

CIRCULAR DATED 13 DECEMBER 2022

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

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

If you have sold or transferred all your shares in the capital of the Company (the “Shares”) held through the Central Depository (Pte) Limited (“CDP”), you need not forward this Circular to the purchaser or the transferee as arrangements will be made by CDP for a separate Circular 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 Circular, the enclosed Notice of Extraordinary General Meeting and the Proxy Form to the purchaser or transferee, or to the stockbroker or to the bank or to the agent through whom you effected the sale for onward transmission to the purchaser or the transferee.

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

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



Sinostar PEC Holdings Limited

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

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) THE PROPOSED RATIFICATION OF PAST RECURRENT INTERESTED PERSONS TRANSACTIONS;**
- (2) THE PROPOSED AMENDMENT OF GUIDELINES AND REVIEW PROCEDURES UNDER THE EXISTING IPT GENERAL MANDATE; AND**
- (3) THE PROPOSED ADOPTION OF THE NEW IPT GENERAL MANDATE.**

Independent Financial Adviser in respect of the Proposed Ratification of Past Recurrent Interested Persons Transactions and the Proposed Adoption of the New IPT General Mandate



W CAPITAL MARKETS PTE. LTD.

(Company Registration Number: 201813207E)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES:

Last date and time for lodgment of Proxy Form	:	26 December 2022 at 10.00 am
Date and time of Extraordinary General Meeting	:	28 December 2022 at 10.00 am
Place of Extraordinary General Meeting	:	The Extraordinary General Meeting will be held by way of electronic means

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DEFINITIONS

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

“2019 Circular”	:	The appendix circular to the Shareholders dated 12 April 2019 which the 2021 IPT General Mandate relates to
“2021 IPT General Mandate”	:	For the purposes of this Circular, the Shareholder’s general mandate pursuant to Rule 920 of the Listing Manual which was adopted at the 2021 EGM, authorising the Company and its subsidiaries, which are considered to be “entities at risk” under Chapter 9 of the Listing Manual or any of them, in their ordinary course of businesses, to enter into categories of transactions with specific classes of the Company’s Interested Persons, provided that such transactions are entered into on an arm’s length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders
“2022 IPT General Mandate”	:	For the purposes of this Circular, the Shareholder’s general mandate pursuant to Rule 920 of the Listing Manual which was adopted at the 2022 AGM, authorising the Company and its subsidiaries, which are considered to be “entities at risk” under Chapter 9 of the Listing Manual or any of them, in their ordinary course of businesses, to enter into categories of transactions with specific classes of the Company’s Interested Persons, provided that such transactions are entered into on an arm’s length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders
“2021 AGM”	:	The AGM held on 30 April 2021, details of which are set out in notice of AGM dated 15 April 2021
“2022 AGM”	:	The AGM held on 28 April 2022, details of which are set out in notice of AGM dated 13 April 2022
“2022 EGM”	:	The EGM of the Company to be held on 28 December 2022 at 10.00 am
“ACRA”	:	The Accounting and Corporate Regulatory Authority of Singapore
“AGM” or “Annual General Meeting”	:	Annual general meeting of the Company

DEFINITIONS

- “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. (30.0%) or more
- (b) In relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent. (30.0%) or more
- “Audit Committee” : The audit committee of the Company as at the date of this Circular, comprising Mr Jiang Xing Lu, Dr John Chen Seow Phun and Mr Zhao Jinqing
- “BDO” : BDO Advisory Pte Ltd, the internal auditor engaged by the Company to perform a review on the Group’s purchases from the Jiangsu Companies and Dongming Qianhai, and the Group’s sales to Qianhai Reli, in particular, to review (i) the IPT transactions with Interested Persons were supported with documents to determine that the sale and purchase prices were negotiated at arm’s length; (ii) IPT transactions were approved by the correct approving personnel; (iii) the IPT transactions were recorded in the IPT register; and (iv) for IPT transactions that had exceeded the pre-determined thresholds on monthly transaction values, if any, and to verify that such IPT transactions were subject to approval by the correct approving personnel
- “BDO Report” : Has the meaning ascribed to it in Section 3.2.1 of this Circular
- “Board” or “Directors” : The directors of the Company as at the date of this Circular and “Director” shall be construed accordingly

DEFINITIONS

“Business Day”	:	A day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore and the PRC
“CDP”	:	The Central Depository (Pte) Limited
“CEO”	:	Chief executive officer of the Company
“CFO”	:	Chief financial officer of the Company
“Circular”	:	This circular to Shareholder dated 13 December 2022
“Companies Act”	:	The Companies Act 1967 of Singapore, as amended from time to time
“Company”	:	Sinostar PEC Holdings Limited
“Constitution”	:	The constitution or other regulations of the Company for the time being in force, as amended from time to time
“Control”	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly fifteen per cent. (15.0%) 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
“Dongming Hengchang”	:	Dongming Hengchang Petrochemical Co., Ltd. (东明恒昌化工有限公司) which is a wholly owned subsidiary of the Company
“Dongming Petrochem”	:	Shandong Dongming Petrochem Group Co., Ltd. (山东东明石化集团有限公司), see the diagram in Appendix A setting out Mr Li’s indirect shareholding interests in Dongming Petrochem
“Dongming Petrochem Group”	:	Means Dongming Petrochem and certain of its companies, corporations and entities
“Dongming Qianhai”	:	Dongming Qianhai Petrochemical Co., Ltd. (东明前海化工有限公司) a 70% owned subsidiary of the Group

DEFINITIONS

“Dongming Zhongyou”	:	Dongming Zhongyou Fuel and Petrochemical Company Limited (东明中油燃料石化有限公司), a wholly owned subsidiary of Dongming Petrochem
“EGM” or “Extraordinary General Meeting”	:	The extraordinary general meeting of the Company
“Executive Director”	:	A Director of the Company, holding office in an executive capacity
“Future IPTs”	:	The Interested Persons Transactions to be entered into between the Group and the entities within Qianhai Reli, the Jiangsu Companies, Dongming Qianhai, Shandong Runze, and Shandong Lianhua
“FY”	:	Financial year ended or ending (as the case may be) on 31 December
“FY2020”	:	Financial year ended 31 December 2020
“FY2021”	:	Financial year ended 31 December 2021
“Group”	:	The Company and its subsidiaries as at the date of this Circular
“Hong Li Yuan”	:	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)
“IFA” or “Independent Financial Adviser”	:	The independent financial adviser in relation to the Proposed IPT Transactions, being W Capital Markets Pte. Ltd.
“IFA Letter”	:	The IFA’s letter to the IPT Recommending Directors regarding the Proposed IPT Transactions, dated 5 December 2022 annexed to this Circular as Appendix B
“Immediate Announcement”	:	“Immediate Announcement” has the meaning ascribed to it at Section 2.2.7 below
“Interested Person”	:	A Director, CEO or Controlling Shareholder of the Company or an associate of such Director, CEO or Controlling Shareholder
“Interested Person Transaction” or “IPT”	:	A transaction proposed to be entered into between the Group and an Interested Person

DEFINITIONS

“Intelligent People”	:	Intelligent People Holdings Limited, the 57.79% shareholder of the Company
“IPT Recommending Directors”	:	The Directors who are regarded as independent for the purposes of the Listing Manual and the Proposed IPT Transactions, namely Mr Jiang Xing Lu, Dr John Chen Seow Phun, and Mr Zhao Jinqing
“IPT Independent Shareholders”	:	Shareholders who are deemed independent for the Proposed IPT Transactions
“Jiangsu Companies”	:	Means Jiangsu Xinhai and Jiangsu Runhai
“Jiangsu Runhai”	:	Jiangsu Runhai Oil Products Distribution Co., Ltd. (江苏润海油品销售有限公司), see the diagram in Appendix A setting out Mr Li’s indirect shareholding interests in Jiangsu Runhai
“Jiangsu Xinhai”	:	Jiangsu Xinhai Petrochem Co., Ltd. (江苏新海化工有限公司), see the diagram in Appendix A setting out Mr Li’s indirect shareholding interests in Jiangsu Xinhai
“Latest Practicable Date”	:	5 December 2022, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as amended from time to time
“LPG”	:	Liquefied petroleum gas
“Minority Shareholders”	:	The minority Shareholders of the Company
“Mr Li”	:	Mr Li Xiang Ping, Executive Chairman and CEO of the Company
“MTBE”	:	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
“NTA”	:	Net tangible assets
“Non-Executive Directors”	:	The non-executive directors of the Company
“Past Recurrent IPTs”	:	The Interested Persons Transactions entered into between the Group, Qianhai Reli, the Jiangsu Companies, Dongming Qianhai, Shandong Runze, and Shandong Lianhua during the Relevant Period

DEFINITIONS

“PRC”	:	The People’s Republic of China
“Proposed Adoption of the New IPT General Mandate”	:	The proposed adoption of the Proposed New IPT General Mandate, which is subject to Shareholders’ approval at the 2022 EGM, details of which are set out under Section 4 of this Circular
“Proposed New IPT General Mandate”	:	The proposed Shareholder’s general mandate pursuant to Rule 920 of the Listing Manual to authorise the Company and its subsidiaries which are considered to be “entities at risk” under Chapter 9 of the Listing Manual or any of them, in their ordinary course of businesses, to enter into categories of transactions with Dongming Petrochem Group, Qianhai Reli and the Jiangsu Companies, provided that such transactions are entered into on an arm’s length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders
“Proposed IPT Transactions”	:	Means collectively, the Proposed Ratification of Past IPTs and the Proposed Adoption of the Proposed New IPT General Mandate
“Proposed Ratification of Past Recurrent IPTs”	:	The proposed approval, confirmation and ratification of the Past Recurrent IPTs, which are subject to Shareholders’ approval at the 2022 EGM, details of which are set out under Section 3 of this Circular
“Qianhai Reli”	:	Dongming Qianhai Reli Co. Ltd (东明前海热力有限公司), see the diagram in Appendix A setting out Mr Li’s indirect shareholding interests in Qianhai Reli
“Relevant Period”	:	The time period commencing from 1 January 2021 to 30 April 2022
“SFA”	:	The Securities and Futures Act 2001 of Singapore, as amended from time to time
“Shares”	:	Ordinary Shares in the issued and paid-up capital of the Company
“Shareholders”	:	The registered holders of the Shares, except where the registered depositor is CDP, the term “Shareholders” shall, in relation to such shareholders, means the persons to whose securities accounts maintained with CDP are credited with the Shares
“Shandong Runze”	:	Shandong Runze Petrochemical Co., Ltd. (山东润泽化工有限公司), see the diagram in Appendix A setting out Mr Li’s indirect shareholding interests in Shandong Runze

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“Shandong Lianhua”	:	Shandong Lianhua Energy Group Co., Limited (山东炼化能源集团有限公司), see the diagram in Appendix A setting out Mr Li’s indirect shareholding interests in Shandong Lianhua
“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. (5.0%) of the total votes attached to all the voting shares in the Company
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as amended from time to time
“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

Currencies, Unites 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

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the same meanings ascribed to them respectively in Section 81SF of the SFA.

The terms “**associated company**” and “**subsidiary**” shall have the same meanings ascribed to them in the Listing Manual and the Companies Act, as the case may be.

Any reference in this Circular 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 Circular 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 Circular shall be a reference to Singapore time and dates, unless otherwise stated.

DEFINITIONS

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

Unless otherwise stated, the exchange rate between RMB and S\$ as utilised herein this Circular was S\$1 to RMB5.19. This exchange rate should not be construed as a representation that the RMB amounts could have been, or could be, converted into S\$ at the rate stated, or at all, and *vice versa*.

All statements other than statements of historical facts included in this Circular relating to the Proposed Disposal are or may be forward-looking statement. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of the future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements and the Company does not undertake any obligation to update publicly or revise any forward-looking statements.

RHTLaw Asia LLP has been appointed as the legal adviser to the Company as to Singapore law in relation to this Circular.

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LETTER TO SHAREHOLDERS

SINOSTAR PEC HOLDINGS LIMITED

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

Directors

Mr Li Xiang Ping
(Executive Chairman and CEO)
Mr Yan Tailing
(Executive Director and Deputy CEO)
Mr Li Zhi
(Non-Executive Director)
Dr John Chen Seow Phun
(Lead Independent Non-Executive Director)
Mr Zhao Jinqing
(Independent Non-Executive Director)
Mr Jiang Xing Lu
(Independent Non-Executive Director)
Mr Liu Xiao Yan
(Independent Non-Executive Director)

Registered Office

30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

13 [DECEMBER] 2022

To: The Shareholders of Sinostar PEC Holdings Limited

Dear Sir/Madam,

- (1) THE PROPOSED RATIFICATION OF PAST RECURRENT INTERESTED PERSONS TRANSACTIONS;**
- (2) THE PROPOSED AMENDMENT OF GUIDELINES AND REVIEW PROCEDURES UNDER THE EXISTING IPT GENERAL MANDATE; AND**
- (3) THE PROPOSED ADOPTION OF THE NEW IPT GENERAL MANDATE.**

1. INTRODUCTION

1.1 2022 EGM

The Directors of the Company are convening an EGM to be held on 28 December 2022, to seek the Shareholders' approval for the following proposals:

- (a) the Proposed Ratification of Past Recurrent IPTs;
 - (b) the Proposed Amendment of the Guidelines and Review Procedures under the Existing IPT General Mandate; and
 - (c) the Proposed Adoption of the Proposed New IPT General Mandate,
- (collectively, the "**Proposed Transactions**").

