by the People’s Bank of China as at the date of the Interim Loan Agreement, being 4.35% per annum. Having considered that the Supplemental Interim Loan Agreement allows the Dongming Qianhai access to funds without the need to provide any security, charge or mortgage over assets and that the interest rate charged is, in its view, no less favourable than the rates charged by third party financial institutions as it is based on the interest rate for short-term bank loans of under one (1) year issued by the People’s Bank of China, the Audit Committee is of the view that the entry by Dongming Qianhai into the Supplemental Interim Loan Agreement was on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders. The purpose of the Interim Loan Agreement is to refinance the outstanding amounts owing under the Subsequent Renewal Agreements. Contemporaneously with the entering into of the Interim Loan Agreement, the Subsequent Renewal Agreements were cancelled and the Initial Outstanding Sum became governed by the terms and conditions of the Interim Loan Agreement.

Pursuant to the terms of the Interim Loan Agreement (as varied by the Supplemental Interim Loan Agreement), principal repayments of RMB 15.0 million each were made on 20 June 2020 and 20 September 2020 and a principal repayment of RMB 15 million will become due on 20 December 2020 (the “**Interim Loan Repayments**”). Interest payments on the full Interim Outstanding Sum of RMB 750 million in the amounts of RMB 1,721,875, RMB 2,718,750, RMB 2,807,562.50, RMB 2,664,375, RMB 2,753,187.50, RMB 2,751,375, RMB 2,610,000 and RMB 2,697,000 were made monthly on the 21st day of each month between April 2020 and November 2020, inclusive. An interest payment of RMB 2,695,187.50 will become due on 21 December 2020. The quantum and timing of the repayments under the Interim Loan Agreement were determined pursuant to negotiations between Dongming Qianhai and Dongming Petrochem taking into account factors including the COVID-19 pandemic and time required for Dongming Qianhai to ramp up production to pre-pandemic levels and to build up its cash resources in FY2020. It is intended for the Interim Loan Repayments to continue to be funded by Dongming Qianhai’s operating revenue. Following such repayments, the remaining amount owed under the Interim Loan Agreement (the “**Interim Outstanding Sum**”), upon expiry of the Interim Loan Agreement on 31 December 2020, will be RMB 705.0 million. It is intended for the Interim Outstanding Sum to be refinanced under the Proposed Loan Agreement.

The amount of interest payable to Dongming Petrochem under the Interim Loan Agreement (as varied by the Supplemental Interim Loan Agreement) assuming repayments are made as scheduled, is approximately RMB 23.4 million in total for the term of the Interim Loan Agreement (as varied by the Supplemental Interim Loan Agreement), which represents approximately 2.4% of the Group’s NTA of RMB 990,763,000.00 for FY2019. Notwithstanding that the value at risk of the Interim Loan represents less than 3% of the Group’s NTA, and the Interim Loan Agreement (as varied by the Supplemental Interim Loan Agreement) is not subject to the announcement requirements pursuant to Rule 905(1) of the Listing Manual, the Company had on 8 October 2020 released an announcement via SGXNET in connection with the execution of the Supplemental Interim Loan Agreement. The aggregate value of all other interested person transactions entered into by the Group with Dongming Petrochem and its subsidiaries for FY2020 (not including transactions below S\$100,000 and transactions previously approved by shareholders) is approximately RMB 26.1 million, representing 2.6% of the Group’s NTA for FY2019.

The Proposed Loan Agreement

To supplement Dongming Qianhai's loan arrangements in respect of the Interim Outstanding Sum, Dongming Qianhai had on 15 May 2020, with the approval of the Audit Committee, entered into a new loan agreement with Dongming Petrochem for the Interim Outstanding Sum (the "**Proposed Loan Agreement**"). On 14 December 2020, Dongming Qianhai entered into a supplemental agreement with Dongming Petrochem (the "**Supplemental Agreement**") to vary the Proposed Loan Agreement. Details of the Proposed Loan Agreement (as varied by the Supplemental Agreement) are set out below.

In approving the entry into the Proposed Loan Agreement and the Supplemental Agreement, the Audit Committee took into account factors including the then-prevailing external lending rates quoted by third party banks and financial institutions, in particular the basic interest rate of the People's Bank of China for loans with tenors ranging between one (1) to five (5) years (基准利率), and the accompanying terms, the terms of Dongming Qianhai's existing loans, the terms of existing loans of the other entities within the Group, as well as Dongming Qianhai's ongoing financing needs and cashflow forecast for the next five (5) years. The Audit Committee also noted that no security is required for the provision of the loan pursuant to the Proposed Loan Agreement. The Audit Committee also considered Dongming Qianhai's track record period, having only completed the Production Trial Run in June 2018, which increases its difficulty in obtaining loans of a similar quantum from financial institutions at a competitive interest rate and without providing any security. Having considered and reviewed, *inter alia*, the terms, the rationale and the benefits of the Proposed Loan Agreement (as varied by the Supplemental Agreement) as well as the opinion and advice of the IFA, as set out in Schedule B to this Circular, and after discussions with the management of the Company, the Audit Committee concurs with the opinion of the IFA and is satisfied that, the terms of the Proposed Loan Agreement are on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

The amount of interest payable to Dongming Petrochem under the Proposed Loan Agreement (as varied by the Supplemental Agreement), represents approximately 8.7% of the Group's NTA. As the value at risk under the Proposed Loan Agreement represents more than 3% of the Group's NTA, the Proposed Loan Agreement is subject to the announcement requirements pursuant to Rule 905(1) of the Listing Manual, and the Company had on 15 May 2020 released an announcement via SGXNET in connection with the execution of the Proposed Loan Agreement. The Company had also released an announcement via SGXNET on 14 December 2020 in connection with the execution of the Supplemental Agreement.

Subject to Shareholders' approval, the term of the Proposed Loan Agreement shall commence on 1 January 2021 and expire on 1 April 2025. Notwithstanding that the Proposed Loan Agreement had been entered into on 15 May 2020, the Proposed Loan Agreement has not come into effect and shall only become effective upon approval by the Shareholders. Contemporaneously with the coming into effect of the Proposed Loan Agreement, the Interim Loan Agreement will be cancelled and the Interim Outstanding Sum owed by Dongming Qianhai to Dongming Petrochem will be governed by the terms and conditions of the Proposed Loan Agreement. There will be no additional loan extended by Dongming Petrochem to Dongming Qianhai under the Proposed Loan Agreement. Upon the coming into effect of the Proposed Loan Agreement, the aggregate amount owed by Dongming Qianhai to Dongming Petrochem will be equivalent to the Interim Outstanding Sum of RMB 705 million.

This resolution relating to the Proposed Loan Agreement as an interested person transaction is set out in Resolution 1.

As at the Latest Practicable Date, Dongming Qianhai's net cash amounted to RMB 79.1 million. Dongming Qianhai was incorporated on 29 September 2014 and its capital of RMB 400 million was fully paid-up in February 2016 and fully utilised in the construction of the Propylene Plant. In the event that the Shareholders do not approve the Proposed Loan Agreement as an interested person transaction, the Interim Outstanding Sum under the Interim Loan Agreement will become due and payable upon expiry of the Interim Loan Agreement on 31 December 2020. In the event that Shareholders do not approve the Proposed Loan Agreement as an interested person transaction, Dongming Qianhai would be required to seek alternative sources of financing, such as

banks and financial institutions, in order to repay the Interim Outstanding Sum. Due to the status of Dongming Qianhai as a recently incorporated entity with a short track record period, having only completed the Production Trial Run in June 2018, the large quantum of the loan and Dongming Qianhai's preference for the loan to be unsecured, the Company is of the opinion that it would face considerable difficulty in obtaining alternative sources of unsecured financing at interests rates comparable to those under the Proposed Loan Agreement.

