

**APPENDIX DATED 9 APRIL 2024**

**THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

If you have sold or transferred all your shares in the capital of the Company (the “Shares”) held through the Central Depository (Pte) Limited (the “CDP”), you need not forward this Appendix to the purchaser or the transferee as arrangements will be made by CDP for a separate Appendix to be sent to the purchaser or the transferee. If you have sold or transferred all your Shares represented by physical share certificate(s), you should immediately forward this Appendix, the Notice of AGM and the Proxy Form to the purchaser or the transferee, or to the stockbroker or to the bank or to the agent through whom you effected the sale for onward transmission to the purchaser or the transferee.

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



**Sinostar PEC Holdings Limited**

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

**APPENDIX TO THE NOTICE OF AGM**

in relation to

**THE PROPOSED RENEWAL OF THE GENERAL MANDATE FOR  
INTERESTED PERSON TRANSACTIONS**

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## DEFINITIONS

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

- “2024 EGM”** : The Extraordinary General Meeting of the Company held on 18 March 2024, details of which are set out in the notice of EGM dated 1 March 2024
- “2024 AGM”** : The Annual General Meeting of the Company to be held on Wednesday, 24 April 2024 at 10:30 a.m.
- “AGM” or “Annual General Meeting”** : The annual general meeting of the Company
- “Appendix”** : This appendix dated 9 April 2024 to the Notice of AGM
- “associate”** : (a) In relation to any Director, CEO, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent. (30%) or more;
- (b) In relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent. (30%) or more
- “associated company”** : A company in which at least twenty per cent. (20%) but not more than fifty per cent. (50%) of its shares are held by the Company or the Group
- “Audit Committee”** : The audit committee of the Company as at the Latest Practicable Date, comprising Mr. Jiang Xinglu (Chairman), Dr. Chen Seow Phun, John and Mr. Zhao Jinqing
- “Board” or “Directors”** : The directors of the Company as at the Latest Practicable Date and **“Director”** shall be construed accordingly
- “CDP”** : The Central Depository (Pte) Limited
- “CEO”** : Chief executive officer, and as at the Latest Practicable Date, Mr. Li is the CEO and Mr. Yan Tailing is the Deputy CEO of the Company
- “CFO”** : Chief financial officer, and as at the Latest Practicable Date, Mr. Yan Tailing is the CFO of the Company
- “Companies Act”** : The Companies Act 1967 of Singapore, as amended, modified and/or supplemented from time to time

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## DEFINITIONS

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<b>“Company”</b>	:	Sinostar PEC Holdings Limited
<b>“Constitution”</b>	:	The constitution of the Company for the time being in force, as amended, modified and/or supplemented from time to time
<b>“control”</b>	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
<b>“Controlling Shareholder”</b>	:	A person who:  (a) holds directly or indirectly fifteen per cent. (15%) or more of the total number of issued shares (excluding Treasury Shares) in the Company. The SGX-ST may determine that a person who satisfied this paragraph is not a controlling shareholder; or  (b) in fact exercises control over the Company
<b>“Depositor”</b>	:	An account holder or a Depository Agent but does not include a sub-account holder
<b>“Depository”</b>	:	The CDP or any other corporation approved by the Monetary Authority of Singapore as a depository company or corporation for the purposes of the SFA, which operates the Central Depository System for the holding and transfer of book-entry securities
<b>“Depository Agent”</b>	:	A member of the SGX-ST, a trust company (licensed under the Trust Companies Act 2005 of Singapore), a bank licensed under the Banking Act 1970 of Singapore, any merchant bank licensed under the Banking Act 1970 of Singapore or any other person or body approved by the Depository who or which —  (a) performs services as a depository agent for sub-account holders in accordance with the terms of a depository agent agreement entered into between the Depository and the depository agent;  (b) deposits book-entry securities with the Depository on behalf of the sub-account holders; and  (c) establishes an account in its name with the Depository
<b>“Depository Register”</b>	:	A register maintained by the Depository in respect of book-entry securities
<b>“Dongming Changshun”</b>	:	Dongming Changshun Transport Company Limited (东明县昌顺运输有限公司), a wholly-owned subsidiary of Dongming Hengchang and an indirect subsidiary of the Company as at the Latest Practicable Date
<b>“Dongming Ganyu”</b>	:	Dongming Changshun Transport Company Limited Ganyu Branch Co. (东明县昌顺运有限公司输赣榆分公司), a branch office of Dongming Changshun located in Jiangsu province, the PRC as at the Latest Practicable Date

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## DEFINITIONS

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<b>“Dongming Hengchang”</b>	:	Dongming Hengchang Petrochemical Co., Ltd. (东明恒昌化工有限公司), a wholly-owned subsidiary of the Company as at the Latest Practicable Date
<b>“Dongming Petrochem”</b>	:	Shandong Dongming Petrochem Group Co., Ltd. (山东东明石化集团有限公司), where 97.18% of its equity interest was held by Hong Li Yuan as at the Latest Practicable Date
<b>“Dongming Petrochem Group”</b>	:	Dongming Petrochem, its existing and future subsidiaries, its holding company and the existing and future subsidiaries of the holding company of Dongming Petrochem, and any existing and future corporations in which Dongming Petrochem and such other related company or companies, taken together, have an interest (directly or indirectly) of thirty per cent. (30%) or more of that corporation’s equity capital collectively
<b>“Dongming Qianhai”</b>	:	Dongming Qianhai Petrochemical Co., Ltd. (东明前海化工有限公司), where seventy per cent. (70%) of its equity interest was held by Dongming Hengchang as at the Latest Practicable Date
<b>“EGM” or “Extraordinary General Meeting”</b>	:	The extraordinary general meeting of the Company
<b>“Executive Director”</b>	:	A Director of the Company, holding office in an executive capacity
<b>“FY” or “Financial Year”</b>	:	Financial year ended, or ending, as the case may be, 31 December
<b>“FY2023”</b>	:	Financial year ended 31 December 2023
<b>“Group”</b>	:	For the purposes of this Appendix, the Company, its subsidiaries that are not listed on the SGX-ST or an approved exchange and associated companies that are not listed on the SGX-ST or an approved exchange over which the Company and its subsidiaries, or the Company and its subsidiaries and their interested person(s), have control
<b>“Hong Li Yuan”</b>	:	Shandong Hong Li Yuan Stock Limited Company (山东宏利源股份有限公司) (formerly known as Shandong Dongming Petrochemical Group Holdings Co., Ltd. (山东东明石化集团控股有限公司)), where 99.61% of its equity interest was held by Mr. Li (Executive Chairman and CEO as well as a Controlling Shareholder of the Company as at the Latest Practicable Date) as at the Latest Practicable Date and Hong Li Yuan held 97.18% of the equity interest in Dongming Petrochem as at the Latest Practicable Date
<b>“Independent Shareholders”</b>	:	Shareholders who are not Mr. Li and his associates
<b>“Intelligent People”</b>	:	Intelligent People Holdings Limited, which was a 58.13% shareholder of the Company as at the Latest Practicable Date
<b>“Interested Directors”</b>	:	Mr. Li and Mr. Li Zhi collectively
<b>“interested person”</b>	:	A Director, CEO or Controlling Shareholder of the Company or an associate of such Director, CEO or Controlling Shareholder