1.2 Circular

The purpose of this Circular is to explain the rationale for, and to provide the Shareholders with information relating to Proposed Transactions.

LETTER TO SHAREHOLDERS

For the avoidance of doubt, Shareholders should note that the passing of each Ordinary Resolution is not inter-conditional on the passing of the other Ordinary Resolutions.

The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this Circular.

2. THE PROPOSED IPT TRANSACTIONS

2.1 Background

2.1.1 Proposed Ratification of Past Recurrent IPTs

Due to the Group's business in the production and supply of downstream petrochemical products through the production facilities and plants that it operates, there are strong commercial reasons supporting the Group's IPTs with strategic affiliation with Dongming Petrochem Group which is one of the largest privately-owned upstream crude oil refiners, and an associate of the Company's Executive Chairman and CEO Mr Li (see the diagram at Appendix A for a detailed account of Mr Li's indirect shareholding interests in Dongming Petrochem Group). For instance, in relation to the Group's business in the sale and purchase of utilities (such as hydrogen, low pressure steam gas and recycled water), as the Group's "Interested Persons" operates plants in the vicinity of its other plants (such as its newly constructed polypropylene plant), connected via pipelines, as transport costs of these products is a significant factor of the Group's costs of purchases, it is commercially sound for the Group to source for such products (especially for raw materials used for the production of processed LPG and polypropylene) from or sell such products to upstream production plants in its vicinity to reduce the transport costs and in turn, reduce the Group's costs of purchases.

Accordingly, the Company had, in the 2021 AGM, obtained the approval of the Shareholders for the 2021 IPT General Mandate to enter into the following recurrent Interested Person Transactions with the Dongming Petrochem Group, pursuant to Chapter 9 of the Listing Manual: (i) purchase of raw LPG, (ii) sale of processed LPG, (iii) purchase of utilities, parts and components, and (iv) provision of logistics and transportation services (see Section 2.1.3 below for details on the name of the Interested Person and the nature of the transactions mandated under the 2021 IPT General Mandate). Further particulars of the 2021 IPT General Mandate can also be found in the 2019 Circular.

As announced by the Company on 28 February 2022, the Company had entered into several past recurrent IPTs during FY2021, the majority of which were mandated by Shareholders in accordance with the 2021 IPT General Mandate, while the rest were beyond the scope of the 2021 IPT General Mandate ("**Past Recurrent IPTs**"). These Past Recurrent IPTs include: (i) the purchase of propylene (a raw material for the production of polypropylene and premier grade polypropylene) from the Jiangsu Companies, Shandong Lianhua and Dongming Qianhai; (ii) Dongming Hengchang sale of recycled propylene (i.e., propylene with 80% purity level) to Dongming Qianhai; (iii) Dongming Qianhai purchase of methanol (a raw material for the production of MTBE) from Shandong Lianhua; and (iv) the sale of utilities (such as hydrogen, low pressure steam gas and recycled water) to Dongming Petrochem, Dongming Qianhai, Shandong Runze and Qianhai Reli.

LETTER TO SHAREHOLDERS

Mr Li, the Company's Executive Chairman and CEO, is a 99.61% shareholder of Hong Li Yuan, which holds 97.18% shares in Dongming Petrochem (the immediate holding company of the Dongming Petrochem Group). See the diagram at Appendix A for a detailed account of Mr Li's indirect shareholding interests in the Dongming Petrochem Group. Therefore, Dongming Petrochem is an "Interested Person" of the Company pursuant to the Listing Manual.

Save for the Jiangsu Companies, all other companies stated in the foregoing, namely, (i) Shandong Lianhua, (ii) Shandong Runze, (iii) Dongming Qianhai, (iv) Qianhai Reli and (v) Dongming Petrochem, are companies within the Dongming Petrochem Group. As highlighted above, since Dongming Petrochem is an "Interested Person" of the Company, the aforementioned companies are also considered "Interested Persons" of the Company. It is also noted that Dongming Qianhai and Qianhai Reli is also a Group company, whereby the Company holds indirect shareholding interests in Dongming Qianhai and Qianhai Reli (which Hong Li Yuan holds 82% of its shares). See Sections 3.1.1, 3.1.3 to 3.1.5 below and the diagram at Appendix A setting out Mr Li's indirect shareholding interests in the foregoing companies in the Dongming Petrochem Group.

The Jiangsu Companies are "Interested Persons" of the Company by way of Mr Li's indirect shareholding in the Jiangsu Companies through Hong Li Yuan (see Section 3.1.2 below and the diagram at Appendix A setting out Mr Li's indirect shareholding interests in the Jiangsu Companies).

The Company had inadvertently omitted to make an announcement and obtain the Shareholders' approval for its Past Recurrent IPTs (without shareholders' mandate).

The circumstances leading to the genuine oversight of the Company in respect of the purchase of propylene by Dongming Hengchang (the Company's wholly owned subsidiary) from the Jiangsu Companies, Dongming Qianhai and Shandong Lianhua may be traced back to the completion of the construction of the new polypropylene plant in China during the first quarter of 2021 (with an annual production capacity of 200,000 tonnes of polypropylene) and was undergoing its production trial run to ascertain its optimum production capacity.

The conversion rate of propylene to polypropylene is approximately 99.5% (i.e., almost a 1:1 conversion ratio), it was clear that in order for a fruitful production trial run and subsequently to maintain an optimal production capacity of the newly constructed polypropylene plant, there was a need to source for propylene.

The key management personnel of the newly constructed plant tasked with sourcing propylene are (i) the Procurement Supervisor of the plant, who is responsible for procuring the purchase price of propylene from various companies and shortlisting the most competitive prices to (ii) the Procurement Manager, who would approve the Procurement Supervisor's selection of competitive purchase prices of propylene and submit it to (iii) the General Manager, who would provide the final approval for the purchase of propylene. Pursuant to the Company's existing procurement guidelines, the General Manager could approve each transaction up to the aggregate amount of RMB50 million per month, the board of directors of Dongming Hengchang will review and approve each transaction over the amount of RMB50 million or the transactions which exceed the aggregate value of RMB50 million per month.

LETTER TO SHAREHOLDERS

Each of the foregoing personnel were guided by the Company's existing guidelines (i.e., an authorisation matrix) for reporting of procurement transactions. Since the value of each transaction for the purchase of propylene does not exceed RMB50 million, and save for the purchase of propylene from Dongming Qianhai, the aggregate value of all such transactions do not exceed RMB50 million per month, the personnel acted on the authorisation matrix and approved the purchase transactions without informing the Company's management and/or Board at the time of each transaction. Instead, the personnel recorded these transactions under Dongming Hengchang's trade payables but not separately recorded as IPTs.

This oversight was uncovered after the ease of travel restrictions for travellers wishing to commute between Singapore and China. In particular, when Mr Yan Tailing, Executive Director of the Company, travelled back to China for home leave, and to coordinate the Group's year-end audit in December 2021. When the Executive Director scrutinised the detailed monthly transaction and IPT reports, he noticed that the key management personnel had not, in the IPT reports, identified and recorded these propylene purchase transactions as IPTs, but as normal procurement transactions approved under the Company's existing authorisation matrix.

Upon such discovery, the Executive Director then informed the CFO of the Company of this matter, who then followed up with the Audit Committee and the Board of the Company on 10 January 2022.

In respect of the other Past Recurrent IPTs (i.e., sale of recycled propylene to Dongming Qianhai, purchase of methanol from Shandong Lianhua and the sale of utilities to Shandong Runze, Dongming Petrochem and Qianhai Reli), the Company had genuinely mistaken them to be mandated by Shareholders under the 2021 IPT General Mandate in respect of the Company's IPTs with the Dongming Petrochem Group (it is noted that all of the aforementioned companies are within the Dongming Petrochem Group).

For the Company's sale of utilities to Dongming Petrochem, Dongming Qianhai, Shandong Runze and Qianhai Reli, the Company had genuinely mistaken the scope of the 2021 IPT General Mandate to encompass both purchase (which is mandated under the 2021 IPT General Mandate) and sale of utilities, which had not been mandated. Further, the value of each of the Company's sale of utilities to the foregoing entities are not of significant value (most of these transactions are below RMB1 million). Thus, the Company was only alerted to these transactions falling beyond the 2021 IPT General Mandate during the internal audit conducted by the Company's internal auditors, BDO.

For the Company's purchase of methanol from Shandong Lianhua for its production of MTBE, as each of such transactions fall below RMB5 million (total aggregate value of these purchase transactions during FY 2021 is RMB22,230,565), while the authorising personnel had recorded these transactions as IPTs within the 2021 IPT General Mandate as these transactions was with Shandong Lianhua (a company within the Dongming Petrochem Group), they had not realised that the purchase of methanol did not fall within the 2021 IPT General Mandate. Furthermore, Shandong Lianhua has established itself as a reputable company selling methanol, and thus, its prices are highly competitive.

Similarly, for the Company's sale of recycled propylene to Dongming Qianhai, as each of these transactions amount to approximately RMB2 million (with an aggregate value of approximately RMB7,142,814 for FY 2021), while the authorising personnel had recorded these transactions as IPTs within the 2021 IPT General Mandate as these transactions was

LETTER TO SHAREHOLDERS

with Dongming Qianhai (a company within the Dongming Petrochem Group), they had not accurately identified the Company's sale of recycled propylene to Dongming Qianhai as an IPT beyond the 2021 IPT General Mandate.

In the preparation of this Circular, the Company's appointed IFA and internal auditors have conducted reviews of the Past Recurrent IPTs and it had been brought to the Company's attention that there have been several other Past Recurrent IPTs that had not been disclosed by the Company in its Announcements due to genuine reasons and its inadvertent oversight (the "**Further IPTs**").

As announced by the Company on 13 July 2022, the Company had entered into the Further IPTs during FY2021, which exceeded the scope of the 2021 IPT General Mandate. The Past Recurrent IPTs therefore also include the Further IPTs which are the transactions entered into by the Company with Dongming Qianhai, Shandong Runze, and Shandong Lianhua, which are of a revenue and recurrent nature, carried out in the ordinary course of its business.

On an aggregated basis, such Past Recurrent IPTs amounted to RMB995,851,307 for FY 2021 and RMB273,259,324 for the period starting on 1 January 2022 and ending on 30 April 2022. When each of the foregoing values are expressed as a percentage against the Group's latest audited NTA as at 31 December 2021 of approximately RMB1,516,457,000, the Past Recurrent IPTs for FY 2021 is approximately 65.7% and the Past Recurrent IPTs for the period starting on 1 January 2022 and ending on 30 April 2022 is approximately 18.2% (see Section 3.2 below with the tables setting out the breakdown of the Past Recurrent IPTs based on the nature of the IPTs). Given that both of the foregoing values exceed 5% of the Group's latest audited NTA as at 31 December 2021 of approximately RMB1,516,457,000. Accordingly, the Company is seeking Independent Shareholders' ratification, confirmation and approval of the Past Recurrent IPTs which occurred during the Relevant Period (the "**Proposed Ratification of Past Recurrent IPTs**").

For reference, the aggregate value of IPTs mandated under the 2021 General IPT Mandate in FY 2021 is RMB5,688,090,303 or approximately 375.0% when expressed as a percentage against the Group's latest audited NTA as at 31 December 2021. The aggregate value of IPTs mandated under the 2021 General IPT Mandate for the period starting on 1 January 2022 and ending on 30 April 2022 is RMB1,849,152,783 or approximately 121.9% when expressed as a percentage against the Group's latest audited NTA as at 31 December 2021.

2.1.2 Proposed Amendment of Guidelines and Review Procedures under the Existing IPT General Mandate

As part of the Proposed Adoption of the New IPT General Mandate, the Group will implement procedures to ensure that the transactions under the new mandate are 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. Accordingly, the Company is also seeking Shareholders' approval for the Proposed Amendment of Guidelines and Review Procedures under the Existing IPT General Mandate so as to align the procedures for all IPTs, whether under the existing or proposed general mandates.

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2.1.3 Proposed Adoption of the New IPT General Mandate

The table below sets out a summary of the Interested Person and the nature of the transactions mandated under the 2021 IPT General Mandate and the Interested Persons and the nature of transactions that the Company proposes adopting under the New IPT General Mandate.