Dongming Petrochem has also provided the Dongming Petrochem Undertaking to Dongming Qianhai pursuant to which it undertakes to Dongming Qianhai that (a) it shall not recall any amounts under the Interim Loan Agreement prior to its expiry; (b) it shall not recall any amounts under the Interim Loan Agreement in the event Shareholders do not approve the Proposed Loan Agreement for it to come into effect prior to the expiry of the Interim Loan Agreement, and (c) in the event Dongming Qianhai is experiencing insufficient working capital to repay the Interim Outstanding Loan, it shall negotiate in good faith with Dongming Qianhai for a new repayment schedule in respect of the Interim Outstanding Loan without requiring Dongming Qianhai to pay any penalty amounts.

4.2 PRINCIPAL TERMS OF THE PROPOSED LOAN AGREEMENT

- Principal amount : RMB 705.0 million
- Lender : Dongming Petrochem
- Borrower : Dongming Qianhai
- Term of repayment : 51 months from 1 January 2021 to 1 April 2025 with repayments due in installments on a quarterly basis with reference to the repayment schedule (the "**Repayment Schedule**") below:

Due date	Amount due (RMB)
20 March 2021	20,000,000.00
20 June 2021	20,000,000.00
20 September 2021	20,000,000.00
20 December 2021	20,000,000.00
20 March 2022	25,000,000.00
20 June 2022	50,000,000.00
20 September 2022	50,000,000.00
20 December 2022	50,000,000.00
20 March 2023	50,000,000.00
20 June 2023	50,000,000.00
20 September 2023	50,000,000.00
20 December 2023	50,000,000.00
20 March 2024	50,000,000.00
20 June 2024	50,000,000.00
20 September 2024	50,000,000.00
20 December 2024	50,000,000.00
1 April 2025	50,000,000.00
Total	705,000,000.00

In the event Dongming Qianhai is unable to repay any amounts pursuant to the Repayment Schedule above due to short term cash flow difficulties, no penalties will be imposed on Dongming Qianhai and the parties may discuss a revised repayment schedule.

Interest Rate : The interest rate shall be equal to the basic interest rate of the People's Bank of China for loans of between one (1) to five (5) years (基准利率) as at the date of the Proposed Loan Agreement.

As at the date of the Proposed Loan Agreement, the LPR was 4.75% per annum. The basic interest rate of the People's Bank of China can be accessed at: <http://www.pbc.gov.cn/zhengcehuobisi/125207/125213/125440/125838/125885/125896/2968988/index.html>.

Interest shall accrue on a monthly basis and is payable on the 21st day of each month.

Vis-a-vis the Interim Loan Agreement, which has a term of nine (9) months, the term of the Proposed Loan agreement is 51 months. The interest rate under the Proposed Loan Agreement is 4.75% per annum, based on the People's Bank of China's LPR as at the date of the Proposed Loan Agreement, as compared with the interest rate of 4.35% under the Interim Loan Agreement, based on the basic interest rate for short-term bank loans of under one (1) year issued by the People's Bank of China as at the date of the Interim Loan Agreement, such difference being due to the Interim Loan Agreement being a short term loan of nine (9) months, and the Proposed Loan Agreement being a long term loan of 51 months.

Repayments pursuant to the Proposed Loan Agreement will be made by Dongming Qianhai. The Company will provide updates in relation to the loan and interest repayments under the Proposed Loan Agreement.

The terms of the Proposed Loan Agreement were negotiated between Dongming Qianhai and Dongming Petrochem, taking into account, amongst others, the then-prevailing external lending rates quoted by third party banks and financial institutions and the accompanying terms, the terms of Dongming Qianhai's existing loans, the terms of existing loans of the other entities within the Group, as well as Dongming Qianhai's ongoing financing needs in the next five (5) years. Dongming Qianhai was primarily represented by the Company's CEO, Mr Zhang Liu Cheng and CFO, Mr William Tan in its negotiations with Dongming Petrochem over the terms of the Proposed Loan Agreement.

The interest rate under the Proposed Loan Agreement is equivalent to the People's Bank of China's basic interest rate for loans of between one (1) to five (5) years (基准利率) as at the date of the Proposed Loan Agreement. Entry into the Proposed Loan Agreement would also grant Dongming Qianhai access to financing without having to provide security for the loan as would typically be required by third party banks and financial institutions. In negotiating the terms of the Proposed Loan Agreement and in considering alternative sources of financing, Dongming Qianhai had regard to its communications with third party financial institutions as to its ability to obtain a similar loan on similar terms, and in particular, its status as a recently incorporated entity with a short track record period, the quantum of the loan and the preference for the loan to be unsecured. Further, as set out above, no penalty interest will be incurred in the event Dongming Qianhai is unable to meet the repayment obligations set out in the Repayment Schedule.

The Board and the Audit Committee has also considered the Dongming Petrochem Undertaking, as well as Dongming Qianhai's ability to satisfy the Repayment Schedule, including the interest payments, in view of its operating cash flow and working capital requirements, including the impact COVID-19 has had on its operations. Taking into account the revenue it expects to derive from the Propylene Plant and the quantum, based on Dongming Qianhai's past performance and cashflow

projections, and payment schedule of the principal repayments and interest payments, the Board is of the view that Dongming Qianhai will be able to satisfy the Repayment Schedule, including the interest payments, and make repayments under the Proposed Loan Agreement when due. Dongming Qianhai's operating cash flow for the past three (3) years is set out below:

Year	Net cash generated from/(used in) operating activities (RMB'000)
2017	(169,865)
2018	357,113
2019	262,106
2020 (as of September)	14,288

4.3 SHAREHOLDERS' APPROVAL

The value at risk to the Group under the Proposed Loan Agreement, being the maximum interest payable to Dongming Petrochem is RMB 85,796,875.00, calculated in accordance with the table below:

Repayment Date	Interest payable (RMB)
20 March 2021	8,371,875.00
20 June 2021	8,134,375.00
20 September 2021	7,896,875.00
20 December 2021	7,659,375.00
20 March 2022	7,421,875.00
20 June 2022	7,125,000.00
20 September 2022	6,531,250.00
20 December 2022	5,937,500.00
20 March 2023	5,343,750.00
20 June 2023	4,750,000.00
20 September 2023	4,156,250.00
20 December 2023	3,562,500.00
20 March 2024	2,968,750.00
20 June 2024	2,375,000.00
20 September 2024	1,781,250.00
20 December 2024	1,187,500.00
29 March 2025	593,750.00
Total interest payable under the Proposed Loan Agreement:	85,796,875.00

The amount of interest payable to Dongming Petrochem under the Proposed Loan Agreement, is RMB 85,796,875.00 which represents approximately 8.7% of the Group's NTA for FY2019. As the value at risk for the term of the Proposed Loan Agreement represents more than 5% of the Group's NTA, based on the Group's NTA of RMB 990,763,000.00 for FY2019, the Proposed Loan Agreement is subject to the approval of the Independent Shareholders at the EGM pursuant to Rule 906(1) of the Listing Manual.

4.4 RATIONALE FOR AND BENEFITS OF THE PROPOSED LOAN AGREEMENT

The Proposed Loan Agreement will allow Dongming Qianhai to refinance the outstanding amounts owing under the Interim Loan Agreement by entering into the Proposed Loan Agreement and to benefit from a switch from short-term debt to long-term debt. Relative to the Interim Loan Agreement, which has a repayment term of nine (9) months, the Proposed Loan Agreement, has a longer repayment term of 51 months. Entry into the Proposed Loan Agreement will therefore reduce the short-term repayment obligations of Dongming Qianhai and free up its near term liquidity for other purposes.

The Proposed Loan Agreement will allow Dongming Qianhai access to funds without the need to provide any security, charge or mortgage over assets.