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## DEFINITIONS

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<b>“IPT” or “interested person transaction”</b>	:	A transaction between a listed company or any of its subsidiaries or associated companies (which is considered to be an “entity at risk” within the meaning of Rule 904(2) of the Listing Manual) and an interested person
<b>“IPT General Mandate”</b>	:	(a) For the purposes of this Appendix, excluding Section 2 of this Appendix, the Shareholders’ general mandate pursuant to Rule 920 of the Listing Manual authorising the Company, its subsidiaries and associated companies (which are considered to be “entities at risk” within the meaning of Rule 904(2) of the Listing Manual) or any of them, in their ordinary course of businesses, to enter into certain categories of transactions with specific classes of the Company’s interested persons, which was last amended at the 2024 EGM; and  (b) For the purposes of Section 2 of this Appendix, the Shareholders’ general mandate pursuant to Rule 920 of the Listing Manual authorising the Company, its subsidiaries and associated companies (which are considered to be “entities at risk” within the meaning of Rule 904(2) of the Listing Manual) or any of them, in their ordinary course of businesses, to enter into certain categories of transactions with specific classes of the Company’s interested persons, proposed to be renewed at the 2024 AGM
<b>“Jiangsu Companies”</b>	:	Jiangsu Xinhai and Jiangsu Runhai collectively
<b>“Jiangsu Runhai”</b>	:	Jiangsu Runhai Oil Products Distribution Co., Ltd. (江苏润海油品销售有限公司), a wholly-owned subsidiary of Jiangsu Xinhai and an indirect subsidiary of Hong Li Yuan as at the Latest Practicable Date
<b>“Jiangsu Xinhai”</b>	:	Jiangsu Xinhai Petrochem Co., Ltd. (江苏新海化工有限公司), a wholly-owned subsidiary of Hong Li Yuan as at the Latest Practicable Date
<b>“Latest Practicable Date”</b>	:	2 April 2024, being the latest practicable date prior to the issue of this Appendix
<b>“Listing Manual”</b>	:	The listing manual of the SGX-ST, as amended, modified and/or supplemented from time to time
<b>“LPG”</b>	:	Liquefied petroleum gas
<b>“Luban Construction”</b>	:	Shandong Dongming Petrochemical Group Luban Construction Co., Ltd. (山东东明石化集团鲁班建筑有限公司), a company within the Dongming Petrochem Group as at the Latest Practicable Date
<b>“Mr. Li”</b>	:	Mr. Li Xiangping, the Executive Chairman and CEO, as well as a Controlling Shareholder of the Company as at the Latest Practicable Date
<b>“MTBE”</b>	:	Methyl Tert-butyl Ether, a highly flammable liquid that is produced by converting methanol to MTBE, which is widely used as the oxygenated additive to improve the characteristics of petrol
<b>“Non-Executive Directors”</b>	:	A Director of the Company other than one who performs an executive function

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## DEFINITIONS

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<b>“Non-Interested Directors”</b>	:	The Directors who are regarded as independent for the purposes of making a recommendation to the Independent Shareholders on the renewal of the IPT General Mandate, namely Dr. Chen Seow Phun, John, Mr. Zhao Jinqing, Mr. Jiang Xinglu, Mr. Liu Xiaoyan and Mr. Yan Tailing
<b>“Notice of AGM”</b>	:	The notice of the 2024 AGM dated 9 April 2024
<b>“NTA”</b>	:	Net tangible assets
<b>“PRC”</b>	:	The People’s Republic of China
<b>“processed LPG”</b>	:	A type of LPG supplied to end customers as a source of fuel after propylene is extracted from raw LPG
<b>“Proxy Form”</b>	:	The proxy form in respect of the 2024 AGM
<b>“raw LPG”</b>	:	A type of petroleum gas derived from the refining of crude and heavy oil, with propylene and other contents such as propane and alkene, which is usually stored in liquid form under moderate pressure
<b>“related corporation”</b>	:	<b>“related corporation”</b> of a corporation refers to (i) its holding company, (ii) its subsidiary; and (iii) subsidiary of its holding company
<b>“SFA”</b>	:	The Securities and Futures Act 2001 of Singapore, as amended, modified and/or supplemented from time to time
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Shareholders”</b>	:	The registered holders of Shares, except where the registered holder is CDP, the term <b>“Shareholders”</b> shall, in relation to such Shares and where the context so admits, mean the Depositors to whose securities accounts maintained with CDP are credited with the Shares
<b>“Shares”</b>	:	Ordinary Shares in the issued and paid-up capital of the Company
<b>“subsidiary”</b>	(1)	A corporation is (subject to sub-paragraph (3) below) deemed to be a subsidiary of another corporation, if — <ol style="list-style-type: none"><li>(a) that other corporation —<ol style="list-style-type: none"><li>(i) controls the composition of the board of directors of the first-mentioned corporation; or</li><li>(ii) controls more than half of the voting power of the first-mentioned corporation; or</li></ol></li><li>(b) the first-mentioned corporation is a subsidiary of any corporation which is that other corporation’s subsidiary.</li></ol>

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## DEFINITIONS

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- (2) For the purposes of sub-paragraph (1) above, the composition of a corporation's board of directors is deemed to be controlled by another corporation if that other corporation by the exercise of some power exercisable by it without the consent or concurrence of any other person can appoint or remove all or a majority of the directors, and for the purposes of this definition that other corporation is deemed to have power to make such an appointment if —
- (a) a person cannot be appointed as a director without the exercise in his or her favour by that other corporation of such a power; or
  - (b) a person's appointment as a director follows necessarily from his or her being a director or other officer of that other corporation.
- (3) In determining whether one corporation is a subsidiary of another corporation —
- (a) any shares held or power exercisable by that other corporation in a fiduciary capacity is to be treated as not held or exercisable by it;
  - (b) subject to sub-paragraphs (3)(c) and (3)(d) below, any shares held or power exercisable —
    - (i) by any person as a nominee for that other corporation (except where that other corporation is concerned only in a fiduciary capacity); or
    - (ii) by, or by a nominee for, a subsidiary of that other corporation, not being a subsidiary which is concerned only in a fiduciary capacity,is to be treated as held or exercisable by that other corporation;
  - (c) any shares held or power exercisable by any person by virtue of the provisions of any debentures of the first-mentioned corporation or of a trust deed for securing any issue of such debentures is to be disregarded; and
  - (d) any shares held or power exercisable by, or by a nominee for, that other corporation or its subsidiary (not being held or exercisable as mentioned in sub-paragraph (3)(c)) is to be treated as not held or exercisable by that other corporation if the ordinary business of that other corporation or its subsidiary (as the case may be) includes the lending of money and the shares are held or power is exercisable as aforesaid by way of security only for the purposes of a transaction entered into in the ordinary course of that business



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## DEFINITIONS

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- “Substantial Shareholder”** : A person (including a corporation) who has an interest in one (1) or more voting shares of the Company and the total votes attached to that share, or those shares, is not less than five per cent. (5%) of the total votes attached to all the voting shares in the Company
- “Treasury Shares”** : Issued Shares of the Company which were (or are treated as having been) purchased by the Company in circumstances which Section 76H of the Companies Act applies and have since purchase been continuously held by the Company
- “utilities”** : For the purposes of this Appendix, **“utilities”** include fresh water, recycled water, condensation water, electricity, purified air, steam, fuel gas, nitrogen and hydrogen

### **Currencies, Units and Others**

- “RMB”** : Renminbi, the lawful currency of the PRC
- “S\$” and “cents”** : Singapore dollars and cents, the lawful currency of the Republic of Singapore
- “%” or “per cent.”** : Per centum or percentage

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof and used in this Appendix shall, where applicable, have the same meaning ascribed to it under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof, as the case may be, unless the context requires otherwise.

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

Any reference to a time of day or date in this Appendix shall be a reference to Singapore time and dates, unless otherwise stated.

Any discrepancies in the figures in this Appendix between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures that precede them.