Name of Interested Person	Nature of the transaction(s)
Mandated under the 2021 IPT General Mandate	
Dongming Zhongyou Fuel and Petrochemical Company Limited (“Dongming Zhongyou”)	<ul style="list-style-type: none"> • purchase of raw LPG • purchase of utilities • transportation services
Dongming Petrochem*	<ul style="list-style-type: none"> • purchase of utilities • sale of processed LPG • transportation services
Dongming Runze Petrochemical Co. Ltd.	<ul style="list-style-type: none"> • purchase of utilities • sale of processed LPG • transportation services • purchase of vehicle
Dongming Petroleum Distribution Co. Ltd	<ul style="list-style-type: none"> • transportation services
Shandong Dongming Lishu Petroleum Co. Ltd.	<ul style="list-style-type: none"> • sale of processed LPG • purchase of LPG • purchase of utilities • transportation services
Dongming Runming Oil Products Distribution Co. Ltd.	<ul style="list-style-type: none"> • transportation services
Dongming Wanhai Lvjiang Petrochemical Co. Ltd.	<ul style="list-style-type: none"> • transportation services
Qianhai Reli*	<ul style="list-style-type: none"> • purchase of utilities
Proposed additions to the 2021 IPT General Mandate under the New IPT General Mandate	
Dongming Petrochem*	<ul style="list-style-type: none"> • sale of utilities • purchase of butene and ethylene
Qianhai Reli*	<ul style="list-style-type: none"> • sale of utilities/contra on purchase of utilities
Dongming Qianhai	<ul style="list-style-type: none"> • purchase of propylene • sale of recycled propylene • sale of utilities
Shandong Runze	<ul style="list-style-type: none"> • sale of utilities
The Jiangsu Companies	<ul style="list-style-type: none"> • purchase of propylene
Shandong Lianhua	<ul style="list-style-type: none"> • purchase of methanol • purchase of propylene

* The entities marked with this symbol and in bold are also “Interested Persons” under the 2021 IPT General Mandate.

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Moving forward, as the Group anticipates that there will be recurrent transactions entered into with Qianhai Reli, the Jiangsu Companies, Dongming Qianhai, Shandong Runze, and Shandong Lianhua (collectively, the “**New Mandate Interested Persons**”), which are of a revenue and trading nature.

Furthermore, given that (a) Dongming Petrochem Group also produces butene and ethylene, which are consumable items required for the Group’s wider range of premier grade polypropylene productions, and (b) it is also commercially sound for the Group to source for butene and ethylene from Dongming Petrochem Group as the storage and transportation cost can be reduced, the Group anticipates that there will be new recurrent purchases of butene and ethylene from Dongming Petrochem Group.

Therefore, the Company is also seeking Shareholders’ approval for the Proposed Adoption of the New IPT General Mandate with the proposed additions outlined in the table above.

2.2 Requirements Under Chapter 9 of the Listing Manual as to Interested Persons Transactions

2.2.1 Introduction

Chapter 9 of the Listing Manual regulates transactions by a listed company, its subsidiaries and associated companies that are considered to be at risk (each referred to as an “entity at risk”, which is more particularly defined below), with the interested persons that may adversely affect the interests of the listed company.

When Chapter 9 of the Listing Manual applies to a transaction when the value of that transaction alone or in aggregation with other transactions conducted with the same interested person during the financial year is equivalent to or exceeds certain financial thresholds, the listed company is required to make an immediate announcement and may additionally be required to seek shareholders’ approval for that transaction.

For the purposes 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 to Chapter 9 of the Listing Manual.
- (b) An “**associate**” means:
 - (i) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
 - (1) his immediate family;
 - (2) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (3) any company in which he and his immediate family together (directly or indirectly) have any interest of thirty per cent. (30.0%) or more; and

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- (ii) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent. (30.0%) or more.
- (c) An “**associated company**” means, in relation to a listed company, any company in which at least twenty per cent. (20.0%) but not more than fifty per cent. (50.0%) of its shares are held by the listed company or group.
- (d) A “**chief executive officer**” means the most senior executive officer who is responsible under the immediate authority of the board of directors for the conduct of the business of the listed company.
- (e) A “**controlling shareholder**” means a person who:
 - (i) holds directly or indirectly fifteen per cent. (15.0%) or more of the total number of issued shares excluding treasury shares in the listed company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or
 - (ii) in fact exercises control over the listed company.
- (f) An “**entity at risk**” means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.
- (g) An “**interested person**” means:
 - (i) a director, chief executive officer, or controlling shareholder of the listed company; or
 - (ii) an associate of any such director, chief executive officer, or controlling shareholder.
- (h) An “**interested person transaction**” means a transaction between an entity at risk and an interested person and a “transaction” includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

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2.2.2 Materiality Thresholds, Disclosure Requirements and Shareholders' Approval

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

In particular, an immediate announcement is required where:

- (a) the value of a proposed Interested Person Transaction is equal to or exceeds three per cent. (3.0%) of the listed group's latest audited consolidated NTA ("**Threshold 1**"); or
- (b) the aggregate value of all Interested Person Transactions entered into with the same interested person during the same financial year, is equal to or more than Threshold 1. In this instance, an announcement will have to be made immediately after the latest Interested Person Transaction and all future Interested Person Transactions entered into with the same interested person during the financial year.

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

- (a) the value of a proposed Interested Person Transaction is equal to or exceeds five per cent. (5.0%) of the listed group's latest audited consolidated NTA ("**Threshold 2**"); or
- (b) the aggregate value of all Interested Person Transactions entered into with the same interested person during the same financial year, is equal to or more than Threshold 2. The aggregation will exclude any Interested Person Transaction that has been approved by Shareholders previously, or is the subject of aggregation with another Interested Person Transaction that has been previously approved by Shareholders.

The above requirements for immediate announcement and/or for Shareholders' approval do not apply to any transaction below S\$100,000, and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence excluded from the ambit of Chapter 9 of the Listing Manual.

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

- (a) in the case of a partly-owned subsidiary or associated company, the value of the transaction is the listed company's effective interest in that transaction;
- (b) in the case of a joint venture, the value of the transaction includes the equity participation, shareholders' loans and guarantees given by the entity at risk; and
- (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.

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2.2.3 Illustration

For illustration purposes, based on the Group's latest audited accounts for FY2021, the Group's latest audited consolidated NTA as at 31 December 2021 was approximately RMB1,516,457,000. Accordingly, in relation to the Group, for the purposes of Chapter 9, for transactions during the Relevant Period, Shareholders' approval would be required where:

- (a) an Interested Person Transaction which is of a value equal to, or more than, approximately RMB75,822,850, being five per cent. (5.0%) of the Group's latest audited consolidated NTA; or
- (b) an interested person transaction, when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, approximately RMB75,822,850. The aggregation will exclude any Interested Person Transaction that has been approved by Shareholders previously, or is the subject of aggregation with another Interested Person Transaction that has been approved by Shareholders.

2.2.4 General Mandate

Part VIII of Chapter 9 of the Listing Manual allows a listed company to seek a general mandate from its shareholders for recurrent Interested Person Transaction, of a revenue or trading nature or those 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. A general mandate granted by shareholders is subject to annual renewal.

2.2.5 Same Interested Person

Under Rule 908 of the Listing Manual, in interpreting the term "**same interested person**" for the purpose of aggregation as described in Sections 2.2.2 and 2.2.3 of this Circular, the following applies:

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

2.2.6 Independent Financial Adviser's Opinion

Chapter 9 of the Listing Manual also requires a listed company to do the following:

- (a) in connection with seeking a general mandate from its shareholders to obtain an opinion from the IFA on whether the methods or procedures determining transactions prices are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the listed company and its Minority Shareholders; and

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- (b) except in the case of a general mandate, if shareholders' approval is required, to obtain an opinion from the IFA stating whether the transaction is on normal commercial terms and not prejudicial to the interest of the listed company and its Minority Shareholders, and to include such opinion in the circular seeking Shareholders' approval.

2.2.7 Disclosure requirements under Rule 905 of the Listing Manual

As mentioned in Section 2.1.1 of this Circular, the failure to seek Shareholders' approval for the Past Recurrent IPTs with Qianhai Reli and to make an immediate announcement pursuant to Rule 905 of the Listing Manual ("Immediate Announcement") was due to the genuine mistaken impression that the said Past Recurrent IPTs entered into with Qianhai Reli included both purchases and sales of utilities such as hydrogen, low pressure steam gas and recycled water. The utilities sold by the Group are by-products generated during its production process and it is easier and commercially sound to transact with Dongming Petrochem Group for such by-products given the small quantities of such by-products and as they operate plants in the vicinity of its other plants connected with pipelines which can materially reduce the transportation costs. However, in actual fact, the 2021 IPT General Mandate only encompassed purchases of utilities from the Interested Persons and not sales of utilities to the Interested Persons. The Company had failed to seek Shareholders' approval for the Past Recurrent IPTs with the Jiangsu Companies (i.e., purchase of propylene from the Jiangsu Companies) due to the genuine and inadvertent oversight on the part of the Company and as such, had not realised that Immediate Announcement was required.

Upon realisation of its mistaken impression and inadvertent oversight, the Company had promptly released an announcement via the SGXNET on 28 February 2022 informing its shareholders that it intends to convene the 2022 EGM to seek shareholders' approval for the Proposed Ratification of Past Recurrent IPTs. The Company had also included, in the same announcement, the details and value of all the Past Recurrent IPTs entered into between the Group and Qianhai Reli and the Jiangsu Companies from 1 February 2021 to 31 December 2021.

The Company had failed to seek Shareholders' approval for the Past Recurrent IPTs with the Shandong Runze (i.e., sales of utilities) due to the genuine and inadvertent oversight similar to that in relation to the sale of utilities to Qianhai Reli (see Section 2.1.1 and above) and Shandong Lianhua (i.e., purchase of propylene and methanol) due to the genuine and inadvertent oversight similar to that in relation to the purchase of propylene from the Jiangsu Companies for the purchase of propylene. The same may be said for the purchase of methanol from Shandong Lianhua, and as stated in Section 2.1.1 above, the values of each transaction were not significant and valued at less than RMB5 million. As such, the Company had not realised that Immediate Announcement was required.

Since then, the Company has been busy preparing this Circular such as, collating, verifying and finalising the required information, so as to obtain its shareholders' approvals for the Proposed Ratification of the Past Recurrent IPTs and the Proposed Adoption of the New IPT General Mandate as soon as possible.

Details of the Past Recurrent IPTs (including those information required to be included in an Immediate Announcement pursuant to Rule 917 of the Listing Manual) are set out in Section 3 of this Circular.

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3. PROPOSED RATIFICATION OF PAST RECURRENT IPTS

3.1 Details of Interested Person(s)

3.1.1 Qianhai Reli

Qianhai Reli is a company incorporated in the PRC and is principally engaged in the business of power and utilities supplies.

Dongming Petrochem, the immediate holding company of Dongming Petrochem Group, is 97.18% owned by Hong Li Yuan. Qianhai Reli is a part of the Dongming Petrochem Group by way of Dongming Petrochem's 30% shareholding in Dongming Qianhai, a 18% shareholder of Qianhai Reli. Hong Li Yuan owns the remaining 82% of the shares in Qianhai Reli.

Qianhai Reli is also part of the Group by way of the Dongming Hengchang's (a wholly owned subsidiary of the Company) 70% shareholding in Dongming Qianhai.

As at the Last Practicable Date, the Company's Executive Chairman, CEO and Controlling Shareholder, Mr Li holds 99.61% of the equity interest in Hong Li Yuan. As Mr Li owns more than 30% interest in Hong Li Yuan, Qianhai Reli is deemed to be an associate of Mr Li pursuant to the Listing Manual. Therefore, Qianhai Reli is an "Interested Person" of the Company and the relevant transactions with the Qianhai Reli are IPTs. As stated in the 2021 IPT General Mandate currently in force, the Dongming Petrochem Group are business partners and strategic suppliers of the Group and continue to play an important role in the Group's business. A diagram setting out, inter alia, Mr Li's indirect shareholding interests in Qianhai Reli is contained in Appendix A to this Circular.

3.1.2 Jiangsu Companies

The Jiangsu Companies are both incorporated in the PRC. Jiangsu Runhai is the wholly owned subsidiary of Jiangsu Xinhai. Their principal business activities are production of propylene and propylene related products. The current sole shareholder of the Jiangsu Companies is Hong Li Yuan. As Mr Li owns more than 30% interest in Hong Li Yuan, the Jiangsu Companies are deemed to be associates of Mr Li pursuant to the Listing Manual. Therefore, the Jiangsu Companies are "Interested Person"s of the Company and the relevant transactions with the Jiangsu Companies are IPTs.

The Jiangsu Companies are business partners and strategic suppliers of the Group which supplies, amongst other things, propylene to the Group. In the Group's ordinary course of business, transactions with the Jiangsu Companies constitute an important component of the Group's business and operations, especially in the production of premier grade polypropylene, and occur on a regular basis. The Group is familiar and satisfied with the proven quality of the supply of propylene and other raw materials provided by, and credibility of, the Jiangsu Companies. A diagram setting out Mr Li's indirect shareholding interests in the Jiangsu Companies is contained in Appendix A to this Circular.

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3.1.3 Dongming Qianhai

Dongming Qianhai is a company incorporated in the PRC and is principally engaged in the business of processing and production of propylene related oil products. While Dongming Qianhai forms part of the Group and is majority-owned by the Company's wholly owned subsidiary, it is also part of the Dongming Petrochem Group.

As at the Latest Practicable Date, Mr Li, the Company's Executive Chairman and CEO, holds 99.61% of Hong Li Yuan, which in turn owns 97.18% of Dongming Petrochem, which holds 30% in Dongming Qianhai.

By virtue of Mr Li's deemed interests in Dongming Qianhai based on Mr Li's indirect shareholding in Hong Li Yuan, and Mr Li's indirect shareholding in the Company, Mr Li's total deemed interests in Dongming Qianhai exceeds 30%, and constitutes an "associate" of Mr Li pursuant to the Listing Manual, and thus is an "Interested Person" of the Company.