The interest rate charged by Dongming Petrochem for the provision of the loans is, in the Company's view, no less favourable than the rates charged by third party financial institutions. The interest rate under the Proposed Loan Agreement is pegged to the People's Bank of China's basic interest rate for loans of between one (1) and five (5) years (基准利率).

4.5 OPINION AND ADVICE OF THE IFA TO THE INDEPENDENT DIRECTORS

4.5.1 IFA

Pursuant to Rule 921(4)(a) of the Listing Manual, CICF has been appointed as the independent financial adviser to advise the Independent Directors on whether the Proposed Loan Agreement as an Interested Person Transaction is on normal commercial terms and prejudicial to the interests of the Company and its minority Shareholders. A copy of its letter dated 15 December 2020 to the Independent Directors (the "IFA Letter") is set out in Schedule B to this Circular and Shareholders are advised to read the IFA Letter carefully.

4.5.2 IFA's Opinion and Advice

The following is an extract from Section 7 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:

"In arriving at our recommendation in respect of the Loan Agreements, we have given due consideration to, inter alia, the following key factors:

- (a) Rationale for and benefits of the Loan Agreements;*
- (b) Interest Rate under the Loan Agreements; and*
- (c) Other relevant considerations*

Having regard to the considerations set out in this IFA Letter and the information made available to us as at the Latest Practicable Date, we are of the opinion that the Loan Agreements are on normal commercial terms and is not prejudicial to the interest of the Company and its minority Shareholders."

4.6 LEGAL ADVISER

The Company has appointed Bird & Bird ATMD LLP as the legal adviser to the Company as to Singapore law in relation to the Proposed Loan Agreement.

5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

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

	Direct Interests		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Li Xiang Ping	–	–	369,898,500 ⁽²⁾	57.79
Zhang Liu Cheng	200,000	0.03	–	–
Teo Moh Gin	100,000	0.02	–	–
Zhao Jinqing	–	–	–	–
Li Zhi	–	–	–	–
Substantial Shareholders				
Intelligent People Holdings Limited	329,996,000	51.56	39,902,500 ⁽¹⁾	6.23
UBS Group AG	–	–	56,320,400 ⁽³⁾	8.8

Notes:

- (1) Intelligent People Holdings Limited is deemed to be interested in 39,502,500 Shares held on its behalf under the name of its nominee - RHB Securities Singapore Pte. Ltd.
- (2) Mr Li Xiang Ping, by virtue of the provisions of Section 7 of the Companies Act, is deemed to have an interest in the aggregate number of 369,898,500 Shares that Intelligent People is interested or deemed to be interested in, due to his 100.0% shareholding interest in Intelligent People.
- (3) UBS Group AG, by virtue of the provisions of Section 7 of the Companies Act, is deemed to have an interest in the aggregate number of 56,320,400 Shares that UBS AG is interested in.

6. AUDIT COMMITTEE'S STATEMENTS

In relation to the Proposed Loan Agreement, the Audit Committee, having considered and reviewed, *inter alia*, the terms, the rationale and the benefits of the Proposed Loan Agreement as well as the opinion and advice of the IFA, as set out in Schedule B to this Circular, and after discussions with the management of the Company, the Audit Committee concurs with the opinion of the IFA and is satisfied that, the terms of the Proposed Loan Agreement are on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

Accordingly, the Audit Committee recommends that the Independent Shareholders vote in favour of the Proposed Loan Agreement to be proposed at the EGM.

7. ABSTENTION FROM VOTING

Rules 919 of the Listing Manual requires that Interested Persons and their associates must not vote on any Shareholders' resolutions approving the Interested Persons Transaction.

Mr Li Xiang Ping who is an Interested Person by virtue of his position as Chairman of Dongming Petrochem Group and has deemed interest in 57.79% of the Company's shares, and his associates, will abstain from voting at the EGM in relation to the Proposed Loan Agreement and will not accept nominations as proxy or otherwise for voting at the EGM in respect of the said Resolution as set out in the Notice of EGM 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 for that Resolution.

Mr Li Zhi who is Mr Li Xiang Ping's son and an Interested Person by virtue of his position as the chief executive officer and a director of Dongming Petrochem Group, will abstain from voting at the EGM in relation to the Proposed Loan Agreement and will not accept nominations as proxy or otherwise for voting at the EGM in respect of the said Resolution as out in the Notice of EGM unless the IPT Independent Shareholders appointing him as proxy give specific instructions in the relevant proxy form in the manner in which they wish their votes to be cast for that Resolution.

8. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out in this Circular, will be held by way of electronic means on Wednesday, 30 December 2020 at 9.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolution set out therein.

9. ACTIONS TO BE TAKEN BY SHAREHOLDERS

9.1 ALTERNATIVE ARRANGEMENTS FOR EGM

No physical attendance

Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time), the EGM will be held by electronic means and members of the Company will NOT be allowed to attend the EGM in person.

Alternative arrangements are instead put in place to allow shareholders to participate in the EGM by:

- (i) watching and/or listening to the EGM proceedings via a "live" webcast;
- (ii) submitting questions ahead of the EGM; and/or
- (iii) voting by proxy at the EGM.

"Live" webcast

The EGM proceedings will be conducted via electronic means. Shareholders will be able to watch or listen to the proceedings via a "live" webcast on their mobile phones, tablets or computers.

In order to do the above, shareholders will have to follow these steps:

- (i) Shareholders (including those who hold their shares through relevant intermediaries (including CPF Investors or SRS investors)) who wish to watch or listen to the "live" webcast must preregister with the Company at the URL: <https://agm.conveneagm.com/sinostarpec> (the "**EGM Website**"), to create an account, no later than 9.30 a.m. on 26 December 2020 (the "**Registration Deadline**").
- (ii) Following authentication of a shareholder's status, such shareholder will receive an email on their authentication status and will be able to access the "live" webcast of the EGM proceedings using the account created.
- (iii) Shareholders who have pre-registered by the Registration Deadline but do not receive the aforementioned email by 9.30 a.m. on 28 December 2020 should check the 'spam / junk' folder before contacting the Company at the following email address: rhtcaoscar@rhtcorporate.com, with the following details included: (1) the full name of the shareholder; and (2) his/her/its identification/registration number.

Shareholders are reminded that the EGM proceedings are private. Instructions on access to the "live" webcast of the EGM proceedings should therefore not be shared with anyone who is not a shareholder of the Company or otherwise he or she shall not be authorised to attend the EGM. Recording of the "live" webcast in whatever form is also strictly prohibited.

System Requirement

Browser

For optimal user experience, it is recommended that shareholders use the following browser versions when accessing the EGM Website as well as the “live” webcast of the EGM proceedings:

- Mozilla Firefox 69 and above; or
- Safari 12.1.2 and above; or
- Google Chrome 74 and above; or
- Microsoft Edge 79 and above.

Operating System

For Microsoft Windows Operating system, it is recommended that shareholders use Windows 10.

Submission of questions

Shareholders may submit questions relating to the resolution to be tabled for approval at the EGM.

All questions must be submitted no later than 10.00 a.m. on 24 December 2020 (the “**Submission Deadline**”) via any one of the following means:

- (i) by posting a physical copy to the registered office of the Company at 30 Cecil Street #19-08 Prudential Tower, Singapore 049712; or
- (ii) via the EGM website.

If the questions are deposited in physical copy at the Company’s registered office or sent via email, and in either case not accompanied by the completed and executed proxy form, the following details must be included with the submitted questions: (1) the full name of the shareholder; and (2) his/her/its identification/registration number for verification purposes, failing which the submission will be treated as invalid.

The Company will endeavour to address substantial and relevant questions relating to the resolution to be tabled for approval at the EGM.

Please note that shareholders will not be able to ask questions at the EGM and accordingly, it is important for shareholders to submit their questions by the Submission Deadline.