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## LETTER TO SHAREHOLDERS

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### SINOSTAR PEC HOLDINGS LIMITED

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

#### Directors

**Mr. Li Xiangping**

(Executive Chairman and CEO)

**Mr. Yan Tailing**

(Executive Director and Deputy CEO)

**Mr. Li Zhi**

(Non-Executive Director)

**Dr. Chen Seow Phun, John**

(Lead Independent Non-Executive Director)

**Mr. Zhao Jinqing**

(Independent Non-Executive Director)

**Mr. Jiang Xinglu**

(Independent Non-Executive Director)

**Mr. Liu Xiaoyan**

(Independent Non-Executive Director)

#### Registered Office

30 Cecil Street  
#19-08 Prudential Tower  
Singapore 049712

9 April 2024

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

Dear Sir/ Madam

#### THE PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

##### 1. INTRODUCTION

###### 1.1 2024 AGM

We refer to the Notice of the AGM of the Company dated 9 April 2024 convening the 2024 AGM to be held on 24 April 2024, and in particular, the Ordinary Resolution 8 under the heading "Special Business", in relation to the proposed renewal of the IPT General Mandate, as further elaborated in Section 2 below.

###### 1.2 Purpose of this Appendix

The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and explain the rationale for, the proposed renewal of the IPT General Mandate, and to seek the Independent Shareholders' approval for the resolution in respect thereof to be tabled at the 2024 AGM.

###### 1.3 SGX-ST

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Appendix.

###### 1.4 Advice to Shareholders

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

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## LETTER TO SHAREHOLDERS

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If a Shareholder has sold or transferred all your Shares represented by physical share certificate(s), you should immediately forward this Appendix, together with the Notice of AGM and the Proxy Form, to the purchaser or the transferee, bank, stockbroker or other agents through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

### 1.5 Legal adviser

Shook Lin & Bok LLP has been appointed as the legal adviser to the Company as to Singapore law in relation to the proposed renewal of the IPT General Mandate.

## 2. THE PROPOSED RENEWAL OF THE IPT GENERAL MANDATE

### 2.1 IPT General Mandate

At the 2024 EGM, Shareholders approved the proposed amendments to the then existing IPT General Mandate to enable the Company, its subsidiaries and associated companies (which are considered to be “entities at risk” within the meaning of Rule 904(2) of the Listing Manual) or any of them, in their ordinary course of businesses, to enter into certain categories of transactions with specific classes of the Company’s interested persons as set out in the amended IPT General Mandate. Particulars of the amended IPT General Mandate are set out in Appendix B to the Company’s circular dated 1 March 2024 in relation to, *inter alia*, the proposed amendments to the existing shareholders’ mandate for interested person transactions.

### 2.2 Proposed Renewal of the IPT General Mandate

The amended IPT General Mandate was expressed to take effect until the conclusion of the next AGM of the Company, being the 2024 AGM which is scheduled to be held on 24 April 2024. Moving forward, the Group anticipates that there will continue to be recurrent transactions of a revenue and trading nature to be entered into with the mandated interested persons under the amended IPT General Mandate. Accordingly, the Directors propose that the IPT General Mandate be renewed at the 2024 AGM, to take effect (unless revoked or varied by the Company in a general meeting) until the conclusion of the next AGM of the Company is held or is required by law to be held, whichever is the earlier. The particulars of the interested person transactions in respect of which the general mandate is sought to be renewed remain unchanged.

### 2.3 Requirements under Chapter 9 of the Listing Manual with respect to Interested Person Transactions

#### 2.3.1 Introduction

Chapter 9 of the Listing Manual governs transactions in which a listed company or any of its subsidiaries or associated companies, which is considered to be an “**entity at risk**” within the meaning of Rule 904(2) of the Listing Manual, enters into or proposes to enter into with a party who is an interested person of the listed company. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with it that may adversely affect the interests of the listed company or its shareholders.

When Chapter 9 of the Listing Manual applies to a transaction where the value of that transaction alone or in aggregation with other transactions conducted with the same interested person during the same financial year is equivalent to or exceeds certain financial thresholds, 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:

- (a) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9 of the Listing Manual;

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## LETTER TO SHAREHOLDERS

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- (b) an “**associate**”:
- (i) in relation to any director, chief executive officer or controlling shareholder (being an individual) means:
    - (A) his immediate family (i.e., spouse, child, adopted child, step-child, sibling and parent);
    - (B) 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
    - (C) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent. (30%) or more; and
  - (ii) in relation to 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 thirty per cent. (30%) or more;
- (c) an “**associated company**” means a company in which at least twenty per cent. (20%) but not more than fifty per cent. (50%) of its shares are held by the listed company or group;
- (d) the term “**control**” refers to the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company;
- (e) a “**controlling shareholder**” means a person who:
- (i) holds directly or indirectly fifteen per cent. (15%) or more of the total number of issued shares excluding treasury shares and subsidiary holdings in a listed company (unless otherwise determined by SGX-ST); or
  - (ii) in fact exercises control over the listed company;
- (f) an “**entity at risk**” means:
- (i) a 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) have control over the associated company;
- (g) an “**interested person**” means:
- (i) a director, chief executive officer or controlling shareholder of a listed company; or
  - (ii) an associate of such director, chief executive officer or controlling shareholder;
- (h) an “**interested person transaction**” means a transaction between an entity at risk and an interested person and a “**transaction**” includes (i) the provision or receipt of financial assistance, (ii) the acquisition, disposal or leasing of assets, (iii) the provision or receipt of services, (iv) the issuance or subscription of securities, (v) the granting of or being granted options and (vi) 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;

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## LETTER TO SHAREHOLDERS

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- (i) a “**primary interested person**” means persons or entities including, amongst others, a director, chief executive officer, or controlling shareholder of the issuer; and
- (j) in interpreting the term “**same interested person**” for the purpose of aggregation as described in Section 2.3.2 of this Appendix below, the following applies:
  - (i) 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; and
  - (ii) 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 and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested persons and their associates and have audit committees whose members are completely different.

### 2.3.2 Financial thresholds, Disclosure requirements and Shareholders’ approval

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

In particular, pursuant to Rule 905 of the Listing Manual, an immediate announcement is required where:

- (a) the value of a proposed transaction is equal to or exceeds three per cent. (3%) of the listed group’s latest audited consolidated NTA (the “**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 announcement will have to be made immediately of the latest transaction and all future transactions entered into with that same interested person during the financial year.

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

- (a) the value of a proposed transaction is equal to or exceeds five per cent. (5%) of the listed group’s latest audited consolidated NTA (the “**Threshold 2**”); 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 2. The aggregation will exclude any transaction that has been approved by shareholders previously or is the subject of aggregation with another transaction that has been previously approved by shareholders.

The abovementioned requirements for immediate announcement and shareholders’ approval do not apply to any transaction below S\$100,000. However, the Listing Manual provides that while transactions below S\$100,000 are not normally aggregated under Chapter 9 of the Listing Manual, the SGX-ST may aggregate any such transaction entered into during the same financial year and treat them as if they were one (1) transaction.

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## LETTER TO SHAREHOLDERS

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Pursuant to Rule 909 of the Listing Manual, the value of a transaction is the amount at risk to the issuer. This is illustrated by the following examples:

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

### 2.3.3 General mandate

Part VIII of Chapter 9 of the Listing Manual allows a listed company, however, to seek a general mandate from its shareholders for recurrent transactions with interested persons where such transactions are of a revenue or trading nature or necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. Transactions conducted under such a mandate are not subject to Rules 905 and 906 of the Listing Manual. A general mandate is subject to annual renewal.

### 2.4 **Rationale for, and Benefits of, the IPT General Mandate**

It is anticipated that in the ordinary course of business, transactions of a revenue or trading nature between the Group and the Mandated Interested Persons (as defined in Section 2.5 below) are likely to occur from time to time.

The proposed renewal of the IPT General Mandate will enable the Group to enter into certain types of transactions that are of a revenue or trading nature with the Mandated Interested Persons in the ordinary course of business without the need to convene a general meeting to seek Shareholders' approval each time when such potential transactions arise, provided that they are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. This will substantially reduce the time and expenses associated with the convening of general meetings, improve administrative efficacy, and allow resources and time to be focused towards other corporate and business opportunities.