Moreover, it should be noted that as stated in the 2021 IPT General Mandate currently in force, the Dongming Petrochem Group are business partners, strategic suppliers of the Group and continue to play an important role in the Group's business. Therefore, the Group intends to continue its business relations with Dongming Qianhai, which is 70% owned by the Group. A diagram setting out Mr Li's indirect shareholding interest in Dongming Qianhai is contained in Appendix A to this Circular.

3.1.4 Shandong Runze

Shandong Runze is a company incorporated in the PRC which forms part of the Dongming Petrochem Group. Its principal business activities are primarily engaged in the businesses of crude oil refinery and sales of raw LPG and oil related products. It is a subsidiary of four other companies within the Dongming Petrochem Group and its most significant shareholder is Dongming Zhongyou which owns 48.25% of Shandong Runze. As at the date of this announcement, Mr Li, the Company's Executive Chairman and CEO, holds 99.61% of Hong Li Yuan, which in turn owns 97.18% of Dongming Petrochem, which wholly owns Dongming Zhongyou. Given the foregoing corporate structure, Shandong Runze is an associate of Mr Li pursuant to the Listing Manual and therefore, an Interested Person of the Company. Accordingly, the relevant transactions entered into by the Company with Shandong Runze are IPTs.

In the Group's ordinary course of business, transactions with Shandong Runze constitute an important component of the Group's business and operations.

3.1.5 Shandong Lianhua

Shandong Lianhua is a company incorporated in the PRC and is principally engaged in the business of oil and petrochemical products distributions.

Shandong Lianhua is part of the Dongming Petrochem Group by way of Dongming Petrochem's 85.78% direct shareholding interests in Shandong Lianhua. A diagram setting out Mr Li's indirect shareholding interest in Shandong Lianhua is contained in Appendix A to this Circular.

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As at the Latest Practicable Date, Mr Li, the Company's Executive Chairman and CEO, holds 99.61% of Hong Li Yuan, which in turn owns 97.18% of Dongming Petrochem, which owns 85.78% of Shandong Lianhua. Given the foregoing corporate structure, Mr Li's deemed shareholding interests in Shandong Lianhua exceeds 30% and thus, Shandong Lianhua is an associate of Mr Li pursuant to the Listing Manual and therefore, an Interested Person of the Company. Accordingly, the relevant transactions entered into by the Company with Shandong Lianhua are IPTs.

3.2 Past Recurrent IPTs

Details of the Past Recurrent IPTs (excluding those which are less than S\$100,000) entered into by the Group and the Interested Persons from 1 January 2021 to 31 December 2021 (i.e., FY2021) are set out below.

Interested Persons	Nature of IPTs	Aggregate value of all Past Recurrent IPTs from 1 January 2021 to 31 December 2021 (RMB)	Aggregate value of all Past Recurrent IPTs from 1 January 2021 to 31 December 2021 as a percentage against the audited NTA of the Group as at 31 December 2021 ⁽¹⁾
The Jiangsu Companies	Purchase of propylene	106,189,174	7.0%
Shandong Lianhua	Purchase of propylene	9,546,022	0.6%
	Purchase of methanol	22,230,565	1.5%
Dongming Qianhai	Sale of recycled propylene	7,142,814	0.5%
	Sale of utilities	2,639,802	0.2%
	Purchase of propylene	540,238,621	35.6%
Qianhai Reli	Sale of utilities	85,904,802	5.7%
Shandong Runze	Sale of utilities	221,959,507	14.6%
	Total:	995,851,307	65.7%

Notes:

1 – The audited NTA of the Group as at 31 December 2021 was RMB1,516,457,000.

The total value of IPTs entered into by the Group from 1 January 2021 to 31 December 2021 that are mandated under the 2021 IPT General Mandate is RMB5,688,090,303. The aggregate value of IPTs entered into by the Group from 1 January 2021 to 31 December 2021 expressed as a percentage against the audited NTA of the Group as at 31 December 2021 is 375.0%.

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Details of the Past Recurrent IPTs (excluding those which are less than S\$100,000) entered into by the Group and the Interested Persons from 1 January 2022 to 30 April 2022 are set out below.

Interested Persons	Nature of IPTs	Aggregate value of all Past Recurrent IPTs from 1 January 2022 to 30 April 2022 (RMB)	Aggregate value of all Past Recurrent IPTs from 1 January 2022 to 30 April 2022 as a percentage against the audited NTA of the Group as at 31 December 2021 ⁽¹⁾
The Jiangsu Companies	Purchase of propylene	31,731,244	2.1%
Shandong Lianhua	Purchase of propylene	1,347,005	0.1%
Dongming Qianhai	Sale of recycled propylene	3,809,413	0.3%
	Sale of utilities	1,146,908	0.1%
	Purchase of propylene	160,479,146	10.6%
Qianhai Reli	Sale of utilities	25,292,599	1.7%
Shandong Runze	Sale of utilities	49,453,009	3.3%
	Total:	273,259,324	18.2%

Notes:

1 – The audited NTA of the Group as at 31 December 2021 was RMB1,516,457,000.

The total value of IPTs entered into by the Group from 1 January 2022 to 30 April 2022 that are mandated under the 2021 IPT General Mandate is RMB1,849,152,783. The aggregate value of IPTs entered into by the Group from 1 January 2022 to 30 April 2022 expressed as a percentage against the audited NTA of the Group as at 31 December 2021 is 121.9%.

On an aggregated basis, the Past Recurrent IPTs from 1 January 2021 to 31 December 2021 had each exceeded 5.0% of the Group's latest audited NTA as at 31 December 2021. Accordingly, the approval of the IPT Independent Shareholders is required pursuant to Rule 906(1)(b) of the Listing Manual.

3.2.1 BDO Report

The Company's existing outsourced internal auditor, BDO Advisory Pte Ltd, first highlighted the oversight in seeking shareholders' approval of the non-mandated IPTs exceeding 5% in the internal audit done in December 2021 and reported at the Audit Committee meeting held on 27 February 2022.

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Subsequently, in connection with the Proposed Ratification of Past Recurrent IPTs, the Company had commissioned the Company's existing outsourced internal auditor, BDO Advisory Pte Ltd, to issue a report dated 14 July 2022 to perform agreed-upon audit procedures on the Past Recurrent IPTs ("**BDO Report**") to identify any additional IPT controls that need to be established.

The review approach adopted by BDO Advisory Pte Ltd was to review selected Interested Persons transaction ("**IPT**") for the period starting from the period January 2021 to March 2022 ("**Review Period**") through fieldwork. BDO selected samples to check the following categories of IPTs based on the audit procedures below:

- Purchase of propylene from Jiangsu Xinhai, Jiangsu Runhai and Dongming Qianhai
- Sale of utilities such as water, low pressure steam gas and recycled water to Qianhai Reli

BDO included the following transactions further identified as IPT during the review:

- Sale of utilities such as water, low pressure steam gas and recycled water to Dongming Qianhai, Shandong Runze and Dongming Petrochem
- Purchase of methanol from Shandong Lianhua
- Sales of recycled propylene to Dongming Qianhai

The following are some of the issues arising from the review:

- (a) In reviewing whether the IPT transactions were supported by documents to determine that the prices were at arm's length, the following issue was discovered,
 - i. Documented comparative quotations from four third party suppliers were not found in samples of purchase transaction between Dongming Hengchang and Jiangsu Runhai.
- (b) In reviewing whether the IPT transactions were approved by the correct approving personnel, the following issues were discovered,
 - i. Samples of Meter Reading Forms and transaction records were not signed by the Chief Financial Officer (CFO) or a Director, but only by the General Manager of Dongming Hengchang or the Deputy General Manager of Production.
 - ii. Samples of Sales Contracts dated 1 January 2021 and 1 January 2022 for the respective periods from 1 January 2021 to 31 December 2021 and 1 January 2022 to 31 December 2022 were signed by the Deputy General Manager (Mr Huang Qiansheng) who was the acting General Manager, and only appointed as General Manager of Qianhai Petrochemical from 18 January 2022 instead of General Manager.
 - iii. Samples of Purchase Contracts and transaction records were signed by the General Manager of a different entity, instead of the General Manager of Dongming Hengchang.

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- iv. Samples of Payment Requisition forms were signed by the General Manager of a different entity and the Finance Manager, instead of any two of the Directors, CFO or General Manager of Dongming Hengchang.
 - v. Samples of Price Assessment Forms were reviewed by the General Manager of a different entity, instead of the General Manager of Dongming Hengchang.
- (c) In reviewing whether the IPT transactions were recorded in the IPT register, the following issues was discovered,
- i. The listing of Interested Persons in the IPT Register does not include interest of immediate family and indirect interests.

The above issues were discussed with the Management and specific rectification timelines were also established for rectification of the audit findings, with all the rectification measures implemented as at the Latest Practicable Date.

Based on the BDO Report, although the transaction prices of the samples reviewed were based on the lowest price in the price assessment forms, comparative quotations from four third party suppliers were based on phone calls and online checks and no records or documentation of these quotations were available. The Management will be engaging their local certified public accountant firms to certify that the prices are fair, where relevant and to make sure the price assessment forms are supported with more detailed documents.

3.3 Register of IPTs for Past Recurrent IPTs

The Company has maintained a register of IPTs for the Past Recurrent IPTs and will continue to maintain such a register until the Proposed New IPT General Mandate is adopted.

The register contains information pertinent to the evaluation of the Past Recurrent IPTs such as, but not limited to, the price and terms of Past Recurrent IPTs, the basis for determining the transaction prices and supporting evidence and quotations obtained to support such bases.

In the meantime, all IPTs since 1 January 2021 up to the 2022 EGM will be reviewed by the CFO. Should the aggregate value of any partial payment and/or settlement in relation to the Past Recurrent IPTs 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 IPTs, so as to provide for business efficiency and at the same time provide additional safeguards to ensure that transactions of exceptional amounts with the Interested Person are reviewed and approved by the Audit Committee.

Going forward, a joint management committee for IPTs will be formed by the Company, which shall comprise of an Executive Director, the CFO, 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

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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. Further procedures for the identification of Interested Persons and the recording of all Interested Person Transactions have been implemented as set out in Section 5.5 hereinafter.

3.4 Rationale for, and benefits of, Past Recurrent IPTs

In the Group's ordinary course of business, transactions with companies within the Dongming Petrochem Group (including Qianhai Reli, the Jiangsu Companies, Dongming Qianhai, Shandong Runze, and Shandong Lianhua) constitute a core component of the Group's business and operations and occur on a regular basis. The Past Recurrent IPTs are therefore of a recurring nature necessary to the day-to-day operations of the Group. It would not be prudent to cease dealings with these companies pending Shareholders' approval of the Proposed Adoption of the New IPT General Mandate, as it is expected to cause significant disruption to the Group's day-to-day operations and will not be in the best interest of our Shareholders. Instead, we seek a ratification of all Past Recurrent IPTs.

3.5 Shareholders' Approval

Rule 906(b) of the Listing Manual requires the Company to seek shareholder approval for any Interested Person Transaction of a value equal to, or more than five per cent of the group's latest net tangible assets when aggregated with other transactions entered into with the same interested person during the same financial year. Shareholders' approval has not been sought for the Past Recurrent IPTs and the Company now seeks Shareholders' approval to ratify, confirm and approve the Past Recurrent IPTs.

4. THE PROPOSED AMENDMENT OF GUIDELINES AND REVIEW PROCEDURES UNDER THE EXISTING IPT GENERAL MANDATE

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.

In view of the issues raised in the BDO Report in relation to approving personnel for the Past Recurrent IPTs and in line with the below proposed New IPT General Mandate at Section 5.3, the Group proposes to implement the following amended procedures to align the procedures under both the existing and new IPT general mandates and to establish a structured system of transparency and accountability in the Group's transactions with these Interested Persons and that all IPTs with the Dongming Petrochem Group would be properly documented, accounted for and fully disclosed to the shareholders as necessary. The amended sub-sections of the Existing IPT General Mandate are set out below:

(a) Purchase of raw LPG from Dongming Petrochem Group

Transaction Volume

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

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Transaction Price

- (ii) For supplies that contain 30.0% or more of propylene per tonne of raw LPG, their pricing will be determined based on the average quoted selling price of three (3) unrelated suppliers of raw LPG (excluding transportation costs) 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.

Transaction Settlement

- (iii) The partial payment, if any, will be set off against the month-end settlement. The approving authority for the partial payment (if any) and month-end settlement shall comprise any two (2) of the Directors, CFO, or 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 Dongming Petrochem Group.

- (b) Sale of processed LPG to Dongming Petrochem Group

Transaction Volume

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

Transaction Settlement

- (ii) The approving authority for the month-end settlement shall comprise any two (2) of the Directors, CFO, or 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 Dongming Petrochem Group.

- (c) Purchase of utilities, parts and components (including packaging materials) from Dongming Petrochem Group

Transaction Volume

- (i) The volume records will be reviewed and approved by the general manager of Dongming Hengchang, the CFO, or a Director, who does not have an interest, direct or indirect, or hold any executive position in Dongming Petrochem Group, 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. As at the Latest Practicable Date, the

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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 approving authority for the partial payment (if any) and month-end settlement shall comprise any two (2) of the Directors, CFO of the Company, or 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 Dongming Petrochem Group.

The proposed amendments to the Existing IPT General Mandate are blacklined in Appendix C for Shareholders' ease of reference.