The Company will address substantial questions relevant to the resolutions to be tabled for approval at the EGM as received from Shareholders before the Submission Deadline, on or prior to 24 December 2020. The Company will, within one (1) month after the date of the EGM, publish the minutes of the EGM, together with responses to subsequent clarifications sought or follow-up questions raised by shareholders in respect of substantial and relevant matters on SGXNet and the Company’s website.

Appointment of Chairman of the EGM as Proxy

Shareholders will not be able to vote online on the Resolution to be tabled for approval at the EGM. Instead, if Shareholders wish to exercise their voting rights at the EGM, they must each submit an instrument of proxy to appoint the Chairman of the EGM as their proxy to attend, speak and vote on their respective behalf at the EGM. The Chairman of the EGM, as proxy, need not be a Shareholder of the Company.

Shareholders (whether individuals or corporates) appointing the Chairman of the EGM as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form, failing which the appointment and votes will be treated as invalid.

The proxy form must be submitted to the Company no later than 9.30 a.m. on 28 December 2020 through any one of the following means:

- (i) by posting a physical copy to the registered office of the Company at 30 Cecil Street #19-08 Prudential Tower, Singapore 049712; or
- (ii) by sending a scanned PDF copy by email to rhtcaoscar@rhtcorporate.com.

Persons who hold shares through relevant intermediaries

Persons who hold shares of the Company through relevant intermediaries (as defined in section 181 of the Companies Act, Chapter 50), including CPF Investors and/or SRS Investors, and who wish to participate in the EGM by:

- (i) watching and/or listening to the EGM proceedings via a “live” webcast;
- (ii) submitting questions ahead of the EGM; and/or
- (iii) voting by proxy at the EGM,

should approach the relevant intermediary (which would include, in the case of CPF Investors and SRS investors, their respective CPF/SRS Approved Nominees (CPF Agent Banks or SRS Operators)) through which they hold such shares as soon as possible, and in any event no fewer than seven (7) working days before the EGM, in order for the necessary arrangements to be made for their participation in the EGM.

9.2 NO DESPATCH OF PRINTED COPIES OF CIRCULAR, NOTICE OF EGM AND PROXY FORM

In line with the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, no printed copies of the Circular, the Notice of EGM and the proxy form in respect of the EGM will be despatched to Shareholders.

A copy of the Circular attaching the Notice of EGM and the proxy form has been uploaded on SGXNet and will be made available on the Company's website. A Shareholder will need an internet browser and PDF reader to view these documents on SGXNet and the Company's website.

10. DIRECTORS' RECOMMENDATIONS

The Directors who are considered independent for the purposes of the Proposed Loan Agreement are Mr Zhang Liu Cheng, Mr Teo Moh Gin and Mr Zhao Jinqing (the “**Independent Directors**”). The Independent Directors are of the opinion that the interested person transactions (as described in Section 4 above) between the Group with the Interested Person (as described in Section 3 above) will enhance the efficiency of the Group and are in the best interests of the Company.

For the reasons set out in Section 4.4, the Independent Directors recommend that Shareholders vote in favour of Resolution 1 at the EGM.

11. CONSENT BY THE IFA

CICF has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the IFA Letter and references to its name and the IFA Letter (as set out in Schedule B to this Circular), in the form and context in which they appear in this Circular.

12. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Constitution of the Company;
- (b) the annual report of the Company for FY2019;
- (c) the Proposed Loan Agreement;
- (d) the Supplemental Agreement;
- (e) the IFA Letter; and
- (f) the letter of consent from CICF referred to in Section 11 of this Circular.

13. DIRECTORS' RESPONSIBILITY STATEMENT

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

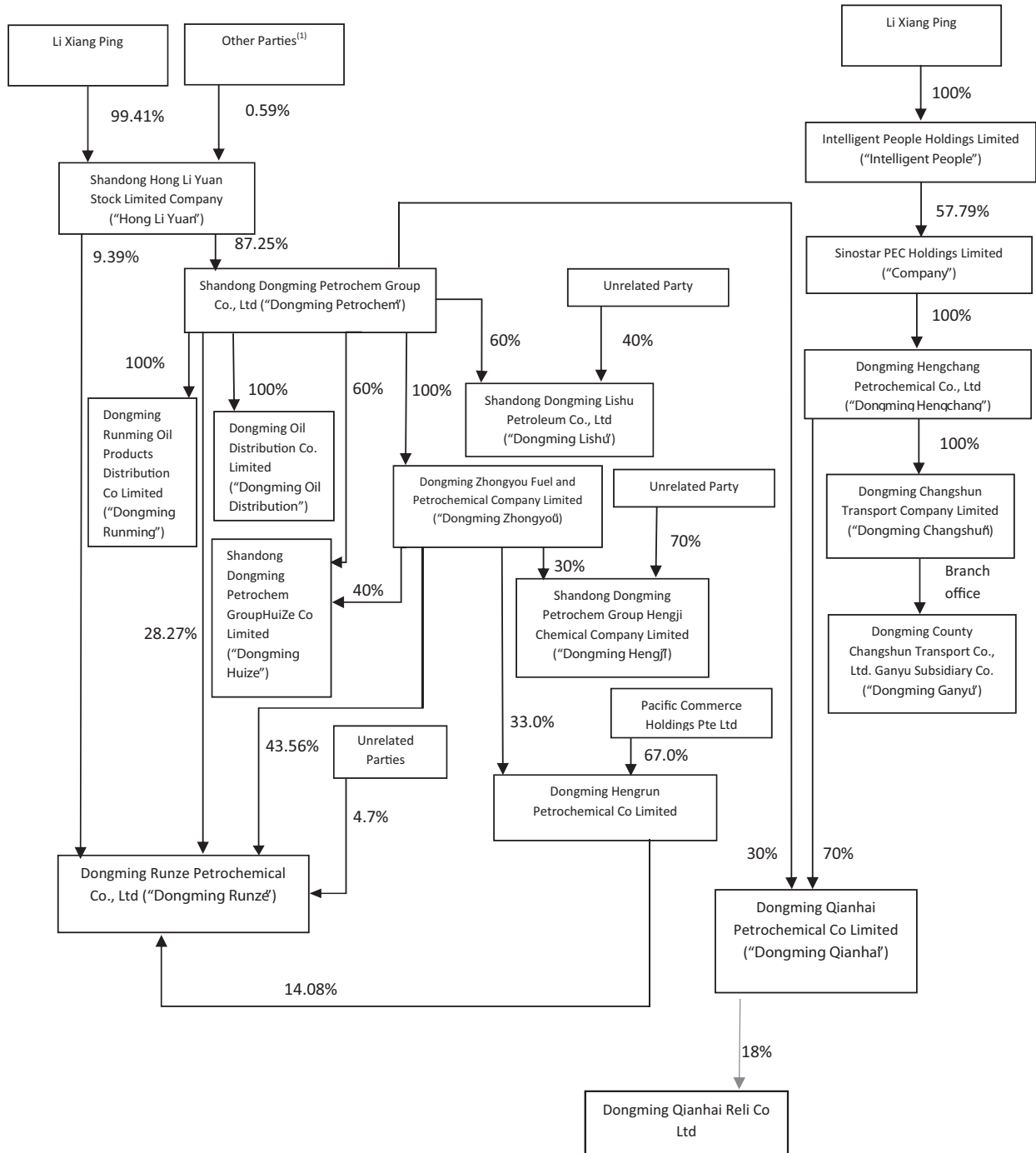
Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced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

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

SCHEDULE A – SHAREHOLDING INTERESTS OF MR LI XIANG PING AND STRUCTURE OF THE DONGMING PETROCHEM GROUP



(1) The two other shareholders of Hong Li Yuan (aside from Mr. Li Xiang Ping) are employees of Dongming Petrochem.