### 2.5 **Classes of Mandated Interested Persons**

The IPT General Mandate will apply to Shandong Dongming Petrochem Group Co., Ltd. (山东东明石化集团有限公司) ("**Dongming Petrochem**"), its existing and future subsidiaries, its holding company and the existing and future subsidiaries of the holding company of Dongming Petrochem, and any existing and future corporations in which Dongming Petrochem and such other related company or companies, taken together, have an interest (directly or indirectly) of thirty per cent. (30%) or more of that corporation's equity capital (the "**Dongming Petrochem Group**")<sup>1</sup> (collectively, the "**Mandated Interested Persons**").

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<sup>1</sup> For the avoidance of doubt, notwithstanding that the Jiangsu Companies (i.e., Jiangsu Runhai Oil Products Distribution Co., Ltd. (江苏润海油品销售有限公司) and Jiangsu Xinhai Petrochem Co., Ltd. (江苏新海化工有限公司)) are not considered companies within the Dongming Petrochem Group under normal circumstances as the Jiangsu Companies and Dongming Petrochem (the immediate holding company of the Dongming Petrochem Group) are direct or indirect subsidiaries of Hong Li Yuan, for the purposes of this Appendix and the IPT General Mandate, the Jiangsu Companies have been included under the Dongming Petrochem Group taking into account the definition of the Dongming Petrochem Group.

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## LETTER TO SHAREHOLDERS

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Mr. Li Xiangping, the Company's Executive Chairman and CEO as well as a Controlling Shareholder of the Company, is a 99.61% shareholder of Shandong Hong Li Yuan Stock Limited Company (山东宏利源股份有限公司) ("Hong Li Yuan"), which holds 97.18% equity interest in Dongming Petrochem.

Transactions with interested persons that do not fall within the ambit of the IPT General Mandate will be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Listing Manual.

### 2.6 Categories of Mandated Interested Person Transactions

The Group envisages that in the ordinary course of its business, transactions between the Group and the Mandated Interested Persons will be likely to occur from time to time. Such transactions would include:

- (a) purchase of raw LPG;
- (b) sale of processed LPG;
- (c) purchase of utilities<sup>2</sup>, parts and components (including packaging materials and chemical excipients);
- (d) sale of utilities, parts and components (including packaging materials and chemical excipients);
- (e) provision and/or procurement of logistics and transport-related services and/or products;
- (f) purchase of propylene, butene, ethylene (including C2 components), residual C4 (剩余 C4)<sup>3</sup> and methanol;
- (g) sale of recycled propylene;
- (h) commissioned sale of products and procurement services;
- (i) procurement of sewage treatment services; and
- (j) procurement of machinery, equipment and instrument and meter repair services, and miscellaneous engineering services.

The Group may transact with one (1) or more entities which are Mandated Interested Persons for each category of the Mandated Interested Person Transactions set out above.

### 2.7 Guidelines and review procedures for the Mandated Interested Person Transactions

In general, interested person transactions shall be carried out on normal commercial terms which are consistent with the Group's usual business practices and on terms that are not prejudicial to the interests of the Company and its minority Shareholders.

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<sup>2</sup> For the purposes of the IPT General Mandate, "utilities" include fresh water, recycled water, condensation water, electricity, purified air, steam, fuel gas, nitrogen and hydrogen.

<sup>3</sup> LPG mainly consists of a mixture of C3 (propane, propylene) and C4 (butane, isobutane, butene). The raw LPG required for the production of propylene and polypropylene in the Company primarily contains a higher proportion of C3 propylene. The residual C4 (剩余C4) with a higher content of butene offers a cost advantage for the production of MTBE. Generally, the Company's production process will be adjusted appropriately based on product efficiency in the market. For example, if MTBE has better market efficiency, while ensuring normal and stable production, the Company will purchase some residual C4 (剩余C4) to improve the yield of MTBE.



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In particular, the Group has implemented the following procedures to ensure that the transactions with the Mandated Interested Persons are undertaken on an arm's length basis and on normal commercial terms and establish a structured system of transparency and accountability in the Group's transactions with these Mandated Interested Persons and that all Mandated Interested Person Transactions with the Mandated Interested Persons would be properly documented, accounted for and fully disclosed to the shareholders as necessary:

(a) Purchase of raw LPG

Transaction Volume

- (i) The volume records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

Transaction Price

- (ii) Under normal circumstances, the price of raw LPG is closely related to its propylene content. On the open market, raw LPG generally refers to LPG containing thirty per cent. (30%) or more of propylene content per tonne. This type of LPG, after being processed and having its propylene components extracted for use in polypropylene production by the Company, can be turned into polypropylene.

For supplies that contain thirty per cent. (30%) or more of propylene per tonne of raw LPG, their pricing will be determined based on the average quoted selling price (excluding transportation costs) of three (3) unrelated suppliers of raw LPG for the month. The three (3) unrelated suppliers will be selected randomly by the sales director of Dongming Hengchang from those who have had past transactions with Dongming Hengchang and their quoted prices are to be obtained weekly from the website of an independent industry data and information provider.

For supplies that contain less than thirty per cent. (30%) propylene per tonne of raw LPG, their pricing will be determined based on the average quoted selling price (excluding transportation costs) of processed LPG sold by the Group to unrelated third parties for the month. This is because raw LPG containing less than thirty per cent. (30%) propylene per tonne is generally rare in the market and it is difficult to obtain a reference transaction price for such raw LPG. As such, for supplies of raw LPG containing less than thirty per cent. (30%) propylene per tonne, it is more practical for the Group to determine the transaction prices using the average quoted selling price of processed LPG sold by the Group (excluding transportation costs) to unrelated third parties for the month (which is usually lower than that of raw LPG), as compared to using the average quoted selling price of three (3) unrelated suppliers of raw LPG containing less than thirty per cent. (30%) propylene per tonne (excluding transportation costs) for the month (which is difficult to obtain in the market). The processed LPG sold by the Group to the unrelated third parties, having had its propylene content extracted, is no longer of industrial processing value and is typically used as industrial or domestic fuel at a price lower than that of the raw LPG. Even though raw LPG containing less than thirty per cent. (30%) propylene per tonne has relatively low propylene levels, the Group can still extract and process propylene from it. Since it is challenging to find comparable products in the market, and considering the benefits to the Company and its minority Shareholders, the transaction price for raw LPG containing less than thirty per cent. (30%) propylene per tonne will be referenced against the price of processed LPG sold by the Group to the unrelated third parties.



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### Transaction Settlement

- (iii) The partial payment, if any, will be set off against the month-end settlement. The partial payment (if any) and month-end settlement shall be jointly approved/ signed by any Director/ the CFO of the Company, and the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

- (b) Sale of processed LPG

### Transaction Volume

- (i) The month-end settlement statement will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

### Transaction Price

- (ii) The transaction price shall be determined based on the month-end average price of daily quotes from three (3) unrelated suppliers for the month, which shall be obtained from the industry data and information available on the websites of the independent supplier.

### Transaction Settlement

- (iii) The month-end remittance order shall be jointly approved/ signed by any Director/ the CFO of the Company, and the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

- (c) Purchase of utilities, parts and components (including packaging materials and chemical excipients)

### Transaction Volume

- (i) The volume records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

### Transaction Price

- (ii) The rates payable for the utilities will be determined at arm's length and having regard to the prevailing market rates, as set out in the report prepared by the local certified public accounting firm. The utilities rates have been fairly stable in the last few years, from the commercial standpoint, the Company is of the view that it is feasible for the parties to rely on the report for the purpose of determining the utilities rates payable unless there are any material changes to the prevailing market rates, in which case both parties will re-negotiate the rates payable based on the then prevailing market rates.