5. THE PROPOSED ADOPTION OF THE NEW IPT GENERAL MANDATE

5.1 Rationale for, and Benefits of the Proposed New 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 New Mandate Interested Persons are likely to occur frequently.

The Proposed New IPT General Mandate will enable the Group to enter into certain types of transactions that are of a revenue or trading nature with the New Mandate Interested Persons in the ordinary course of business, in addition to the transactions mandated under the 2022 IPT General Mandate, 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.

5.2 Scope of the Proposed New IPT General Mandate

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

- (a) the sale of utilities to the New Mandate Interested Persons and/or offsetting of certain the costs of purchases by the Company from the New Mandate Interested Persons (as mandated under the 2021 IPT General Mandate) against the sale of utilities like water, low pressure steam gas and recycled water by the Company to these New Mandate Interested Persons;

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- (b) the purchase of propylene and methanol from the Dongming Petrochem Group, which are raw materials required for the production of polypropylene and MTBE respectively; and the purchase of butene and ethylene from the Dongming Petrochem Group, which are consumable items required for the production of premier grade polypropylene;
- (c) the sale of recycled propylene to Dongming Qianhai. Recycled propylene refers to the by-product that is generated during the production of polypropylene by Dongming Hengchang using propylene as raw material. Such by-product still contains approximately 80% propylene contents but cannot be reused in the production of polypropylene unless it has been further processed using dehydrogenation equipment which Dongming Hengchang does not own and is therefore sold to Qianhai Petrochemical to be processed or they would otherwise be incinerated and wasted.

5.3 Guidelines and Review Procedures under the Proposed New IPT General Mandate

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.

In particular, the Group has implemented the following procedures to ensure that the transactions with the Dongming Petrochem Group 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 Interested Persons and that all IPTs with the Dongming Petrochem Group would be properly documented, accounted for and fully disclosed to the shareholders as necessary:

- (a) Purchase of utilities from, and offsetting costs of said purchase against sale of utilities to, the New Mandate Interested Persons
 - (i) The transaction volume of utilities supplied to the New Mandate Interested Persons for each month will be determined based on the relevant meter readings taken jointly and compiled by representatives from the Group and the respective New Mandate Interested Persons, in the form of a utilities consumption table (the "Table"), at the end each month. The Table prepared will be reviewed and approved by the general manager or such other authorised manager of the respective New Mandate Interested Persons and the CFO, Director or general manager of the respective Group company, who does not have an interest, direct or indirect, or hold any executive position in Dongming Petrochem Group, before they are forwarded to the finance department for processing of settlement.
 - (ii) The general manager of the respective New Mandate Interested Persons and the Group's assigned representative shall each sign off on the agreed settlement sheet (the "Signed Confirmation"), reflecting details including (without limitation to) the utilities provided and/or consumed and the respective costs incurred by each party for said consumption, which shall be prepared based on the Table. Generally, the settlement for the utilities charges takes place at the end of each month. The approving authority for the month-end settlements shall comprise any two (2) of the Directors, the CFO of the Company or the general manager of respective Group company (who do not have an interest, direct or indirect, or hold any executive position in Dongming Petrochem Group).

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- (iii) The Group will continue its current practice of engaging a local certified public accounting firm every year to compare the utilities rates with those quoted by third party suppliers and certify that the rates charged by the Group to the New Mandate Interested Persons were not lower than the prevailing market rates, represented by the quotes obtained by such local certified public accounting firm from select third party suppliers. The rates charged for the utilities will be determined at arm's length and having regard to the prevailing market rates, with reference to the report prepared by the local certified public accounting firm. The Company is of the view that it is feasible for the parties to make reference to 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.
- (b) Purchase of propylene, butene, ethylene and methanol from the Dongming Petrochem Group
- (i) Dongming Hengchang has entered into a framework agreement with the Jiangsu Companies and Dongming Qianhai for the supply of propylene, whereby Dongming Hengchang shall purchase part of the propylene produced by the Jiangsu Companies and Dongming Qianhai (the "Propylene Purchase"). In addition to propylene, the Group may also purchase butene, ethylene 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 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 other following factors shall be taken into consideration (and for comparison):
- A. at least three prices quoted by other suppliers who are non-Interested Persons;
- B. the quality of propylene, butene, ethylene and methanol supplied which shall be determined based on the purity level (the purity level 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 the general manager of Dongming Hengchang, the CFO or a Director, who does not have an interest, direct or indirect, or hold any executive position in Dongming Petrochem Group, before they are forwarded to the finance department for processing of settlement.

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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 level. 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 level 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 relate to the location of these suppliers, which will affect the costs of transporting the Company's purchases.

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 Dongming Petrochem Group, 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 Dongming Petrochem Group companies 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 the 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 Dongming Petrochem Group, settlement takes place at the end of each month after the transaction volume and price are duly agreed upon by both parties. The approving authority for the partial payment (if any) and month-end settlement shall comprise any two (2) of the Directors, CFO, or 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 Dongming Petrochem Group.

Similar to the arrangement which allows for partial payments for the purchase of raw LPG from Dongming Petrochem Group under the 2022 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

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approval limit has been arrived at by the Group after taking into consideration the nature and size of the 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 Interested Person are reviewed and approved by the Audit Committee.

The amount of RMB80 million which represents around 5.3% of the Group's latest audited NTA as at 31 December 2021 is derived by the Group based on 80% of its projected costs 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.

- (c) Sale of recycled propylene to Dongming Qianhai
- (i) Dongming Hengchang has entered into a framework agreement with Dongming Qianhai for the supply of recycled propylene, whereby Dongming Hengchang shall supply recycled propylene, which is a by-product produced by Dongming Hengchang during its production of polypropylene, to Dongming Qianhai (the "Recycled Propylene Sale");

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 the general manager of Dongming Hengchang, the CFO or a Director, who does not have an interest, direct or indirect, or hold any executive position in Dongming Petrochem Group, 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 80% of the price per unit for the Propylene Purchase (which corresponds to the expected propylene content of such by-products) in the same month.

The Group derived the 80% of the price per unit for the Propylene Purchase as recycled propylene (which has a purity level of 80%) does not meet industrial standards, and thus there is a lack of demand for 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 purchase recycled propylene at a discounted price in reference to the price of industrial propylene.

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 Dongming Petrochem Group companies 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

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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 recycled propylene coupled with the low transaction values (i.e., the transaction with the highest value took place on 31 December 2021 at RMB2,092,738). 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.

- (d) Sale of products and procurement services through Dongming Petroleum Distribution Co. Ltd. ("**Dongming Petroleum Distribution Company**")
- (i) Pursuant to the Amended Master Co-operative Agreement entered into between Dongming Petroleum Distribution Company and Dongming Qianhai Petrochemical Co., Ltd, Dongming Petroleum Distribution Company agrees, on a non-exclusive basis, to: (a) as 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 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 Dongming Petroleum Distribution Company and the general manager of the Group who is in charge of sales and procurement will be responsible for the credit risk management process.

Transaction Price

- (iii) Furthermore, to ensure that the selling prices/procurement cost of the products sold through/procured through Dongming Petroleum Distribution Company are 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 is 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 quotes from non-Interested Persons. Furthermore, Dongming Petroleum Distribution Company shall also provide the Group with access to the sales and purchases invoices of, and the right to review and monitor cash receipts from, the products sold/purchased through Dongming Petroleum Distribution Company, 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).

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- (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 Dongming Petroleum Distribution Company to ensure that such fees are not higher than the then prevailing market rates for such services.

Settlement

- (v) Settlement of the aggregate sales proceeds collected for the products sold and raw materials purchased through Dongming Petroleum Distribution Company less the consignment/procurement fees payable to Dongming Petroleum Distribution Company will be done on a monthly basis but the Group may request for partial payments for products sold through Dongming Petroleum Distribution Company prior to the month-end. The approving authority for the partial payments and/or month-end settlements with Dongming Petroleum Distribution Company shall comprise any two persons (not being Interested Persons or their associates) holding the following positions:
 - A. Executive Directors;
 - B. CFO; or
 - C. General manager of Dongming Hengchang or such assigned senior management of the Group who is in charge of sales and procurement.

5.4 General IPT Guidelines

To ensure that the 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, in addition to the review procedures listed in Section 4 of the Circular, the Group will also monitor all Interested Person Transactions by categorising the transactions as follows:

- (a) an Interested Person Transaction of a value equal to or more than three per cent. (3.0%) of the Group's latest audited NTA ("Category 1 Interested Person Transaction") shall be approved by the Audit Committee prior to the entry into such transactions; and
- (b) an Interested Person Transaction of a value below three per cent. (3.0%) of the Group's latest audited NTA ("Category 2 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.

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5.5 General Administrative Procedures for all Interested Person Transactions

The Company has also implemented the following procedures for the identification of Interested Persons and the recording of all Interested Person Transactions (including the Interested Person Transactions with Qianhai Reli, the Jiangsu Companies, Dongming Qianhai, Shandong Runze, and Shandong Lianhua):–

- (a) the Company will set up a joint management committee for IPTs, which comprises of an Executive Director, the CFO, 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 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 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 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 Finance Department will maintain a register of all Interested Person Transactions pursuant to the IPT Mandate, including the factors that have been taken into account in arriving at the purchase/sales terms and supporting documents). The CFO will review the aforesaid register of 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;

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- (e) the register of 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 Interested Person Transactions;
- (f) in the event that the CFO, Director 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 Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with;
- (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.

The Board will ensure that all disclosure requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

5.6 Internal Audit

The Company's annual internal audit plan will incorporate a review of all Interested Person Transactions (including but not limited to those carried out under the 2022 IPT General Mandate and the Proposed New IPT General Mandate) 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 Interested Person Transactions entered into pursuant to 2022 IPT General Mandate and the Proposed New 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.

5.7 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.

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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 periodic 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 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 Interested Person. During the period prior to obtaining a fresh mandate from Shareholders, all transactions with Interested Persons will be subject to prior review and approval by the Audit Committee.

5.8 Validity Period of the Proposed New IPT General Mandate

If approved at the forthcoming 2022 EGM, the Proposed New IPT General Mandate will take effect from the date of the passing of the ordinary resolution to be proposed at the 2022 EGM and will (unless revoked or varied by the Company in a general meeting) continue to be in force until 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 approval of Shareholders for the renewal of the Proposed New IPT General Mandate at each subsequent AGM. The renewal of the Proposed New IPT General Mandate shall be subject to the satisfactory review by the Audit Committee of the continued need for the Proposed New IPT General Mandate and the adequacy of the review procedures for the transactions.

5.9 Disclosure of IPT to Shareholders in the Annual Report and Financial Statements

In accordance with the requirements of Chapter 9 of the Listing Manual:

- (a) disclosure will be made in the annual report of the Company, giving details of the aggregate value of all Interested Person Transactions conducted with Interested Persons pursuant to the 2022 IPT General Mandate and the Proposed New IPT General Mandate during the financial year under review and in the annual reports for the subsequent financial years during which the 2022 IPT General Mandate and the Proposed New IPT General Mandate is in force;
- (b) announcements will be made with regard to the aggregate value of transactions conducted pursuant to the 2022 IPT General Mandate and the Proposed New IPT General Mandate for the financial periods which the Company is required to report on pursuant to Rule 705 of the Listing Manual within the time required for the announcement of such report; and

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- (c) disclosures of the Interested Person Transactions will be presented in the form set out in Rule 907 of the Listing Manual as follows:

Name of Interested Person(s)	Aggregate value of all interested person transactions during the financial period/year under review (excluding transactions less than S\$100,000 and transactions conducted under 2022 IPT General Mandate and the Proposed New IPT General Mandate)	Aggregate value of all interested person transactions conducted under the 2022 IPT General Mandate and the Proposed New IPT General Mandate (excluding transactions less than S\$100,000)

5.10 Independent Financial Adviser's Opinion in Respect of the Proposed IPT Transactions

Pursuant to Chapter 9 of the Listing Manual, W Capital Markets Pte. Ltd. has been appointed as the IFA to advise the IPT Recommending Directors and to opine on the following:

- (a) the terms of the Past Recurrent IPTs had been carried out on normal commercial terms and were not prejudicial to the interests of the Company and/or its Minority Shareholders; and
- (b) the methods and procedures for determining the transaction prices are sufficient to ensure that the Future IPTs with the New Mandate Interested Persons under the Proposed New IPT General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and/or its Minority Shareholders.

A copy of this IFA Letter is set out in the Appendix B to this Circular. Shareholders are advised to read the IFA Letter carefully.

Opinion on Past Recurrent IPTs

"In arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Past Recurrent IPTs. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety. We set out below a summary of the key considerations which we consider to be pertinent to our assessment of the Past Recurrent IPTs:

- a. *basis for the determination of pricing for each category of Past Recurrent IPTs and/or comparison with market prices, as set out in Section 4.1 of this IFA Letter;*
- b. *rationale for the Past Recurrent IPTs as set out in Section 4.2 of this IFA Letter; and*
- c. *other relevant considerations as set out in Section 4.3 of this IFA Letter;*

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Having regard to the foregoing considerations as set out above and information available to us as at the Latest Practicable Date, we are of the opinion that the Past Recurrent IPTs were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its Minority Shareholders.