SCHEDULE B – IFA LETTER

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

15 December 2020

The Independent Directors
SINOSTAR PEC HOLDINGS LIMITED
27 Huanghe Road,
Dongming County Shandong Province,
PRC 274500
Dear Sirs,

PROVISION OF INDEPENDENT FINANCIAL ADVISORY SERVICES TO SINOSTAR PEC HOLDINGS LIMITED (THE “COMPANY”)

Unless otherwise defined or the context requires otherwise, all terms used herein have the same meanings as defined in the Company’s circular dated 15 December 2020 (the “Circular”).

1. INTRODUCTION

On 6 January 2019, the Company announced that its wholly-owned subsidiary, Dongming Hengchang, completed its acquisition of 70.0% equity interest in Dongming Qianhai. The remaining 30% of Dongming Qianhai is owned by Dongming Petrochem. The acquisition was approved by Shareholders at an extraordinary general meeting of the Company held on 22 December 2017. Prior to the acquisition, Dongming Qianhai had entered into a series of loan agreements with Dongming Petrochem pursuant to which loans were extended by Dongming Petrochem to Dongming Qianhai (the “**Initial Loan Agreements**” or “**Initial Loans**”). The term of repayment under each of the Initial Loan Agreements was twelve (12) months from the date of disbursement. Dongming Petrochem and Dongming Qianhai subsequently entered into agreements for the renewal of these Initial Loan Agreements to the extent they remained outstanding. At completion of the acquisition of Dongming Qianhai, the aggregate amount outstanding to Dongming Petrochem was RMB 1 billion. Please refer to Section 4.1 of the Circular for details of the Initial Loan Agreements and subsequent renewals.

An aggregate of approximately RMB 500.0 million of the proceeds from the Initial Loan was used to make payments to external third party suppliers for the construction of Dongming Qianhai’s 120,000-tonne production plant for propylene, purified isobutylene and methyl tert-butyl ether (commonly known as MTBE) in Shandong province (the “**Propylene Plant**”). Construction of the Propylene Plant was completed in July 2017 at a total cost of RMB 1.4 billion, excluding the land on which the plant is situated, which cost an additional RMB 31.0 million. None of such third-party suppliers were related or interested persons of Dongming Qianhai at the relevant time and have not become related or interested persons of Dongming Qianhai subsequent to the Initial Loan Agreements. In addition to the Initial Loans, Dongming Qianhai also obtained a Construction Bank Loan of RMB 500.0 million and used RMB 400 million from its shareholders’ equity for construction of the Propylene Plant. As at the Latest Practicable Date, the average cash burn rate of Dongming Qianhai is about RMB 160 million per month.

The remaining amount of approximately RMB 900.0 million of the proceeds from the Initial Loans Agreements were used for Dongming Qianhai’s working capital purposes to finance its production trial-run (including the acquisition of raw materials and consumables for production), which commenced in June 2017 and concluded in June 2018, and for the principal repayments on the Construction Bank Loan.

To consolidate the arrangements under the renewed Initial Loan Agreements, Dongming Qianhai had, on 2 April 2020, entered into the interim loan agreement with Dongming Petrochem (the “**Interim Loan Agreement**”) for RMB 750 million, being the aggregate amount outstanding under the renewed Initial Loan Agreements (the “**Initial Outstanding Sum**”). The initial term of the Interim Loan Agreement was six (6) months, commencing on 2 April 2020 and expiring on 1 October 2020. On 7 October 2020, Dongming Qianhai entered into a supplement agreement with Dongming Petrochem (the “**Supplemental Interim Loan Agreement**”) to reduce the interest rate under the Interim Loan Agreement and to extend the term of the Interim Loan Agreement to 31 December 2020, in order to provide interim financing for Dongming Qianhai while the Company seeks Shareholders’ approval for the Proposed Loan Agreement. The interest rate under the Supplemental Interim Loan Agreement is the basic interest rate for short-term bank loans of under one (1) year issued by the People’s Bank of China as at the date of the Interim Loan Agreement, being 4.35% per annum. The purpose of the Interim Loan Agreement and Supplemental Interim Loan Agreement is to refinance the outstanding amounts owing under the renewed Initial Loan Agreements. Contemporaneously with the entering into of the Interim Loan Agreement, the renewed Initial Loan Agreements were cancelled and the Initial Outstanding Sum became governed by the terms and conditions of the Interim Loan Agreement and Supplemental Interim Loan Agreement.

Pursuant to the terms of the Interim Loan Agreement (as varied by the Supplemental Interim Loan Agreement), principal repayment of RMB 15.0 million each were made on 20 June 2020 and 20 September 2020 and a principal repayment of RMB 15.0 million will become due on 20 December 2020 (the “**Interim Loan Repayments**”). The quantum and timing of the repayments under the Interim Loan Agreement were determined pursuant to negotiations between Dongming Qianhai and Dongming Petrochem taking into account factors including the COVID-19 pandemic and time required for Dongming Qianhai to ramp up production to pre-pandemic levels and to build up its cash resources in FY2020. It is intended for the Interim Loan Repayments to continue to be funded by Dongming Qianhai’s operating revenue. Following such repayments, the remaining amount owed under the Interim Loan Agreement (the “**Interim Outstanding Sum**”), upon expiry of the Interim Loan Agreement on 31 December 2020, will be RMB 705.0 million. It is intended for the Interim Outstanding Sum to be refinanced under the Proposed Loan Agreement (as defined hereinafter).

To supplement Dongming Qianhai’s loan arrangements in respect of the Interim Outstanding Sum, Dongming Qianhai had on 15 May 2020, with the approval of the Audit Committee, entered into a new loan agreement with Dongming Petrochem for the Interim Outstanding Sum (the “**Proposed Loan Agreement**”). On 14 December 2020, Dongming Qianhai entered into a supplemental agreement with Dongming Petrochem (the “**Supplemental Agreement**”) to vary the Proposed Loan Agreement, the details of which are set out in Section 4.1 of the Circular. The amount of interest payable to Dongming Petrochem under the Proposed Loan Agreement (as varied by the Supplemental Agreement), represents approximately 8.7% of the Group’s NTA. As the value at risk under the Proposed Loan Agreement represents more than five per cent. (5%) of the Group’s NTA, the Proposed Loan Agreement is subject to the Shareholders’ approval pursuant to Rule 906(1) of the Listing Manual. Pursuant to Rule 905(1) of the Listing Manual, the Company had on 15 May 2020 and 14 December 2020 released announcements via SGXNET on the execution of the Proposed Loan Agreement and the Supplemental Agreement respectively.

Subject to Shareholders’ approval, the term of the Proposed Loan Agreement shall commence on 1 January 2021 and expire on 1 April 2025. Notwithstanding that the Proposed Loan Agreement was entered into on 15 May 2020, the Proposed Loan Agreement has not come into effect and shall only become effective upon approval by the Shareholders. Contemporaneously with the coming into effect of the Proposed Loan Agreement, the Interim Loan Agreement will be cancelled and the Interim Outstanding Sum owed by Dongming Qianhai to Dongming Petrochem will be governed by the terms and conditions of the Proposed Loan Agreement. There will be no additional loan extended by Dongming Petrochem to Dongming Qianhai under the Proposed Loan Agreement. Upon the coming into effect of the Proposed Loan Agreement, the aggregate amount owed by Dongming Qianhai to Dongming Petrochem will be equivalent to the Interim Outstanding Sum of RMB 705 million.

In connection with the above, CEL Impetus Corporate Finance Pte. Ltd. (“**CICF**”) has been appointed by the Company as the independent financial adviser (the “**IFA**”) pursuant to Rule 921(4) (a) of the Listing Manual to advise on whether the Proposed Loan Agreement and Supplemental Agreement (collectively referred to as “**Loan Agreements**”) are on normal commercial terms, and is prejudicial to the interests of the Company and its minority shareholders.