### Transaction Settlement

- (iii) The partial payment (if any) and month-end settlement shall be jointly approved/ signed by any Director/ the CFO of the Company, and the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

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## LETTER TO SHAREHOLDERS

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- (d) Sale of utilities, parts and components (including packaging materials and chemical excipients)

### Transaction Volume

- (i) The volume of the utilities supplied will be based on a settlement statement confirmed and signed by the Company and the Mandated Interested Persons. The transaction volume of utilities for each month will be determined based on the transaction records compiled and reconciled by both parties at the end of each month, and the transaction volume of parts and components (including chemical excipients) for each month will be determined based on the warehouse receipt. The volume records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

### Transaction Price

- (ii) The Group will be engaging a local certified public accounting firm every year to compare the rates charged by the Group with those quoted by third party suppliers and certify that the rates paid by the Mandated Interested Persons to the Group were not lower than the prevailing market rates, represented by the quotes obtained by such local certified public accounting firm from selected third party suppliers. The rates chargeable for the utilities will be determined at arm's length and having regard to the prevailing market rates, as set out in the report prepared by the local certified public accounting firm. The utilities rates have been fairly stable in the last few years, and from the commercial standpoint, the Company is of the view that it is feasible for the parties to rely on the report for the purpose of determining the utilities rates chargeable. The parties will enter into a long-term framework agreement for the sale of utilities and in the event that there is a significant change<sup>4</sup> in the market in respect of the utilities rates chargeable, the parties will renegotiate and sign supplemental agreement(s) to adjust the utilities rates.
- (iii) The rates payable by the Mandated Interested Persons for the parts and components (including packaging materials and chemical excipients) shall not be lower than the purchase cost (including transportation costs) of such parts and components (including packaging materials and chemical excipients) procured by the Group.

### Transaction Settlement

- (iv) Generally, the settlement for the utilities, parts and components (including packaging materials and chemical excipients) takes place at the end of each month. As the transaction value of the utilities is relatively large and under normal circumstances, the Company's sale of utilities is about RMB26 million per month, and in special cases, if the Group as the supplier encounters difficulties in the turnover of funds, it may request for the partial payment by the Mandated Interested Persons as the purchaser. The Mandated Interested Persons can make partial payment based on the actual consumed quantities on the date of the requesting for partial payment, and such partial payment will be deducted from the month-end settlement. Partial payments are made under special circumstances, taking into account the possible temporary financial needs of both the supplier and the purchaser, under equal conditions for both parties. Based on the past records, the occurrence of partial payments is extremely low. The partial payment (if any) and month-end settlement shall be jointly approved/signed by any Director/ the CFO of the Company, and the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

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<sup>4</sup> A "significant change" refers to the situation where either party has sufficient evidence proving that there has been a significant change in the market price of public utility products. For instance, changes in the national electricity feed-in tariff due to policy adjustments, significant changes in steam production costs due to fluctuations in coal prices influenced by the market and other factors, and/or substantial changes in the production cost of hydrogen due to significant fluctuations in the price of raw LPG, etc. In such cases, upon negotiation, a supplementary agreement will be signed to adjust the prices accordingly.

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## LETTER TO SHAREHOLDERS

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- (e) Provision and/or procurement of logistics and transport-related services and/or products

Transaction Volume

- (i) The monthly settlement statement for logistics procurement services will be reviewed and approved by any one (1) of the Directors of the Company, the CFO of the Company, or the general manager of the relevant company within the Group, or such assigned senior management of the Group who is in charge of procurement business, who does not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

Transaction Price

- (ii) Dongming Changshun and its branch office, Dongming Ganyu, provide logistics and transport-related services and/or products including the provision of truck maintenance and repair services and transport services for petroleum goods. The prices charged by the Group or the Mandated Interested Persons for provision of the logistics and transport-related services and/or products will be determined on an arm's length basis by the respective sales departments of the relevant companies in the Group or the Dongming Petrochem Group as Mandated Interested Persons respectively and approved by the general manager of the relevant companies in the Group, who has no interest, direct or indirect, in the transaction and does not hold any executive position in the relevant Mandated Interested Persons or of the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons respectively. The terms for provision of logistics and transport-related services and/or products to the relevant Mandated Interested Persons shall not be more favourable than those extended to unrelated third parties and the terms for procurement of logistics and transport-related services and/or products from the relevant Mandated Interested Persons shall not be less favourable than those extended to unrelated third parties, taking into account factors, including but not limited to fuel costs, overheads, total distance travelled, delivery volume, business relationships and payment terms.
- (iii) The prices paid by the Group for the procurement of logistics and transport-related services and/or products will be determined on an arm's length basis by the respective sales departments of the relevant Mandated Interested Persons and approved by the general manager of the relevant companies in the Group, who has no interest, direct or indirect, in the transaction and does not hold any executive position in the Mandated Interested Persons. The terms for procurement of logistics and transport-related services and/or products between the relevant Mandated Interested Persons and the Group shall not be less favourable than those extended to unrelated third parties, taking into account factors, including but not limited to fuel costs, overheads, total distance travelled, delivery volume, business relationships and payment terms.

Transaction Settlement

- (iv) Settlement for the provision and/or procurement of logistics and transport-related services and/or products also takes place at the end of each month. The month-end settlement shall be jointly approved/ signed by any Director/ the CFO of the Company, and the general manager of the relevant companies in the Group, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

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- (f) Purchase of propylene, butene, ethylene (including C2 components), residual C4 (剩余C4) and methanol
- (i) Dongming Hengchang and Dongming Qianhai have entered into a framework agreement with the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons for the supply of propylene, whereby Dongming Hengchang shall purchase part of the propylene produced by the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons (the “**Propylene Purchase**”). In addition to propylene, the Group may also purchase butene, ethylene (including C2 components), residual C4 (剩余 C4) and methanol from companies within the Dongming Petrochem Group which are used for the production of premier-grade polypropylene and MTBE (collectively with the Propylene Purchase, shall be referred to herein as the “**Raw Materials Purchase**”).
- (ii) In determining the transaction price of the Raw Materials Purchase, the Company shall use the prevailing market price as a benchmark, and the following factors shall be taken into consideration (and for comparison):
- (A) at least three (3) prices quoted by other suppliers who are non-Mandated Interested Persons;
- (B) the quality of propylene, butene, ethylene and methanol supplied which shall be determined based on their purity levels (their purity levels will be derived from sample testing); and
- (C) all other relevant factors (e.g., costs of transport and taxation matters relating to the invoicing for these purchases).

### Transaction Volume

- (iii) The transaction volume for each month will be determined based on the transaction records compiled and reconciled by both parties at the end of each month (the “**Transaction Record**”). The Transaction Records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

### Transaction Price

- (iv) The price per unit for the Raw Materials Purchase shall be calculated based on the prevailing market price for products with similar purity levels. The Raw Material Purchase price will be determined based on the average quoted selling price of three (3) unrelated suppliers of propylene, butene, ethylene and methanol of similar purity levels for the month. The three (3) unrelated suppliers will be selected randomly by the sales director of Dongming Hengchang from those who have had past transactions with Dongming Hengchang and their quoted prices are to be obtained weekly from the website of an independent industry data and information provider.

The key commercial rationale in respect of selecting these suppliers relates to the location of these suppliers, which will affect the costs of transporting the Company's purchases.