Opinion on the Proposed New IPT General Mandate

“In arriving at our opinion in respect of the Proposed New IPT General Mandate, we have considered, inter alia, the guidelines and review procedures set up by the Company, the roles of Internal Audit and the Audit Committee in undertaking periodic reviews of the transactions mandated under the Proposed New IPT General Mandate and the rationale for and the benefits to the Company arising from the Proposed New IPT General Mandate.

Having considered the above, we are of the opinion that the review procedures established by the Company for determining the transaction prices as set out in Section 5.3 of the Circular, if adhered to, are sufficient to ensure that the Interested Person Transactions conducted thereunder will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

6. ABSTENTION FROM VOTING

Rule 919 of the Listing Manual requires that Interested Persons and their associates must not vote on any Shareholders' resolutions approving a mandate in respect of any Interested Persons Transactions.

Mr Li who is the Executive Chairman and CEO of the Company, is also deemed to have an interest in the aggregate number of 334,056,600 Shares, which Intelligent People is interested in or deemed to be interested in, due to his 100.0% shareholding interest in Intelligent People, will abstain, and procure that Intelligent People and all its other associates will abstain, from voting at the 2022 EGM in relation to the Proposed IPT Transactions and will not accept nominations as proxy or otherwise for voting at the 2022 EGM in respect of the said Ordinary Resolution 1 and Ordinary Resolution 2 as set out in notice of EGM unless the IPT Independent Shareholders appointing them as proxies give specific instructions in the relevant proxy form in the manner in which they wish their votes to be cast for Ordinary Resolution 1 and Ordinary Resolution 2.

7. AUDIT COMMITTEE'S STATEMENTS

The Audit Committee of our Company consists of Mr Jiang Xing Lu, Dr John Chen Seow Phun and Mr Zhao Jinqing.

a. Past Recurrent IPTs

The Audit Committee, having considered, inter alia, the terms of the Past Recurrent IPTs and the opinion of the IFA is satisfied that the Past Recurrent IPTs were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its Minority Shareholders.

LETTER TO SHAREHOLDERS

b. Proposed Amendment of Guidelines and Review Procedures under the Existing IPT General Mandate

The Audit Committee has reviewed the terms of the Proposed Amendment of Guidelines and Review Procedures under the Existing IPT General Mandate and is satisfied that the guidelines and review procedures of the existing IPTs, when amended to align with the treatment of Future IPTs below at (c), are sufficient to ensure that the existing IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

c. Proposed New IPT General Mandate

The Audit Committee has reviewed the terms of the Proposed New IPT General Mandate and is satisfied that the review procedures of the Future IPTs set up by the Company for determining the terms of the Future IPTs, if adhered to, are sufficient to ensure that the Future IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

If during the periodic reviews by the Audit Committee, it is of the view that the established guidelines and procedures for the Proposed New IPT General Mandate are no longer appropriate or adequate to ensure that the Interested Person Transactions will be transacted on an arm's length basis and on normal commercial terms and would 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.

8. DIRECTORS' RECOMMENDATIONS

8.1 The Proposed Ratification of Past Recurrent IPTS

Having considered, among others, the terms of the Past Recurrent IPTs and the rationale for the Past Recurrent IPTs, and benefits of the Past Recurrent IPTs and the opinion of the IFA, the IPT Recommending Directors are of the view that the Past Recurrent IPTs had been entered in the interests of the Company and, accordingly, recommend that the IPT Independent Shareholders vote in favour of the ordinary resolution relating to the Proposed Ratification of Past Recurrent IPTs as set out in the Notice of EGM.

8.2 The Proposed Amendment of Guidelines and Review Procedures under the Existing IPT General Mandate

Having considered, among others, the terms of the Proposed Amendment of Guidelines and Review Procedures under the Existing IPT General Mandate, the rationale for the Proposed Amendment and the benefits of the Proposed Amendment to the Group, the IPT Recommending Directors are of the view that the Proposed Amendment is in the interests of the Company accordingly, recommend that the IPT Independent Shareholders vote in favour of the ordinary resolution relating to the Proposed Amendment of Guidelines and Review Procedures under the Existing IPT General Mandate as set out in the Notice of EGM.

LETTER TO SHAREHOLDERS

8.3 The Proposed Adoption of the Proposed New IPT General Mandate

Having considered, among others, the terms of the Proposed New IPT General Mandate, the rationale for the Proposed New IPT General Mandate and the benefits of the Proposed New IPT General Mandate to the Group and the opinion of the IFA, the IPT Recommending Directors are of the view that the Proposed Adoption of the New IPT General Mandate is in the interests of the Company accordingly, recommend that the IPT Independent Shareholders vote in favour of the ordinary resolution relating to the Proposed Adoption of the New IPT General Mandate as set out in the Notice of EGM.

9. EXTRAORDINARY GENERAL MEETING

The 2022 EGM, notice of which is set out on pages (40) of this Circular, will be held on 28 December 2022 at 10.00 am. for the purpose of considering and, if thought fit, passing with or without modifications the ordinary resolutions set out in the Notice of EGM.

10. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the 2022 EGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Company's registered office 30 Cecil Street #19-08 Prudential Tower Singapore 049712 not less than Forty Eight (48) hours before the time fixed for the 2022 EGM. The completion and lodgement of the Proxy Form by a Shareholder will not prevent him from attending and voting at the 2022 EGM in person if he subsequently wishes to do so.

A Depositor shall not be regarded as a member of the Company entitled to attend the 2022 EGM and to speak and vote thereat unless his name appears on the Depository Register at least seventy-two (72) hours before the 2022 EGM.

11. DIRECTORS' RESPONSIBILITY STATEMENT

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

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

12. CONSENT OF THE IFA

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter reproduced in Appendix B and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

LETTER TO SHAREHOLDERS

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 30 Cecil Street #19-08 Prudential Tower Singapore 049712, during normal business hours from the date hereof up to and including the date of the 2022 EGM.

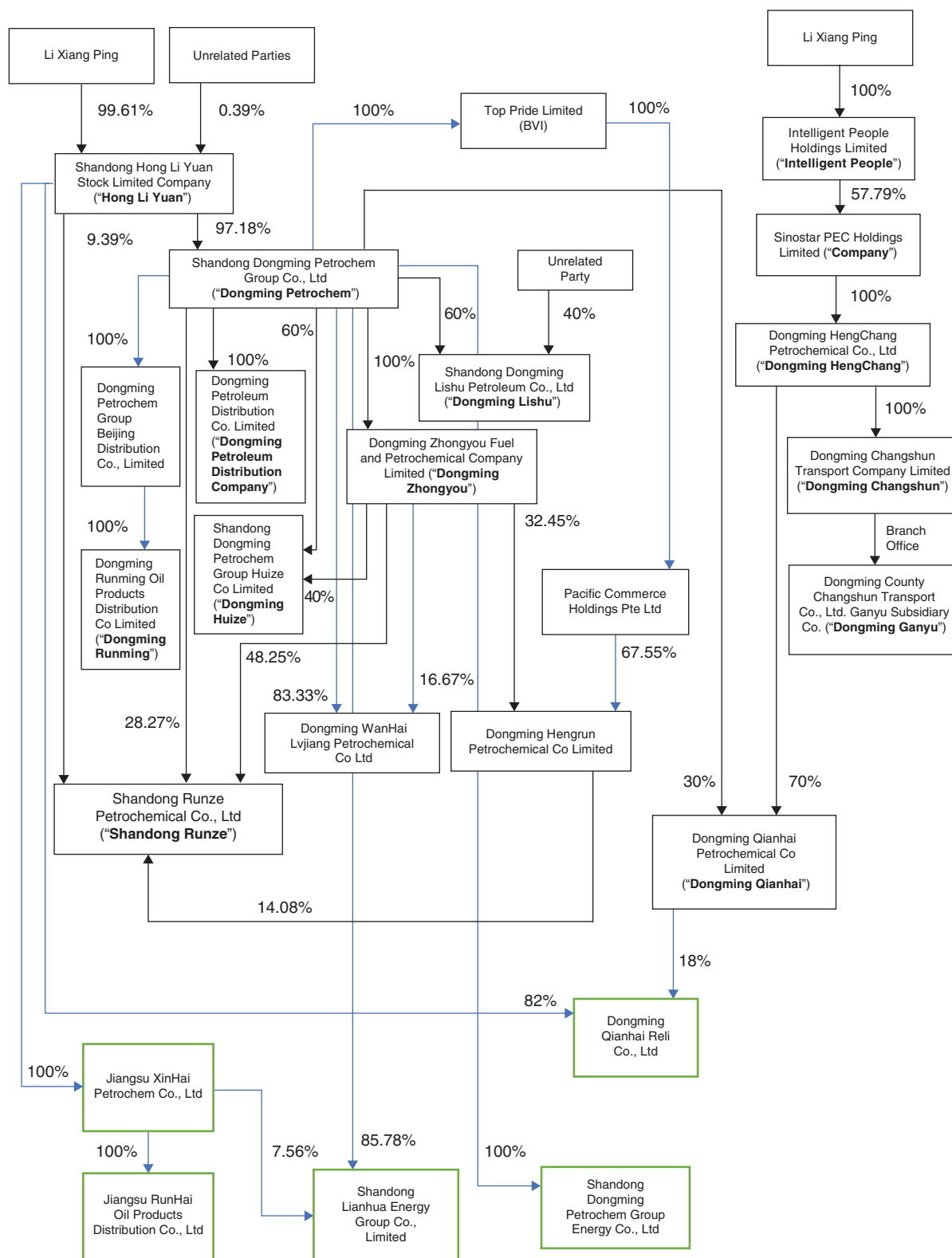
- a. the Constitution of the Company;
- b. the annual report of the Company for FY2021;
- c. the IFA Letter; and
- d. the written consent of the IFA, referred to in Section 11 of this Circular.

Your faithfully

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

Li Xiang Ping
Executive Chairman and CEO

APPENDIX A – SHAREHOLDING INTERESTS OF MR LI AND THE SHAREHOLDING STRUCTURE OF QIANHAI RELI AND THE JIANGSU COMPANIES



APPENDIX B – IFA LETTER



W CAPITAL MARKETS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201813207E)
65 Chulia Street
#43-01 OCBC Centre
Singapore 049513

13 December 2022

The Directors who are regarded as independent for the purpose of the Proposed Ratification of Past Recurrent Interested Persons Transactions (“**IPTs**”) and the Proposed Adoption of the New IPT General Mandate (the “**IPT Recommending Directors**”)

Mr. Jiang Xing Lu	(Independent Non-Executive Director)
Dr John Chen Seow Phun	(Lead Independent Non-Executive Director)
Mr. Zhao Jinqing	(Independent Non-Executive Director)

Dear Sirs,

THE PROPOSED RATIFICATION OF PAST RECURRENT IPTS AND THE PROPOSED ADOPTION OF THE NEW IPT GENERAL MANDATE (“PROPOSED IPT TRANSACTIONS”)

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 13 December 2022 (“**Circular**”) issued by Sinostar PEC Holdings Limited (the “**Company**”, and together with its subsidiaries (the “**Group**”) shall have the same meanings herein.*

1. INTRODUCTION

Proposed Ratification of Past Recurrent IPTs

Due to the Group’s business in the production and supply of downstream petrochemical products through the production facilities and plants that it operates, there are strong commercial reasons supporting the Group’s IPTs with strategic affiliation with Dongming Petrochem Group which is one of the largest privately-owned upstream crude oil refiners, and an associate of the Company’s Executive Chairman and CEO Mr Li. For instance, in relation to the Group’s business in the sale and purchase of utilities (such as hydrogen, low pressure steam gas and recycled water), as the Group’s “Interested Persons” operates plants in the vicinity of its other plants (such as its newly constructed polypropylene plant), connected via pipelines, as transport costs of these products is a significant factor of the Group’s costs of purchases, it is commercially sound for the Group to source for such products (especially for raw materials used for the production of processed LPG and polypropylene) from or sell such products to upstream production plants in its vicinity to reduce the transport costs and in turn, reduce the Group’s costs of purchases.

APPENDIX B – IFA LETTER

Accordingly, the Company had, in the 2021 AGM, obtained the approval of the Shareholders for the 2021 IPT General Mandate to enter into the following recurrent Interested Person Transactions with the Dongming Petrochem Group, pursuant to Chapter 9 of the Listing Manual: (i) purchase of raw LPG, (ii) sale of processed LPG, (iii) purchase of utilities, parts and components, and (iv) provision of logistics and transportation services (see section 2.1.3 of the Circular for details on the name of the Interested Person and the nature of the transactions mandated under the 2021 IPT General Mandate). Particulars of the 2021 IPT General Mandate can also be found in the 2019 Circular.

As announced by the Company on 28 February 2022, the Company had entered into several past recurrent IPTs during FY2021, the majority of which were mandated by Shareholders in accordance with the 2021 IPT General Mandate, while the rest were beyond the scope of the 2021 IPT General Mandate (“**Past Recurrent IPTs**”). These Past Recurrent IPTs include: (i) the purchase of propylene (a raw material for the production of polypropylene and premier grade polypropylene) from the Jiangsu Companies, Shandong Lianhua and Dongming Qianhai; (ii) Dongming Hengchang sale of recycled propylene (i.e., propylene with 80% purity level) to Dongming Qianhai; (iii) Dongming Qianhai purchase of methanol (a raw material for the production of MTBE) from Shandong Lianhua; and (iv) the sale of utilities (such as hydrogen, low pressure steam gas and recycled water) to Dongming Petrochem, Dongming Qianhai, Shandong Runze and Qianhai Reli.