This letter (the “**IFA Letter**”) sets out, *inter alia*, our evaluation of the terms of the Loan Agreements and our advice to the Independent Directors in relation to their recommendations to the minority Shareholders on the Loan Agreements. This IFA Letter forms part of the Circular providing, *inter alia*, details of the Loan Agreements and the recommendations of the Independent Directors in respect thereof.

Certain figures and computations as enumerated or set out in this letter are based on approximations and its accuracy is subject to rounding.

2. **TERMS OF REFERENCE**

CICF has been appointed as the IFA pursuant to Rule 921(4)(a) of the Listing Manual to advise on whether the Loan Agreements is on normal commercial terms, and is prejudicial to the interests of the Company and its minority Shareholders.

CICF is neither a party to the negotiations or discussions in relation to the Loan Agreements, nor were we involved in the deliberations leading up to the decision on the part of the Company to enter into the Loan Agreements, and we do not, by this IFA Letter, in any way advise or comment on the merits of the Loan Agreements other than to form an opinion, for the purposes of Chapter 9 of the Listing Manual, on whether the Loan Agreements are on normal commercial terms, and is prejudicial to the interests of the Company and its minority Shareholders.

For the purpose of arriving at our opinion in respect of the Loan Agreements, we have taken into account the salient terms of the Loan Agreements but have not evaluated and have not been requested to advise or comment on the strategic, commercial or financial merits or risks of entering into the Loan Agreements, or the prospects or earnings potential of the Group in view of the Loan Agreements, and such evaluation and comments shall remain the sole responsibility of the Directors, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this IFA Letter. In addition, we have not and have not been requested to compare the relative merits of the Loan Agreements with alternative funding options 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 an opinion on any of the aforesaid.

In the course of our evaluation of the Loan Agreements, we have held discussions with the management of the Company and have examined and 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 employees, and the advisers of the Company, where applicable. We have relied on the assurances of the Directors and management of the Company that they jointly and severally accept full responsibility for the accuracy, truth, completeness and adequacy of such information and they have upon making all reasonable inquiries and to the best of their respective knowledge, information and belief, disclosed to us all material information in connection with the Loan Agreements, the Company and the Group, and 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 Loan Agreements, the Company and/or the Group to be inaccurate, untrue, incomplete, unfair or misleading in any material respect.

We have not independently verified any of the aforesaid information whether written or verbal, and have assumed its accuracy, truth, completeness and adequacy. Accordingly, we cannot and do not represent or warrant (expressed or implied), 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 and employees of the Company to us or in the Circular have been reasonably made after due and careful inquiry.

Whilst care has been exercised in reviewing the information upon which we have relied, we have not independently verified such information but nevertheless have 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 review of the business, operations or financial conditions of the Company, the Group and/or Dongming Petrochem, 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 regardless of whether the Loan Agreements are entered into. Such review or comment, if any, remains the responsibility of the Directors and the management of the Company 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 opinion as set out in this IFA 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 an 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 entering into the Loan Agreements.

Our 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 IFA 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 IFA 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 IFA Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this IFA 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 Independent 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 advisor or other professional advisers.

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any purposes other than for the purposes of the Shareholders' resolution in relation to the Loan Agreements at any time and in any manner without the prior written consent of CICF in each specific case.

This IFA Letter is issued pursuant to Rule 921(4)(a) of the Listing Manual as well as for the use and benefit of Directors who are deemed independent in respect of the Loan Agreements (the "**Independent Directors**") in connection with their consideration of the Loan Agreements. The recommendations to be made by them to the minority Shareholders in respect of the Loan Agreements are the responsibility of the Independent Directors. Shareholders should also take note of any announcements relevant to the Loan Agreements which may be released by the Company after the Latest Practicable Date.

Our opinion in respect of the Loan Agreements should be considered in the context of the entirety of this IFA Letter and the Circular.

3. RATIONALE FOR AND BENEFITS OF THE LOAN AGREEMENTS

It is not within our terms of reference to comment or express an opinion on the merits of entering into the Loan Agreements or the future prospects of the Group in view of the Loan Agreements. Nevertheless, we have reviewed the rationale for and benefits of the Loan Agreements as set out in Section 4.4 of the Circular, and we have extracted and reproduced in italics below the relevant paragraphs as follows:

“4.4 RATIONALE FOR AND BENEFITS OF THE PROPOSED LOAN AGREEMENT

The Proposed Loan Agreement will allow Dongming Qianhai to refinance the outstanding amounts owing under the Interim Loan Agreement by entering into the Proposed Loan Agreement and to benefit from a switch from short-term debt to long-term debt. Relative to the Interim Loan Agreement, which has a repayment term of nine (9) months, the Proposed Loan Agreement, has a longer repayment term of 51 months. Entry into the Proposed Loan Agreement will therefore reduce the short-term repayment obligations of Dongming Qianhai and free up its near term liquidity for other purposes.

The Proposed Loan Agreement will allow Dongming Qianhai access to funds without the need to provide any security, charge or mortgage over assets.

The interest rate charged by Dongming Petrochem for the provision of the loans is, in the Company's view, no less favourable than the rates charged by third party financial institutions. The interest rate under the Proposed Loan Agreement is pegged to the Bank of China's basic interest rate for loans of between one (1) and five (5) years (基准利率)”

4. PRINCIPAL TERMS OF THE LOAN AGREEMENTS

The principal terms of the Loan Agreements are set out in Section 4.2 of the Circular, and as below:

Principal amount	:	RMB 705.0 million
Lender	:	Dongming Petrochem
Borrower	:	Dongming Qianhai
Term of repayment	:	51 months from 1 January 2021 to 1 April 2025 with repayments due in installments on a quarterly basis with reference to the repayment schedule (the “ Repayment Schedule ”) below:

Due date	Amount due
20 March 2021	20,000,000.00
20 June 2021	20,000,000.00
20 September 2021	20,000,000.00
20 December 2021	20,000,000.00
20 March 2022	25,000,000.00
20 June 2022	50,000,000.00
20 September 2022	50,000,000.00
20 December 2022	50,000,000.00
20 March 2023	50,000,000.00
20 June 2023	50,000,000.00
20 September 2023	50,000,000.00
20 December 2023	50,000,000.00
20 March 2024	50,000,000.00

Due date	Amount due
20 June 2024	50,000,000.00
20 September 2024	50,000,000.00
20 December 2024	50,000,000.00
1 April 2025	50,000,000.00
Total	705,000,000.00

In the event Dongming Qianhai is unable to repay any amounts pursuant to the Repayment Schedule above due to short term cash flow difficulties, no penalties will be imposed on Dongming Qianhai and the parties may discuss a revised repayment schedule.

Interest Rate : The initial interest rate shall be equal to the basic interest rate of the People's Bank of China for loans of between one (1) and five (5) years (基准利率) as at the date of the Proposed Loan Agreement.

As at the date of the Proposed Loan Agreement, the LPR was 4.75% per annum. The basic interest rate of the People's Bank of China can be accessed at: <http://www.pbc.gov.cn/zhengcehuobisi/125207/125213/125440/125838/125885/125896/2968988/index.html>.

Interest shall accrue on a monthly basis and is payable on the 21st day of each month.

Vis-à-vis the Interim Loan Agreement, which has a term of nine (9) months, the term of the Proposed Loan Agreement is 51 months. The interest rate under the Loan Agreements is 4.75% per annum, based on the People's Bank of China's LPR as at the date of the Proposed Loan Agreement, as compared with the interest rate of 4.35% under the Interim Loan Agreement, based on the basic interest rate for short-term bank loans of under one (1) year issued by the People's Bank of China as at the date of the Interim Loan Agreement, such difference being due to the Interim Loan Agreement being a short term loan of nine (9) months, and the Loan Agreements being a long term loan of 51 months.