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## LETTER TO SHAREHOLDERS

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### Transaction Settlement

- (v) It is not unusual in practice for suppliers to the Group to request for security like partial payments or even full payment for raw materials purchases prior to the actual delivery. With regards to the purchase of propylene and methanol from the Mandated Interested Persons, although settlement generally takes place at the end of each month after the transaction volume and price are duly agreed upon by both parties, the respective companies within the Dongming Petrochem Group may request the Group to make partial payment for the propylene and methanol delivered or expected to be delivered prior to the month-end settlement. The amount of partial payment is usually based on an estimated transaction volume and price for the month as agreed in writing by the parties when such requests are made, taking into account the average volume for the past three (3) months and the transaction price for the previous month. The partial payment, if any, will be set off against the month-end settlement. If the partial payment exceeds the month-end settlement, it will be refunded immediately upon confirmation of the amount of the month-end settlement. With regards to the purchase of butene and ethylene from the Mandated Interested Persons, settlement takes place at the end of each month after the transaction volume and price are duly agreed upon by both parties. The partial payment (if any) and month-end settlement shall be jointly approved/ signed by any Director/ the CFO of the Company, and the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

Similar to the arrangement which allows for partial payments for the purchase of raw LPG from the Mandated Interested Persons under the IPT General Mandate, the key reason for providing for partial payments in relation to the purchase of propylene is due to the larger expected transaction sizes and thus, it is common practice for the suppliers to request for partial payments for raw material purchases delivered prior to the month-end settlement.

- (vi) Should the aggregate value of any partial payment and/or settlement exceed RMB80 million in a particular month, the Company shall seek approval for the partial payment and/or settlement from the Audit Committee. The aforesaid approval limit has been arrived at by the Group after taking into consideration the nature and size of the Mandated Interested Person Transactions, so as to provide for business efficiency and at the same time provide additional safeguards to ensure that transactions of exceptional amounts with the Mandated Interested Person are reviewed and approved by the Audit Committee.

The amount of RMB80 million which represents around 4.7% of the Group's latest audited NTA as at 31 December 2023 is derived by the Group based on 80% of its projected cost of purchasing propylene to fulfil the production capacity of its newly constructed polypropylene plant. Provided that the newly constructed polypropylene plant requires approximately 160,000 tonnes of propylene annually, its projected costs of purchase is approximately RMB100 million per month.

- (g) Sale of recycled propylene
- (i) In its production process, Dongming Hengchang may generate a portion of substandard propylene or recycled propylene, which cannot be sold directly or used in the production of polypropylene and requires to be reprocessed by blending with other raw materials from the Mandated Interested Persons to produce qualified propylene (the "**Recycled Propylene**").

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### Transaction Volume

- (ii) The transaction volume for each month will be determined based on the transaction records compiled and reconciled by both parties at the end of each month (the “**Recycled Propylene Transaction Record**”). The Recycled Propylene Transaction Records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

### Transaction Price

- (iii) The price per unit for the Recycled Propylene shall be calculated based on eighty per cent. (80%) of the price per unit for the Propylene Purchase (as defined under sub-paragraph (f) above) (which corresponds to the expected propylene content of such by-products) in the same month.

The Group derived the figure of eighty per cent (80%) of the price per unit for the Propylene Purchase from the fact that the Recycled Propylene (which has a purity level of eighty per cent (80%)) would not meet industrial standards, and thus there is a lack of demand for the Recycled Propylene. Provided that industrial standard propylene has a purity level of 99.5% purity, the Group is of the view that it is reasonable to sell the Recycled Propylene at a discounted price in reference to the price of industrial propylene.

### Transaction Settlement

- (iv) Although settlement generally takes place at the end of each month after the transaction volume and price are duly agreed upon by both parties, Dongming Hengchang may request the respective Mandated Interested Persons to make partial payment for the Recycled Propylene delivered prior to the month-end settlement. The amount of the partial payment will be based on an estimated transaction volume and price for the month, taking into account the average volume for the past three (3) months and the transaction price for the previous month.

The Group notes that this method of settlement is not provided under a framework agreement due to the low frequency of the Group’s sale of the Recycled Propylene coupled with the low transaction values. Accordingly, each transaction’s settlement will take place in accordance with the foregoing at the end of each month and the likelihood of requiring partial payment for larger expected transaction sizes is low.

- (h) Commissioned sale of products and procurement services
  - (i) The relevant companies within the Dongming Petrochem Group as Mandated Interested Persons will, on a non-exclusive basis, act (a) as an agent of the Group, sell the products produced by the Group (including MTBE, purified isobutylene and polypropylene) at prevailing market prices and on a consignment basis, and (b) as an agent of the Group, provide procurement services to the Group for the procurement of raw materials such as propylene, methanol and ethylene at prevailing market prices.
  - (ii) The respective Group companies will be responsible for any credit risks for amounts due and payable from the end customers for the products sold through the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons and the general manager of the Group who is in charge of sales and procurement will be responsible for the credit risk management process.



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## LETTER TO SHAREHOLDERS

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### Transaction Price

- (iii) Furthermore, to ensure that the selling prices/ procurement cost of the products sold through/ procured through the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons is in line with prevailing market prices, the general manager of Dongming Hengchang or such assigned senior management of the Group who is in charge of sales and procurement will participate in the price determination process to ensure that the selling prices/ procurement cost (taking into account the consignment/ procurement fees which are derived from factors such as the costs of transport) is no less favourable to the Group as compared to selling/procuring such products directly or through unrelated third parties by obtaining three (3) quotes from non-Mandated Interested Persons. Furthermore, the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons shall also provide the Group with access to the sale and purchase invoices of, and the right to review and monitor cash receipts from, the products sold/ purchased through the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons, in order for the Group to ascertain that the selling prices/ purchase costs are consistent with the Group's records for the purpose of the monthly-end settlements and for the Group to ascertain the amount of trade receivables that is outstanding (if any).
- (iv) The Audit Committee will assess on an annual basis whether it is necessary to negotiate for a revision of the consignment/ procurement fees charged by the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons to ensure that such fees are not higher than the then prevailing market rates for such services.

### Transaction Settlement

- (v) Settlement of the aggregate sales proceeds collected for the products sold and raw materials purchased through the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons less the consignment/ procurement fees payable to the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons will be done on a monthly basis but the Group may request for partial payments for products sold through the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons prior to the month-end. The approving authority for the partial payments and/or month-end settlements with the relevant companies within the Dongming Petrochem Group as Mandated Interested Persons shall comprise any two (2) persons (not being Mandated Interested Persons or their associates) holding the following positions:
- (A) a Director of the Company; or
  - (B) the CFO of the Company; and
  - (C) general manager of Dongming Hengchang or such assigned senior management of the Group who is in charge of sales and procurement.
- (i) Procurement of sewage treatment services
- Dongming Hengchang and Dongming Qianhai will generate some sewage from time to time during their respective production process. Such sewage cannot be discharged without purification treatment. The investment in sewage treatment facilities is relatively large and cannot bring direct economic benefits to the Group. As such, the Company will procure the sewage treatment service from the relevant companies within the Dongming Petrochem Group which specialise in sewage treatment.

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### Transaction Volume

- (i) The volume records will be reviewed and approved by any one (1) of the general manager of Dongming Hengchang, the CFO of the Company, or a Director of the Company, who does not have an interest, direct or indirect, or hold any executive position in the Mandated Interested Persons before they are forwarded to the finance department for processing of settlement.

### Transaction Price

- (ii) Generally, the price of sewage treatment fee is relatively stable. The rates payable for procurement of sewage treatment service will be determined at arm's length and having regard to the prevailing market rates, as set out in the report prepared by the local certified public accounting firm annually. The terms for procurement of sewage treatment service shall not be less favourable than those extended to unrelated third parties, taking into account factors, including but not limited to overheads, total distance travelled, delivery volume, business relationships and payment terms.