The Company had inadvertently omitted to make an announcement and obtain the Shareholders’ approval for its Past Recurrent IPTs (without shareholders’ mandate).

In the preparation of the Circular, the internal auditors and us have conducted reviews of the Past Recurrent IPTs and it had been brought to the Company’s attention that there have been several other Past Recurrent IPTs that had not disclosed by the Company in its Announcements due to genuine reasons and its inadvertent oversight (the “**Further IPTs**”).

As announced by the Company on 13 July 2022, the Company had entered into the Further IPTs during FY2021, which exceeded the scope of the 2021 IPT General Mandate. The Past Recurrent IPTs therefore also include the Further IPTs which are the transactions entered into by the Company with Dongming Qianhai, Shandong Runze, and Shandong Lianhua, which are of a revenue and recurrent nature, carried out in the ordinary course of its business.

On an aggregated basis, such Past Recurrent IPTs amounted to RMB995,851,307 for FY2021 and RMB273,259,324 for the period starting on 1 January 2022 and ending on 30 April 2022, representing approximately 65.7% and 18.2% respectively of the Group’s latest audited NTA as at 31 December 2021. As the aggregated value of these Past Recurrent IPTs exceed 5% of the Group’s latest audited NTA as at 31 December 2021 of approximately RMB1,516,457,000, the Company is seeking Independent Shareholders’ ratification, confirmation and approval of the Past Recurrent IPTs which occurred during the Relevant Period (the “**Proposed Ratification of Past Recurrent IPTs**”).

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Proposed Adoption of the New IPT General Mandate

Moving forward, as the Group anticipates that there will be recurrent transactions entered into with the New Mandate Interested Persons, which are of a revenue and trading nature, the Company is also seeking Shareholders' approval for the Proposed Adoption of the New IPT General Mandate. The summary of the Interested Person and the nature of the transactions mandated under the 2021 IPT General Mandate and the Interest Persons and the nature of transactions that the Company is proposing to adopt under the New IPT General Mandate is set out in section 2.1.3 of the Circular.

Pursuant to Rule 921(4)(a) of the Listing Rules, except in the case of a general mandate, an opinion is required from an independent financial adviser on whether an interested person transaction (i) is on normal commercial terms and (ii) is prejudicial to the interests of the issuer and its minority shareholders. Pursuant to Rule 920(1)(b)(v) of the Listing Rules, a circular to shareholders seeking a general mandate must include, *inter alia*, an independent financial adviser's opinion on whether the methods or procedures for determining transaction prices are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders ("**Minority Shareholders**").

In connection with the above and pursuant to the provisions of the Listing Rules, the Company has appointed W Capital Markets Pte. Ltd. ("**W Capital**") as the independent financial adviser ("**IFA**") to advise the minority Shareholders to enable them to make an informed voting decision. This IFA Letter forms part of the Circular issued by the Company to its Shareholders in connection with, *inter alia*, the Proposed IPT Transactions.

2. TERMS OF REFERENCE

W Capital has been appointed to advise the minority Shareholders to enable them to make an informed voting decision:

- (i) In respect of the Proposed Ratification of Past Recurrent IPTs, on whether the Past Recurrent IPTs had been carried out on normal commercial terms and were not prejudicial to the interests of the Company and/or its Minority Shareholders; and
- (ii) In respect of the Proposed Adoption of the New IPT General Mandate, on whether the methods or procedures for determining the transaction prices are sufficient to ensure that the Future IPTs with the New Mandate Interested Persons under the Proposed New IPT General Mandate will be carried out on normal commercial terms and are not prejudicial to the interests of the Company and/or its Minority Shareholders.

We have prepared this IFA Letter pursuant to the requirements of Chapter 9 of the Listing Rules as well as for the use of the IPT Recommending Directors in connection with their consideration of the Proposed IPT Transactions and their advice to the Shareholders arising thereof. The recommendations made by the IPT Recommending Directors to the Shareholders shall remain the responsibility of the IPT Recommending Directors.

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We were neither a party to the negotiations entered into by the Company in relation to the Proposed IPT Transactions, nor were we involved in the deliberations leading up to the decision on the part of the Directors to undertake the Proposed IPT Transactions. Accordingly, we do not, by this IFA Letter, warrant the merits of the Proposed IPT Transactions and our terms of reference do not require us to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks (if any) of the Proposed IPT Transactions.

In the course of our evaluation, we have held discussions with the management of the Company (the “**Management**”) and/or their professional advisers and have examined and relied to a considerable extent on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and/or their professional advisers, including information contained in the Circular, the reports issued by a PRC certified public accounting firm, Shandong Changming Accounting Firm Pte. Ltd (山东昌明会计师事务所有限公司) in relation to the prevailing market rates of utilities during the Relevant Period (the “**Utilities Rates Reports**”) and an agreed-upon procedures report on Past Recurrent IPTs dated 14 July 2022 issued by BDO Advisory Pte Ltd (“**BDO Report**”). We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. Whilst care has been exercised in reviewing the information on which we have relied on, we have not independently verified the information but nevertheless have made such reasonable enquiries and exercised our judgment on the reasonable use of such information, and have found no reason to doubt the accuracy or reliability of the information. In this regard, we note that the Directors have collectively and individually accepted full responsibility for the accuracy of the information given in the Circular as set out in the “Directors’ Responsibility Statement” in Section 11 of the Circular.

The scope of our appointment does not require us to perform an independent evaluation or appraisal of the assets, liabilities and/or profitability of the Company, its subsidiaries and its associated companies (the “**Group**”) and we do not express a view on the financial position, future growth prospects and earnings potential of the Group after the completion of the Proposed IPT Transactions. As such, we have relied on the disclosures and representations made by the Company on the value of the assets and liabilities and profitability of the Group.

The information on which we relied was based upon market, economic, industry, monetary and other conditions prevailing as at 5 December 2022 (the “**Latest Practicable Date**” or “**LPD**”) which may change significantly over a relatively short period of time. We assume no responsibility to update, revise or affirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein.

In rendering our opinion in relation to the Proposed IPT Transactions, we have not had regard to the specific investment objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints or circumstances of any individual Shareholder or specific group of Shareholders. As each Shareholder would have different investment objectives and profiles, we recommend that any individual Shareholder or specific group of Shareholders who may require specific advice in the context of his specific or their investments objectives or portfolio(s) consult his or their legal, financial, tax or other professional adviser.

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The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this IFA Letter). We have had no role or involvement, and do not provide any advice (financial or otherwise), in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for and express no views, whether express or implied, on the contents of the Circular (other than this IFA Letter).

Our opinion in relation to the Proposed IPT Transactions should be considered in the context of the entirety of this IFA Letter and the Circular.

3. PROPOSED RATIFICATION OF PAST RECURRENT IPTS

3.1 Information on the Interested Persons

The Group entered into transactions with Qianhai Reli, Jiangsu Xinhai and Jiangsu Runhai, Shandong Runze, Shandong Lianhua and its own subsidiary Dongming Qianhai during the Relevant Period. More detailed information on these Interested Persons is set out in Section 3.1 of the Circular. A diagram setting out the shareholding structure of the Group and the relationships of the Interested Persons is set out in Appendix A of the Circular.

3.2 Information on the Past Recurrent IPTs

Details relating to the Past Recurrent IPTs (excluding those which are less than S\$100,000) are set out in Section 3.2 of the Circular.

4. EVALUATION OF THE PAST RECURRENT IPTS

In arriving at our opinion on whether the Past Recurrent IPTs had been carried out on normal commercial terms and were not prejudicial to the interests of the Company and its Minority Shareholders, we have given due consideration to, *inter alia*, the following:

- 4.1 Basis for the determination of pricing for each category of Past Recurrent IPTs and/or comparison with market prices;
- 4.2 Rationale for Past Recurrent IPTs; and
- 4.3 Other relevant considerations.

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4.1 Basis for the determination of pricing for each category of Past Recurrent IPTs and comparison with market prices

- (1) Purchase of propylene from Jiangsu Xinhai, Jiangsu Runhai, Dongming Qianhai and Shandong Lianhua (between March 2021 to December 2021)

Purchase of propylene from Jiangsu Xinhai (between Mar 2021 to Dec 2021)										
	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
Average price of propylene per ton (inclusive of tax and delivery) (RMB/ton) ⁽¹⁾	–	–	–	–	7,994	7,810	7,993	8,322	7,608	7,381
Purchase of propylene from Jiangsu Runhai (between Mar 2021 to Dec 2021)										
	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
Average price of propylene per ton (inclusive of tax and delivery) (RMB/ton) ⁽¹⁾	8,800	–	–	7,927	7,970	–	–	–	–	7,316
Purchase of propylene from Dongming Qianhai (between Mar 2021 to Dec 2021)										
	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
Average price of propylene per ton (inclusive of tax and delivery) (RMB/ton) ⁽¹⁾	7,579	7,938	7,741	7,518	7,498	7,506	7,569	8,639	7,641	7,242
Purchase of propylene from Shandong Lianhua (between Mar 2021 to Dec 2021)										
	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
Average price of propylene per ton (inclusive of tax and delivery) (RMB/ton) ⁽¹⁾	–	8,141	–	–	–	–	–	–	–	–
Average price of propylene based on quotes obtained from independent third-party suppliers										
	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
Average price of propylene per ton (inclusive of tax and delivery) (RMB/ton) ⁽²⁾	N.A. ⁽³⁾	N.A. ⁽³⁾	N.A. ⁽³⁾	8,009	8,027	7,865	8,099	8,602	8,006	7,711

Source: Company

Notes:

- (1) The average price of propylene per ton is computed based on the total value of propylene purchased per month from Jiangsu Xinhai, Jiangsu Runhai and Dongming Qianhai respectively divided by the total quantity of propylene purchase for Jiangsu Xinhai, Jiangsu Runhai and Dongming Qianhai for each month respectively.
- (2) The average price of propylene per ton is computed based on the summation of all the quotation prices obtained from unrelated suppliers for the month dividend by the total number of quotations from the unrelated suppliers.
- (3) No third party price quotes were obtained between Mar to May 2021 as the new premier grade polypropylene production facilities of the Group was still in trial production phase and the Group was in the process of pre-qualifying with third party suppliers. The prevailing market price of propylene (excluding transport charges) for the months of March 2021, April 2021 and May 2021 was RMB8,525/ton, RMB8,269/ton and RMB8,170/ton respectively, based on information from Sublime China Information (卓创网) obtained by the Company.

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Based on the above information, we observed the following:–

- (i) The purchase of propylene from Jiangsu Xinhai during 2021 took place in the months of July to December 2021. As set out in the table above, the average purchase prices of propylene per ton paid to Jiangsu Xinhai were lower than the average prices of propylene per ton as quoted by independent third party suppliers for each month;
- (ii) The purchase of propylene from Jiangsu Runhai during 2021 took place in the months of March 2021, June 2021, July 2021 and December 2021.

We noted that for the month of March 2021, the order was for 500 tonnes of propylene at unit price of RMB8,800 per ton and there was no independent third party supplier quotes obtained. We understand from the Company that this was the first purchase of propylene by the Group from Jiangsu Runhai and the propylene was meant to use for trial-production upon the completion of the construction of Dongming Hengchang's newly built 200,000 tonnes production facilities for the production of premier graded polypropylene. At that time, the Company had yet to set up the procedures and accounts with third party suppliers to enable them to purchase propylene from these third party suppliers. In this regard, we note that the purchase price per tonne of RMB8,800 per ton (inclusive of transport charges) for propylene purchased in March 2021 was comparable to the then prevailing market price of propylene taking into account: (a) market price of propylene (excluding transport charges) for the month of March 2021 of RMB8,525 per ton (based on information from Sublime China Information, an intelligence provider for the Chinese commodity market, obtained by the Company); and (b) then prevailing transport charges for the delivery of propylene of approximately RMB310 per ton.

As set out in the table above, the average purchase prices of propylene per ton paid to Jiangsu Runhai for the months of June, July and December 2021 were all lower than the average prices of propylene per ton as quoted by independent third party suppliers for each respective month; and

- (iii) The purchase of propylene from Dongming Qianhai during 2021 took place monthly from March 2021 to December 2021. As set out in the table above, the average purchase prices of propylene per ton paid to Dongming Qianhai for the period from June to December 2021 were lower than the average prices of propylene per ton as quoted by independent third party suppliers for each month, save for the month of October 2021 when the average purchase price was 0.4% higher than the average prices of propylene per ton as quoted by independent third party suppliers.

In respect of the period from March to May 2021 when there was no independent third party supplier quotes obtained, we note that the average purchase prices of propylene per ton paid to Dongming Qianhai were lower than the market prices of propylene (excluding transport charges) based on information from Sublime China Information for each of the respective months.