Repayments pursuant to the Loan Agreements will be made by Dongming Qianhai. The Company will provide updates in relation to the loan and interest repayments under the Loan Agreements.

The terms of the Loan Agreements were negotiated between Dongming Qianhai and Dongming Petrochem, taking into account, amongst others, the then-prevailing external lending rates quoted by third party banks and financial institutions and the accompanying terms, the terms of Dongming Qianhai's existing loans, the terms of existing loans of the other entities within the Group, as well as Dongming Qianhai's ongoing financing needs in the next five (5) years. Dongming Qianhai was primarily represented by the Company's CEO, Mr Zhang Liu Cheng and CFO, Mr William Tan in its negotiations with Dongming Petrochem over the terms of the Loan Agreements.

The interest rate under the Loan Agreements is equivalent to the People's Bank of China's basic interest rate for loans of between one (1) and five (5) years (基准利率) as at the date of the Loan Agreements. Entry into the Loan Agreements would also grant Dongming Qianhai access to financing without having to provide security for the loan as would typically be required by third party banks and financial institutions. In negotiating the terms of the Loan Agreements and in considering alternative sources of financing, Dongming Qianhai had regard to its communications with third party financial institutions as to its ability to obtain a similar loan on similar terms, and in particular, its status as a recently incorporated entity with a short track record period, the quantum of the loan and the preference for the loan to be unsecured. Further, as set out above, no penalty interest will be incurred in the event Dongming Qianhai is unable to meet the repayment obligations set out in the Repayment Schedule.

5. ENTITY AT RISK AND INTERESTED PERSON UNDER THE LOAN AGREEMENTS

The entity at risk and interested person under the Loan Agreements are Dongming Qianhai and Dongming Petrochem respectively.

Please refer to the Section 3.1 in the Circular for further information on Dongming Petrochem.

6. EVALUATION OF THE TERMS OF THE LOAN AGREEMENTS

In our evaluation of the terms of the Loan Agreements, we have given due consideration to, inter alia, the following key factors:

- (a) Rationale for and benefits of the Loan Agreements;
- (b) Interest Rate under the Loan Agreements; and
- (c) Other relevant considerations

6.1 Rationale for and benefits of the Loan Agreements

The rationale for and benefits of the Loan Agreements which has been set out in Section 4.4 of the Circular, are extracted and reproduced in italics below:

“4.4 RATIONALE FOR AND BENEFITS OF THE PROPOSED LOAN AGREEMENT

The Proposed Loan Agreement will allow Dongming Qianhai to refinance the outstanding amounts owing under the Interim Loan Agreement by entering into the Proposed Loan Agreement and to benefit from a switch from short-term debt to long-term debt. Relative to the Interim Loan Agreement, which has a repayment term of nine (9) months, the Proposed Loan Agreement, has a longer repayment term of 51 months. Entry into the Proposed Loan Agreement will therefore reduce the short-term repayment obligations of Dongming Qianhai and free up its near term liquidity for other purposes.

The Proposed Loan Agreement will allow Dongming Qianhai access to funds without the need to provide any security, charge or mortgage over assets.

The interest rate charged by Dongming Petrochem for the provision of the loans is, in the Company’s view, no less favourable than the rates charged by third party financial institutions. The interest rate under the Proposed Loan Agreement is pegged to the People’s Bank of China’s basic interest rate for loans of between one (1) and five (5) years (基准利率).”

6.2 Interest Rate under the Loan Agreements

In assessing the interest rate under the Loan Agreements, we have taken into consideration (i) the key terms of the loans that the Group has in recent years and (ii) selected interested person loan transactions involving companies listed on the SGX-ST.

6.2.1 Comparison with existing indebtedness of the Group

The table below sets out the key terms of the Group's loans in recent years and their respective salient terms:

Loan	Date of loan	Principal amount (RMB' million)	Outstanding amount @ LPD (RMB' million)	Interest Rate (%)	Guarantee/ Collateral	Penalty for non-payment (%)	Tenure
<i>Loans with Dongming Petrochem</i>							
Loan 1	3 Apr 2019	150	150	4.5675	None	In relation to loan amount applied to usages as agreed in loan agreement ("A"): 72 In relation to loan amount applied to usages not included in loan agreement ("B"): 7.56	1 year, ended 2 April 2020
Loan 2	3 Jun 2019	200	200	4.5675	None	A: 72 B: 7.56	1 year, ended 2 June 2020
Loan 3	28 Sep 2019	200	200	4.5675	None	A: 72 B: 7.56	1 year, ended 27 Sept 2020
Loan 4	7 Oct 2019	200	200	4.5675	None	A: 72 B: 7.56	1 year, ended 6 Oct 2020
<i>Loans with third-party financial institutions</i>							
Loan 5	29 Feb 2016	156.25	125	4.75	Yes	7.125	5 years, ending 28 Feb 2021
Loan 6	16 Jan 2020	500	500	4.41	Yes	6.615	7 years
Loan Agreements	1 Jan 2021	705	–	4.75	None	None	51 months ending 1 Apr 2025

We make the following observations based on the table above:

- (a) We note that the interest rate of the loan under the Loan Agreements is 0.1825% higher than the Group's recent-year loans with Dongming Petrochem (i.e. Loan 1 to Loan 4). However, the tenure of the loan under the Loan Agreements is significantly longer at 51 months as compared to the 1-year period for Loan 1 to Loan 4. All things being equal, long term loans generally command a higher interest rate than short term loans to reflect higher risk premium.

- (b) We note that the interest rate of the loan under the Loan Agreements is the same as one of the third-party financial institution loan (i.e. Loan 5) and 0.34% higher than the other third-party financial institution loan (i.e. Loan 6). However, the Group is not required to provide any collateral under the Loan Agreements whereas both third-party financial institutions require the Group to provide collaterals against the loans extended to the Group. All things being equal, loans that require provision of sureties, such as collateral and/or guarantee, will command a lower interest rate due to reduced risk premium.
- (c) We note that the Loan Agreements do not impose any penalty in the event that the Group is unable to make principle repayment in accordance with the Repayment Schedule and parties will negotiate in good faith to revise the principle Repayment Schedule. The penalty interest rates of the Group's existing loans range from 6.615% to 72%.

6.2.2 Selected interested person loan transactions involving companies listed on the SGX-ST

The table below sets out, *inter alia*, the salient terms of interested person loan transactions involving companies listed on the SGX-ST:

Company	Announcement Date	Principal amount ('million)	Tenor	Interest rate per annum
Asiamedic Limited	1 March 2018	S\$5	12 months	See Note 1
Mary Chia Holdings Limited	27 March 2018	S\$2.2	5 years	Interest-free
LionGold Corp Ltd	13 July 2018	Up to S\$3.5	24 months	Interest-free
SP Corporation Limited	24 September 2018	S\$20	1 year	7.5%
Aspial Corporation Limited	10 July 2019	Up to S\$50	See Note 2	Prevailing cost of funds ⁽³⁾ plus 0.5%
Adventus Holdings Limited	19 September 2019	S\$1	3 years	Interest-free
OUE Limited	27 September 2019	S\$10	6 months	5.44%
DLF Holdings Limited	2 October 2019	S\$0.5	6 months	Interest-free
DLF Holdings Limited	13 December 2019	S\$0.2	6 months	Interest-free
Pan Hong Holdings Limited	10 January 2020	RMB150	See Note 4	The then prevailing People's Bank of China's short-term (i.e. up to 1 year) lending benchmark rate plus 5%
OEL (Holdings) Limited	23 January 2020	S\$1.19	399 days	Interest-free
Astaka Holdings Limited	14 February 2020	RM30	1 year	8%
DLF Holdings Limited	29 February 2020	S\$0.5	14 months	Interest-free
Loan Agreements		RMB705	51 months	4.75%