### Transaction Settlement

- (iii) Generally, settlement for the sewage treatment service takes place at the end of each month due to the low transaction value. The month-end settlement shall be jointly approved/ signed by any Director/ the CFO of the Company, and the general manager of Dongming Hengchang, or such assigned senior management of the Group who is in charge of sales and procurement, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.
- (j) Procurement of machinery, equipment and instrument and meter repair services, and miscellaneous engineering services

Shandong Dongming Petrochemical Group Luban Construction Co., Ltd. (山东东明石化集团鲁班建筑有限公司) ("**Luban Construction**"), a company within the Dongming Petrochem Group, is a large-scale comprehensive construction enterprise specialising in machinery equipment, instrument and meter repair, maintenance services, engineering construction, special equipment installation, and special equipment online testing services. It holds various qualifications and licenses including, amongst others, qualification (Grade 2) for general contracting for construction, qualification (Grade 3) for electromechanical installation, and license for special equipment installation, modification and maintenance. Luban Construction is familiar with the production device and process flow of the Company. The Company may request for maintenance, overhaul and other construction services from time to time.

### Transaction Volume

- (i) The Company shall appoint a site construction representative or entrust a third-party construction supervisor to be responsible for guiding and supervising the construction site. Any fee-based items such as services, consumable materials, or machinery that are included in the construction settlement require the preparation of a project visa form. The project visa form will be reviewed and approved by any one (1) of the onsite construction representative, the third-party construction supervisor appointed by the Company, or the general manager of the Company. To ensure the quality of construction materials used for construction, all major construction materials shall be supplied by our Group.



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### Transaction Price

- (ii) Upon the completion of the project, the Company as the construction party must entrust an independent third-party accounting firm with engineering audit qualifications to prepare a project settlement report. When evaluating the third-party auditors, the Company requires auditors to provide relevant audit qualifications, basic company information, past audit performance, billing standards, criteria for choosing quotas, and audit execution procedures, in order to ensure the auditor's independence. Additionally, in the case of the value of a single project is relatively large, it is common for the Company to commission a second auditing firm to perform a review. As agreed by the parties, the quota execution, the charging procedure, and the safety construction fees shall follow the prevailing applicable laws, regulations and normative documents. If any party has objections to the project settlement, they can independently entrust a professional institution to conduct a review. The review result shall be subject to the principle of choosing the lower price.

### Transaction Settlement

- (iii) The payment of project funds shall be carried out in accordance with the construction contract. Any payment of project funds shall be jointly approved/ signed by any Director/ the CFO of the Company, and the on-site construction representative appointed by the Company, or the general manager of the relevant company within the Group, who do not have any interest, direct or indirect, or hold any executive position in the Mandated Interested Persons.

## 2.8 General IPT Guidelines

To ensure that the Mandated Interested Person Transactions are conducted on normal commercial terms consistent with the Group's usual business practices and on terms which are generally no more favourable than those extended to unrelated third parties, the Group will monitor all Mandated Interested Person Transactions by categorising the transactions as follows:

- (a) a Mandated Interested Person Transaction of a value equal to or more than three per cent. (3%) of the Group's latest audited net tangible assets ("NTA") (the "**Category 1 Mandated Interested Person Transaction**") shall be approved by the Audit Committee prior to the entry into such transactions; and
- (b) a Mandated Interested Person Transaction of a value below three per cent. (3%) of the Group's latest audited NTA (the "**Category 2 Mandated Interested Person Transaction**") need not have the prior approval of the Audit Committee but shall be reviewed on a quarterly basis by the Audit Committee to ensure that they are carried out on normal commercial terms, in accordance with the procedures outlined above. All relevant non-quantitative factors such as the nature of services provided and prevailing market conditions will also be taken into account and recorded accordingly.

## 2.9 General Administrative Procedures for all IPTs

The Company has also implemented the following procedures for the identification of interested persons and the recording of all interested person transactions (including the Mandated Interested Person Transactions under the IPT General Mandate):-

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- (a) the Company will set up a joint management committee for IPTs, which comprises a Director, the CFO of the Company and the finance and legal affairs manager of the relevant subsidiaries of the Group. The joint management committee will meet every quarter to jointly review the (i) past monthly IPTs and (ii) proposed monthly IPTs for the next quarter, and update the Audit Committee on the outcome of such review. The purpose of such review is to ensure the Group's compliance with Chapter 9 of the Listing Manual by (i) ensuring adequate assessment of the past monthly IPTs, (ii) adequate planning with respect to proposed monthly IPTs, (iii) adequate supervision of the Group's compliance with Chapter 9 of the Listing Manual, (iv) ensuring that the employees, who may be involved in the execution and authorisation of IPTs, receive adequate training to enhance their knowledge, awareness and understanding of the Group's IPT compliance obligations pursuant to Chapter 9 of the Listing Manual;
- (b) the Company's Finance Department will maintain a list of the Group's CEO, Directors and Controlling Shareholders and their direct and indirect business interests (including those held by their immediate family) based on quarterly declarations from the Group's CEO, Directors and Controlling Shareholders, which is to be updated immediately if there are any changes. The list shall be disclosed to the relevant personnel (such as the board of directors, the procurement manager and marketing manager of each subsidiary) by email on a monthly basis to enable the identification of interested persons. The master list of interested persons shall be reviewed by the Audit Committee on a quarterly basis. This master list will also be circulated to the relevant persons (i.e., the Group's CEO, Directors, etc.) for their confirmation on a quarterly basis;
- (c) subsidiaries and associated companies of the Group are required to inform the Company's Finance Department of any significant upcoming transactions with interested persons so as to obtain the prior approval of the Audit Committee or Shareholders, where necessary. The determination of significance is a decision made by the joint management committee, which will consider the nature (i.e., whether of a revenue and recurring nature) and the aggregate value of the transactions in comparison with previous transactions;
- (d) the Company's Finance Department will maintain a register of all Mandated Interested Person Transactions pursuant to the IPT General Mandate, including the factors that have been taken into account in arriving at the purchase/ sales terms and supporting documents. The CFO of the Company will review the aforesaid register of the Mandated Interested Person Transactions on a quarterly basis and report to the Audit Committee if there are transactions which are not carried out in accordance with the aforesaid review procedures. Transactions below S\$100,000 shall be recorded and maintained in a separate register and submitted to the Audit Committee for review upon request;
- (e) the register of the Mandated Interested Person Transactions will also be submitted to the Audit Committee for review on a quarterly basis as part of its standard procedures while examining the adequacy of the Group's internal controls including those relating to the Mandated Interested Person Transactions;
- (f) in the event that the CFO of the Company, a Director of the Company or a member of the Audit Committee (where applicable) has an interest in any interested person transaction, he or she will abstain from reviewing and/or approving that particular transaction;
- (g) the Board will ensure that all disclosure requirements on interested person transaction, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with; and
- (h) the Audit Committee shall have overall responsibility for the determination of the review procedures and shall have the authority to delegate such responsibility to individuals or committees within the Company as they deem appropriate.

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### **2.10 Internal Audit**

The Company's annual internal audit plan will incorporate a review of all interested person transactions and if applicable, the adequacy of the internal control procedures established in respect of interested person transactions. The internal auditors, being an external audit firm appointed or to be appointed by the Company, shall carry out such tests as they deem necessary on the Mandated Interested Person Transactions entered into pursuant to the IPT General Mandate. The internal audit report will be forwarded to the Audit Committee for review.

The Group and the Audit Committee will have members in the joint management committee, which meets at least twice per financial year to provide oversight over the Group's IPTs and to be kept informed of any internal audit observations on the IPT monitoring process.

### **2.11 Review by the Audit Committee**

The Audit Committee's review of all interested person transactions, if any, will be done at least quarterly to ensure that they are carried out at arm's length and in accordance with the procedures outlined above. Such review includes the examination of the transactions and their supporting documents or such other data deemed necessary by the Audit Committee. In its review, the Audit Committee will take into account all relevant non-quantitative factors. The Audit Committee may request for additional information pertaining to the transaction under review from independent sources, advisers or valuers as they deem fit.

