



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

**ENTRY INTO SUPPLEMENTAL AGREEMENT TO SUPPLEMENT AND VARY
THE TERMS OF THE LOAN AGREEMENT**

1. INTRODUCTION AND BACKGROUND

The board of directors (the “**Board**” or “**Directors**”) of Sinostar PEC Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to its announcement dated 15 May 2020 (the “**Loan Agreement Announcement**”) on the entry into a loan agreement by its indirect subsidiary, Dongming Qianhai Petrochemical Co Limited as borrower, (the “**Borrower**” or “**Dongming Qianhai**”) with Shandong Dongming Petrochem Group Co., Ltd as lender (the “**Lender**” or “**Dongming Petrochem**”) (the “**Loan Agreement**”). Pursuant to the Loan Agreement, the Lender had agreed to grant a loan in the principal amount of RMB 720 million (the “**Principal Amount**”) to the Borrower, subject to the terms and conditions set out in the Loan Agreement. Unless otherwise defined herein, all capitalised terms shall have the meaning ascribed to them in the Loan Agreement Announcement.

On 8 October 2020, the Company announced that it had negotiated with the Lender to extend the term of the Interim Loan Agreement and that it had made two (2) repayments on the Principal Amount of RMB 15.0 million each on 20 June 2020 and 20 September 2020, pursuant to the terms of the Interim Loan Agreement. The Company also announced that it was negotiating with the Lender on, amongst others, the revised term of the Loan Agreement.

The Company would like to announce that it has, on 14 December 2020, entered into a supplemental agreement (the “**Supplemental Agreement**”) to supplement and vary certain terms of the Loan Agreement.

The Company will continue to keep its stakeholders updated and will make the appropriate announcements as and when there are any material updates or developments. Shareholders, noteholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully and should exercise caution when dealing in the Company’s securities. Stakeholders and potential investors who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisors.

2. PRINCIPAL TERMS OF THE LOAN AGREEMENT, AS AMENDED BY THE SUPPLEMENTAL AGREEMENT

Details of the Loan Agreement (as varied by the Supplemental Agreement) are set out below.

Principal amount	:	RMB 705.0 million. The Supplemental Agreement reduces the Principal Amount from RMB 720.0 million under the Loan Agreement to RMB 705.0 million, taking into account an additional repayment of RMB 15.0 million made under the Extended Interim Loan Agreement entered into on 7 October 2020 (the “ Extended Interim Loan Agreement ”).
Lender	:	Dongming Petrochem
Borrower	:	Dongming Qianhai

Term of repayment : 51 months from 1 January 2021 to 1 April 2025 with repayments due in instalments 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

The tenure of the loan was reduced from 54 months to 51 months pursuant to the Supplemental Agreement taking into account the Extended Interim Loan Agreement.

Interest Rate : Pursuant to the Supplemental Agreement, the 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) (the "LPR") as at the date of the Loan Agreement.

As at the date of the 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.

The Loan Agreement had originally provided for the interest rate to be adjusted once a year, based on the then-prevailing LPR.

Default Interest : No default interest is payable. The Loan Agreement originally provided for default interest of 15.0%. However, the Supplemental Agreement provides that the parties further agree that in the event that the Borrower is unable to make any repayments in accordance with the Repayment Schedule due to insufficient short term working capital, the parties shall negotiate a repayment schedule without payment of any penalty.

The terms of the Supplemental Agreement were negotiated between the Borrower and the Lender, taking into account, amongst others, the time required for the Company to obtain Shareholders' approval for the Loan Agreement, the prevailing LPR, and the Company's ability to make the repayments in accordance with the Repayment Schedule in view of its operating cash flow and working capital requirements, including the impact COVID-19 has had on its operations.

Please refer to the Loan Agreement Announcement for the rationale for the Loan Agreement and information on the Lender.

3. SHAREHOLDERS' APPROVAL

The amount of interest payable to Dongming Petrochem under the Loan Agreement (as amended by the Supplemental 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 Loan Agreement represents more than five per cent. (5.0%) of the Group's NTA, based on the Group's NTA of RMB 990,763,000.00 for FY2019, the Loan Agreement is subject to the approval of the Independent Shareholders at an extraordinary general meeting of the Company (the "EGM") pursuant to Rule 906(1) of the Listing Manual.

4. AUDIT COMMITTEE STATEMENT

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

5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

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

6. APPOINTMENT OF Independent Financial Adviser

Pursuant to Rule 921(4)(a) of the Listing Manual, CEL Impetus Corporate Finance Pte Ltd has been appointed as the independent financial adviser to advise on whether the Loan Agreement (as varied by the Supplemental Agreement) as an Interested Person Transaction is on normal commercial terms and is prejudicial to the interests of the Company and its minority Shareholders. A copy of its letter ("IFA Letter") will be set out in the Circular and Shareholders are advised to read the IFA Letter carefully.

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

A circular containing further information on the Loan Agreement (as amended by the Supplemental Agreement) (the "Circular"), together with a notice of EGM and the independent financial adviser's

opinion, will be made available on SGXNet and the Company's website on 15 December 2020. A printed copy of the 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 the pre-registration, further details of which are set out in the Circular.

The Company will continue to keep its stakeholders updated and will make the appropriate announcements as and when there are any material updates or developments. Shareholders, noteholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully and should exercise caution when dealing in the Company's securities. Stakeholders and potential investors who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisors.

Rules 919 and 920(1)(b)(viii) of the Listing Manual require that interested persons and their associates must not vote on any Shareholders' resolutions approving a mandate in respect of any interested persons transactions. Accordingly, Mr Li Xiang Ping and Mr Li Zhi who are interested persons as detailed in the Loan Agreement Announcement, will abstain from voting at the EGM in relation to the Loan Agreement and will not accept nominations as proxy or otherwise for voting at the EGM in respect of the same unless the Shareholders, who are deemed independent for the Loan Agreement, 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.

8. DOCUMENT AVAILABLE FOR INSPECTION

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

9. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement (save for any information on the Lender in this announcement) and confirm after making all reasonable enquiries that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Supplemental Agreement and the Group, and the Directors are not aware of any facts the omissions of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

By Order of the Board

Zhang Liucheng
Executive Director and Chief Executive Officer
14 December 2020