Source: Circular and announcements of the respective companies

Notes:

- (1) Based on the rate not exceeding the average per annum rate of the prime lending rates of (i) DBS Bank Ltd.; (ii) Oversea-Chinese Banking Corporation Limited; and (iii) United Overseas Bank Limited as at the date disbursement.
- (2) Term of repayment of each of the Loans shall be mutually agreed between the relevant lender and the relevant borrower, and such term may be extended by mutual agreement between the relevant lender and the relevant borrower, provided that the term of repayment of each Loan shall not in any event exceed five years from the date of disbursement of such Loan to the relevant borrower.
- (3) Cost of Funds means the cost of borrowing incurred by the Company and/or Aspial Treasury, such cost including any legal and marketing fees, fees paid to banks and any other costs incurred directly in connection with the borrowing, in order to provide a Loan. The Directors and the Management have advised that the prevailing Cost of Funds for the Company is 6.64 per cent. Per annum.
- (4) The earlier of (i) 2 years from the date of obtaining the approval from shareholders of the company for the proposed loan facility; (ii) immediate repayment in the event of certain events occurring; and (iii) immediate repayment upon 30 days written notice from the lender to the borrower in the event the lender requires funds for its own working capital/ operations.

Due to various differing factors including, *inter alia*, relationship between lender and borrower, the strategic value of the borrower to the lender/interested person's overall business and operation, industry lending benchmarks, risk profile of the borrower, business model of the borrower and credit standing of the borrower, the terms of the loans (including loan amount, interest rates and tenure) may defer greatly. External factors, such as the state of the economies and the conditions of the markets in which the borrower operates in, during the point in time when loans are granted will also have significant impact on the terms of the loans. As the transactions listed in the table above is not meant to be an exhaustive list of interested person loan transactions involving companies listed on the SGX-ST that arose between 1 March 2018 and 29 February 2020, it is important to note that the table above is merely for illustration purposes only.

We make the following observation based on the table above:

- (a) The interest rates of the fixed-rate interested person loan transactions listed in the table above ranged from interest free to 8% per annum. The interest rate of 4.75% per annum under the Loan Agreements is within the range.
- (b) The effective interest rates of the two floating-rate interested person loan transactions listed in the table above translate to (i) 7.14% for the case of Aspial Corporation Limited and (ii) 9.15% for the case of Pan Hong Holdings Limited (based on People's Bank of China's 1-year interest rate of 4.15% as at January 2020).
- (c) For illustration purpose, the average interest rate of interested person loan transactions set out in the table above (i) including of interest free loans, is 3.10% and (ii) excluding interest free loans, is 7.45%. The interest rate under the Loan Agreements of 4.75% is between these two benchmarks.
- (d) The tenure of the loan under the Loan Agreements is the second longest loan when compared against the interest person loan transactions listed in the table above.

6.3 OTHER RELEVANT CONSIDERATIONS

6.3.1 Refinancing risk

The duration of the Proposed Loan Agreement is 51 months. Compared to the Initial Loan Agreements (each with a 1-year loan duration) and the Supplemental Interim Loan Agreement (which has a tenure of nine (9) months and expires on 31 December 2020), the Loan Agreement release Dongming Qianhai from the need to have to deal with refinancing risk within much shorter timeframes, thus reducing the frequency of such risk exposure.

We also noted that the existing Group loans from third-party financial institutions involve guarantee and collateral while the Proposed Loan Agreement does not require such sureties.

6.3.2 *Emphasis of Matter*

In the Independent Auditors' Report for financial year ended 31 December 2019, independent auditor RT LLP has highlighted an emphasis of matter in relation to Note 15 of the financial statements, which describes the restructuring of part of the loans from Non-Controlling Interest (“**NCI**”) from Current to Non-Current after the balance sheet date.

The loan restructuring post balance sheet has resulted in RMB 45 million being due in the next 12 months after the year end, and the remainder RMB 705 million over a period of 2021 to 2025, and classified as Non-Current Liability. Prior to the loan restructuring, the whole amount of RMB 750 million loans from NCI was due as Current Liability.

The restructuring loan had the effect of reducing the Net Current Liability of RMB 746 million in financial year ended 2019 to Net Current Liability of RMB 41 million in the current financial year. RT LLP further added that their opinion is not modified in respect of this matter.

The Company informed that the loan restructuring effort has since been replaced by the Supplemental Interim Loan Agreement, and subsequently the Loan Agreements (the latter being subject to Shareholders' approval) which was announced on 15 May 2020. Compared to the Initial Loan Agreements, the Loan Agreements will allow the Group longer time to repay the loan in a timely manner and upon the Loan Agreements taking effect, will improve the net current liability position of the Group.

6.3.3 *Outlook and trends of the Group*

The following is extracted from the Company's unaudited financial statement for the first quarter ended 30 June 2020 issued via SGXNet on 13 August 2020:

“COVID-19 had a significant impact on the global economy in the first half of 2020. The Chinese government has introduced huge stimulus including preferential tax policies to try cushion part of the negative impact of the virus.

As the Group maneuver through this challenging operating environment, the safety of our employees is of utmost importance to us. Upon the outbreak of the virus, the Group has immediately set up an epidemic prevention task group to implement the necessary measures needed to ensure the wellbeing of our employees and the smooth continuity of our operations. These measures include temperature measurement of incoming personnel, contact tracing for outsiders, and distribution of disinfectant and mask protective equipment to our employees. We have also granted RMB 1,000 to each of our employees as subsidies for their epidemic prevention measures.

Nonetheless, COVID-19 has had an impact on our operations. The Group saw a significant drop in sales volume which resulted in a decline in our revenue and an increase in our product inventory backlog. Focus will be on the production of polypropylene as the demand for polypropylene fibre continues to be robust, as it is used in the production of protective surgical masks and related products manufacturing.

Most of our payment terms for sales of petrochemical products have been cash on delivery. Consequently, the Group does not have a significant number of receivables in relation to the revenue. The majority of the trade receivables held on our balance sheet pertains to our transport and logistic business, which the Group adopted a stringent customer policy, the Group will only transact with customers of credible and proven credit history and obtaining sufficient security where appropriate to mitigate credit risk.

The construction of the new polypropylene production plant, which has an annual production capacity of 200,000 tonnes/year, also remains on track and is scheduled to be commencing production trial-run by the fourth quarter of fiscal 2020. We will continue to be prudent in cash flow management while managing risks and focusing on cost efficiency and stable production.”

7. OPINION

In arriving at our recommendation in respect of the Loan Agreements, we have given due consideration to, inter alia, the following key factors:

- (a) Rationale for and benefits of the Loan Agreements;
- (b) Interest Rate under the Loan Agreements; and
- (c) Other relevant considerations

Having regard to the considerations set out in this IFA Letter and the information made available to us as at the Latest Practicable Date, we are of the opinion that the Loan Agreements are on normal commercial terms and is not prejudicial to the interest of the Company and its minority Shareholders.

This IFA Letter has been prepared pursuant to Rule 921(4)(a) of the Listing Manual as well as for the use of the Independent Directors in their consideration of the Loan Agreements. The recommendation made by the Independent Directors to the Shareholders in relation to the Loan Agreements shall remain the sole responsibility of the Independent Directors. Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of CICF in each specific case, other than for the purposes of the Loan Agreements.

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

Yours faithfully
For and on behalf of
CEL IMPETUS CORPORATE FINANCE PTE. LTD.

NG BOON ENG
CHIEF EXECUTIVE OFFICER

FOO JIEN JIENG
DIRECTOR, CORPORATE FINANCE