The Audit Committee shall also review the annual internal audit report on interested person transactions to ascertain that the established review procedures to monitor interested person transactions have been complied with.

In the event a member of the Audit Committee is interested in any interested person transaction, he will abstain from participating in the review and approval process in relation to that particular transaction. Approval of that transaction will accordingly be undertaken by the remaining members of the Audit Committee.

If during these quarterly reviews by the Audit Committee, the Audit Committee is of the view that the existing guidelines and review procedures as stated above have become inappropriate or insufficient to ensure that the Mandated Interested Person Transactions will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek approval from Shareholders for a fresh mandate based on new guidelines and review procedures for transactions to be entered into with the Mandated Interested Person. During the period prior to obtaining a fresh mandate from Shareholders, all transactions with the Mandated Interested Persons will be subject to prior review and approval by the Audit Committee.

### **2.12 Validity Period of the IPT General Mandate**

If approved by the Independent Shareholders at the forthcoming 2024 AGM, the IPT General Mandate will take effect from the date of the passing of the ordinary resolution for the renewal of the IPT General Mandate, to be proposed at the 2024 AGM, and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the conclusion of the next AGM of the Company is held or is required by law to be held, whichever is the earlier. The Company will seek the Shareholders' approval for renewal of the IPT General Mandate at each subsequent AGM. The renewal of the IPT General Mandate shall be subject to satisfactory review by the Audit Committee of its continued need and the adequacy of the review procedures for the transactions.

### **2.13 Disclosure of IPT in Financial Statements and Annual Report**

The Company will announce the aggregate value of transactions conducted with the Mandated Interested Persons pursuant to the IPT General Mandate for the financial periods which the Company is required to report on pursuant to Rule 705 of the Listing Manual and within the time required for the announcement of such report.

## LETTER TO SHAREHOLDERS

Disclosures will be made in the annual report of the Company of the aggregate value of transactions conducted with the Mandated Interested Persons pursuant to the IPT General Mandate during the financial year under review, and in the annual reports for subsequent financial years that the IPT General Mandate continues in force, in accordance with the requirements of Chapter 9 of the Listing Manual.

These disclosures will be in the form set out in Rule 907 of the Listing Manual.

### 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

#### 3.1 Directors' and Substantial Shareholders' interests in Shares

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

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
<b>Directors</b>						
Li Xiangping	–	–	372,048,500	58.13% <sup>(2)</sup>	372,048,500	58.13%
Yan Tailing	–	–	–	–	–	–
Li Zhi	–	–	–	–	–	–
Dr. Chen Seow Phun, John	–	–	–	–	–	–
Zhao Jinqing	–	–	–	–	–	–
Jiang Xinglu	–	–	–	–	–	–
Liu Xiaoyan	–	–	–	–	–	–
<b>Substantial Shareholder(s) (other than Directors)</b>						
Intelligent People Holdings Limited	329,996,000	51.56%	42,052,500	6.57% <sup>(3)</sup>	372,048,500	58.13%
UBS Group AG	–	–	56,320,400	8.8% <sup>(4)</sup>	56,320,400	8.8%

**Notes:**

- (1) The above percentages are calculated based on the total number of 640,000,000 Shares (excluding Treasury Shares) as at the Latest Practicable Date, and rounded to the nearest two (2) decimal places.
- (2) Intelligent People is deemed to be interested in 42,052,500 Shares held on its behalf under the name of its nominee – Philip Securities Pte. Ltd.
- (3) Mr. Li Xiangping, by virtue of the provisions of Section 4 of the SFA, is deemed to have an interest in the aggregate number of 372,048,500 Shares that Intelligent People is interested or deemed to be interested in, due to his 100% shareholding interest in Intelligent People.
- (4) UBS Group AG, by virtue of the provisions of Section 4 of the SFA, is deemed to have an interest in the aggregate number of 56,320,400 Shares that UBS AG is interested in.

#### 3.2 Directors' and Substantial Shareholders' interests in the Proposed Renewal of the IPT General Mandate

Mr. Li is the Company's Executive Chairman, CEO and a Controlling Shareholder as at the Latest Practicable Date. By virtue of his interest in the Mandated Interested Persons under the IPT General Mandate, Mr. Li will abstain from making any recommendation on the proposed renewal of the IPT General Mandate.

Mr. Li Zhi, who is a Non-Executive Director of the Company as at the Latest Practicable Date, is the son of Mr. Li and will also abstain from making any recommendation on the proposed renewal of the IPT General Mandate.

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As at the Latest Practicable Date, save as disclosed in this Appendix, to the best knowledge of the Directors, none of the Directors or Substantial Shareholders have any interest, direct or indirect, in the proposed renewal of the IPT General Mandate.

#### 4. ABSTENTION FROM VOTING

As stated above, Mr. Li, the Executive Chairman and CEO of the Company as at the Latest Practicable Date, is also a Controlling Shareholder of the Company by virtue of his deemed interest in the aggregate number of 372,048,500 Shares (representing 58.13% of the total number of Shares) held by the Company's parent company, Intelligent People, due to Mr. Li's 100% shareholding interest in Intelligent People. Accordingly, pursuant to Rule 920(1)(b)(viii) of the Listing Manual, Mr. Li will abstain, and procure that Intelligent People and all his other associates will abstain, from voting, in respect of the ordinary resolution in relation to the proposed renewal of the IPT General Mandate to be proposed at the 2024 AGM, and will not accept nominations as proxy or otherwise for voting at the 2024 AGM in respect of the aforementioned ordinary resolution as set out in Notice of AGM unless specific instructions as to voting are given by the Shareholder concerned.

#### 5. AUDIT COMMITTEE'S STATEMENT

Having considered, *inter alia*, the terms, the rationale and benefits of the IPT General Mandate, as proposed to be renewed and set out in Section 2 of this Appendix, the Audit Committee of the Company (currently comprising Mr. Jiang Xinglu, Dr. Chen Seow Phun, John and Mr. Zhao Jinqing) is satisfied that the review procedures for the Mandated Interested Person Transactions, as set out in Section 2.7 of this Appendix for determining the transaction prices and terms of the Mandated Interested Person Transactions:

- (a) have not changed since Shareholders' approval for the IPT General Mandate was last obtained at the 2024 EGM; and
- (b) if adhered to and applied consistently, are sufficient to ensure that the Mandated Interested Person Transactions carried out thereunder will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If, during the quarterly reviews by the Audit Committee, it is of the view that the established guidelines and procedures are no longer appropriate or adequate to ensure that the Mandated Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from the Shareholders based on new guidelines and procedures.

#### 6. RECOMMENDATION BY THE NON-INTERESTED DIRECTORS

Mr. Li and Mr. Li Zhi, being the Interested Directors, will abstain from making any recommendation on the proposed renewal of the IPT General Mandate.

Having considered, among others, the terms of, and rationale for, and benefit of the proposed renewal of the IPT General Mandate, and the statement of the Audit Committee as set out in Section 5 of this Appendix, the Non-Interested Directors are of the opinion that the the proposed renewal of the IPT General Mandate is in the best interests of the Company and not prejudicial to the interests of minority Shareholders. Therefore, the Non-Interested Directors recommend that the Independent Shareholders **VOTE IN FAVOUR** of the resolution set out in the notice of 2024 AGM in relation to the proposed renewal of the IPT General Mandate at the 2024 AGM.

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### 7. DIRECTORS' RESPONSIBILITY STATEMENT

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

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

### 8. 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 of this Appendix up to and including the date of the 2024 AGM:

- (a) the Constitution of the Company; and
- (b) the annual report of the Company for FY2023.

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

Li Xiangping  
Executive Chairman and CEO