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- (iv) The purchase of propylene from Shandong Lianhua during 2021 took place only in the month of April 2021. In this regard, we note that the average purchase prices of propylene per ton paid to Shandong Lianhua was lower than the market price of propylene (excluding transport charges) for the month of April 2021 based on information from Sublime China Information.
- (2) Purchase of propylene from Jiangsu Xinhai, Jiangsu Runhai, Dongming Qianhai and Shandong Lianhua (between January 2022 to April 2022)

Purchase of propylene from Jiangsu Xinhai (between Jan 2022 to Apr 2022)				
	Jan 2022	Feb 2022	Mar 2022	Apr 2022
Average price of propylene per ton (inclusive of tax and delivery) (RMB/ton) ⁽¹⁾	–	–	8,076	–
Purchase of propylene from Jiangsu Runhai (between Jan 2022 to Apr 2022)				
	Jan 2022	Feb 2022	Mar 2022	Apr 2022
Average price of propylene per ton (inclusive of tax and delivery) (RMB/ton) ⁽¹⁾	7,454	7,655	–	–
Purchase of propylene from Dongming Qianhai (between Jan 2022 to Apr 2022)				
	Jan 2022	Feb 2022	Mar 2022	Apr 2022
Average price of propylene per ton (inclusive of tax and delivery) (RMB/ton) ⁽¹⁾	7,568	7,619	8,260	8,059
Purchase of propylene from Shandong Lianhua (between Jan 2022 to Apr 2022)				
	Jan 2022	Feb 2022	Mar 2022	Apr 2022
Average price of propylene per ton (inclusive of tax and delivery) (RMB/ton) ⁽¹⁾	–	8,020	–	–
Average price of propylene based on quotes obtained from independent third-party suppliers				
	Jan 2022	Feb 2022	Mar 2022	Apr 2022
Average price of propylene per ton (inclusive of tax and delivery) (RMB/ton) ⁽²⁾	7,895	7,988	8,545	8,354

Source: Company

Notes:

- (1) The average price of propylene per ton is computed based on the total value of propylene purchased per month from Jiangsu Xinhai, Jiangsu Runhai and Dongming Qianhai respectively divided by the total quantity of propylene purchase for Jiangsu Xinhai, Jiangsu Runhai and Dongming Qianhai for each month respectively.
- (2) The average price of propylene per ton is computed based on the summation of all the quotation prices obtained from unrelated suppliers for the month dividend by the total number of quotations from the unrelated suppliers.

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Based on the above information, we observed the following:–

- (i) The purchase of propylene from Jiangsu Xinhai during 2022 (up to April 2022) took place only in the month of March 2022.

As set out in the table above, the average purchase price of propylene per ton paid to Jiangsu Xinhai in the month of March 2022 was lower than the average prices of propylene per ton as quoted by independent third party suppliers for the month of March 2022;

- (ii) The purchase of propylene from Jiangsu Runhai during 2022 (up to April 2022) took place in the months of January to February 2022.

As set out in the table above, the average purchase prices of propylene per ton paid to Jiangsu Runhai for the months of January to February 2022 were all lower than the average prices of propylene per ton as quoted by independent third party suppliers for each respective month;

- (iii) The purchase of propylene from Dongming Qianhai during 2022 (up to April 2022) took place monthly from January 2022 to April 2022. As set out in the table above, the average purchase prices of propylene per ton paid to Dongming Qianhai were lower than the average prices of propylene per ton as quoted from independent third party suppliers for each month; and

- (iv) The purchase of propylene from Shandong Lianhua during 2022 (up to April 2022) took place only in the month of February 2022. As set out in the table above, the average purchase price of propylene per ton paid to Shandong Lianhua was similar to the average prices of propylene per ton as quoted from independent third party suppliers for the month of February 2022, being just 0.4% higher.

- (3) Sale of recycled propylene to Dongming Qianhai (between September 2021 to April 2022)

Sale of recycled propylene to Dongming Qianhai								
	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022
Average price of recycled propylene per ton (inclusive of tax and delivery) (RMB/ton) ⁽¹⁾	6,055	6,911	6,113	5,793	6,055	6,095	6,608	–

Note:

- (1) The average price of propylene per ton is computed based on the total value of propylene sold per month to Dongming Qianhai divided by the total quantity of propylene sold to Dongming Qianhai for each month.

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Pursuant to a supply agreement between Dongming Hengchang and Dongming Qianhai signed in 2021, it was agreed between the parties that Dongming Hengchang shall supply recycled propylene to Dongming Qianhai. Recycled propylene refers to the by-product that is generated during the production of polypropylene by Dongming Hengchang using propylene as raw material. Such by-product contains approximately 80% propylene contents but cannot be reused directly in the production of polypropylene unless it has been mixed with new raw propylene and further processed using dehydrogenation equipment which Dongming Hengchang does not own and is therefore sold to Dongming Qianhai or they would otherwise be incinerated and wasted. Accordingly, the price of the recycled propylene sold to Dongming Qianhai is determined based on 80% of the price of the propylene purchased from Dongming Qianhai in the same month.

(4) Purchase of methanol from Shandong Lianhua (between January 2021 to April 2021)

Purchase of methanol from Shandong Lianhua (between Jan 2021 to April 2021)				
	Jan 2021	Feb 2021	Mar 2021	Apr 2021
Average price of methanol per ton (inclusive of tax and delivery) (RMB/ton) ⁽¹⁾	2,302	2,165	2,228	2,367
Average price of methanol based on quotes obtained from independent third-party suppliers				
	Jan 2021	Feb 2021	Mar 2021	Apr 2021
Average price of methanol per ton (inclusive of tax and delivery) (RMB/ton) ⁽²⁾	2,325	2,163	2,223	2,381
Price range (RMB/ton)	2,250 – 2,360	2,120 – 2,240	2,170 – 2,260	2,330 – 2,360

Source: Company

Notes:

- (1) The average price of methanol per ton is computed based on the total value of methanol purchased per month from Shandong Lianhua divided by the total quantity of propylene purchase for each respective month.
- (2) The average price of methanol per ton is computed based on the summation of all the quotation prices obtained from unrelated suppliers for the month divided by the total number of quotations from the unrelated suppliers.

Based on the above information, we observed the following:–

- (i) The purchase of methanol from Shandong Lianhua during 2021 took place in the months of January to April 2021. As set out in the table above, the average purchase prices of methanol per ton paid to Shandong Lianhua were: (i) within the range of the prevailing market prices; (ii) slightly lower than the average of the prevailing market prices in the months of January 2021 and April 2021; and (iii) slightly above the average of the prevailing market prices in the months of February 2021 and March 2021, based on the quotes provided by independent third party suppliers for each month, and are within 1.0% variation from the monthly average prices based on the market prices as quoted by independent third party suppliers; and
- (ii) The Company confirmed that there have been no purchases of methanol from Shandong Lianhua after April 2021 up to the Latest Practicable Date.

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(5) Supply of utilities to Interested Persons

The utilities rate charged by the Group to the Interested Persons during the Relevant Period are set out below:

Type of utilities	Rates charged by the Group (excluding tax)	Prevailing Market Rate per Utilities Rates Reports
Ultra-low Pressure Steam	RMB155.75 per tonne	RMB155.75 per tonne
Low Pressure Steam	RMB176.99 per tonne	RMB176.99 per tonne
Fresh water	RMB2.9 per tonne	RMB2.9 per tonne
Recycled water	RMB0.35 per tonne	RMB0.35 per tonne
Condensed water	RMB7.0 per tonne	RMB6.64 per tonne
Purified wind	RMB0.25 per cubic metre	RMB0.25 per cubic metre
Nitrogen	RMB2.0 per normal cubic metre	RMB2.0 per normal cubic metre
Hydrogen	RMB14,664.53 per tonne	RMB14,664.53 per tonne

Source: Company

The rates paid for the utilities were determined at arm's length and having regard to the prevailing market rates. In addition, we note that the Group has engaged a local certified public accounting firm after the end of each financial year to compare the rates paid/charged by the Group with those quoted by third party suppliers. In this regard and based on the above, we note the rates charged by the Group for utilities supplied to Interested Persons during the Relevant Period are either the same or higher than the prevailing market rates for the respective utilities supplied.

4.2 Rationale for, and benefits of, the Past Recurrent IPTs

We have considered the rationale for, and benefits of, the Past Recurrent IPTs by the Company as set out in Section 3.4 of the Circular and we have set them out in italics below for your ease of reference:

In the Group's ordinary course of business, transactions with companies within the Dongming Petrochem Group (including Qianhai Reli, the Jiangsu Companies, Dongming Qianhai, Shandong Runze and Shandong Lianhua) constitute a core component of the Group's business and operations and occur on a regular basis. The Past Recurrent IPTs are therefore of a recurring nature necessary to the day-to-day operations of the Group. It would not be prudent to cease dealings with these companies pending Shareholders' approval of the Proposed Adoption of the New IPT General Mandate, as it is expected to cause significant disruption to the Group's day-to-day operations and will not be in the best interest of our Shareholders. Instead, we seek a ratification of all Past Recurrent IPTs.

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4.3 Other relevant considerations

4.3.1 Rectification measures

In connection with the Proposed Ratification of Past Recurrent IPTs, the Company had commissioned the Company's existing outsourced internal auditor, BDO Advisory Pte Ltd, to perform agreed-upon audit procedures on the Past Recurrent IPTs and who has issued a report dated 14 July 2022 ("**BDO Report**") with certain recommendations. We note that the issues highlighted in the BDO Report have been discussed with the Management and specific rectification timelines were also established for the implementation of the rectification measures, with all the rectification measures implemented as at the Latest Practicable Date.

Going forward, a joint management committee for IPTs will be formed, which comprises of an Executive Director, the CFO, the finance and legal affairs manager of the relevant subsidiaries. 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.

5. OPINION ON PAST RECURRENT IPTS

In arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Past Recurrent IPTs. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

We set out below a summary of the key considerations which we consider to be pertinent to our assessment of the Past Recurrent IPTs:

- (a) basis for the determination of pricing for each category of Past Recurrent IPTs and/or comparison with market prices, as set out in Section 4.1 of this IFA Letter;
- (b) rationale for the Past Recurrent IPTs as set out in Section 4.2 of this IFA Letter; and
- (c) other relevant considerations as set out in Section 4.3 of this IFA Letter;

Having regard to the foregoing considerations as set out above and information available to us as at the Latest Practicable Date, we are of the opinion that the Past Recurrent IPTs were carried on normal commercial terms and were not prejudicial to the interests of the Company and its Minority Shareholders.

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6. PROPOSED ADOPTION OF THE NEW IPT GENERAL MANDATE

6.1 Rationale for and Benefits of the Proposed New IPT General Mandate

The Proposed New IPT General Mandate will enable the Group to enter into certain types of transactions that are of a revenue or trading nature with the New Mandate Interested Persons in the ordinary course of business, in addition to the transactions mandated under the 2022 IPT General Mandate, 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.

The full text of the rationale for and benefits of the Proposed New IPT General Mandate are set out in Section 5.1 of the Circular.

6.2 Scope of the Proposed New IPT General Mandate

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

- (a) the sale of utilities to the New Mandate Interested Persons and/or offsetting of certain the costs of purchases by the Company from the New Mandate Interested Persons (as mandated under the 2022 IPT General Mandate) against the sale of utilities like water, low pressure steam gas and recycled water by the Company to these New Mandate Interested Persons;
- (b) the purchase of propylene and methanol from the Dongming Petrochem Group, which are raw materials required for the production of polypropylene and MTBE respectively, and the purchase of butene and ethylene from the Dongming Petrochem Group, which are consumable items required for the production of premier grade polypropylene; and
- (c) the sale of recycled propylene to Dongming Qianhai. Recycled propylene refers to the by-product that is generated during the production of polypropylene by Dongming Hengchang using propylene as raw material. Such by-product still contains approximately 80% propylene contents but cannot be reused in the production of polypropylene unless it has been mixed with new raw propylene and further processed using dehydrogenation equipment which Dongming Hengchang does not own and is therefore sold to Dongming Qianhai to be processed or they would otherwise be incinerated and wasted.

6.3 Guidelines and Review Procedures under the Proposed New IPT General Mandate

Details of the guidelines and review procedures for the Proposed New IPT General Mandate are set out in Section 5.3 of the Circular.

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To ensure that the IPTs under the Proposed New IPT General Mandate are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its Minority Shareholders, the Company has put in place, *inter alia*, the following guidelines and review procedures:

- (a) In respect of the purchase of utilities from, and offsetting costs of said purchase against sale of utilities to the New Mandate Interested Persons, the rates charged for the utilities will be determined at arm's length and having regard to the prevailing market rates, with reference to the Utilities Rates Report prepared by the local certified public accounting firm every year. In the event there are any material changes to the prevailing market rates, both parties will re-negotiate the rates payable based on the then prevailing market rates;
- (b) In respect of the purchase of propylene, butene, ethylene and methanol from the Dongming Petrochem Group, the transaction price of the Raw Materials Purchase shall be determined using the prevailing market price for products with similar purity level (derived from sample testing) as a benchmark, based on prices quoted by at least three other suppliers who are non-Interested Persons, as obtained weekly from the website of an independent industry data and information provider.

Although settlement for the Raw Material Purchases generally takes place at the end of each month after the transaction volume and price are duly agreed upon by both parties, the respective Dongming Petrochem Group companies 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 based on an estimated transaction volume and price for the month due to the larger expected transaction sizes. Should the aggregate value of any partial payment and/or settlement exceed RMB80.0 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 IPTs, so as to provide for business efficiency and at the same time provide additional safeguards to ensure that transactions of exceptional amounts with the Interested Person are reviewed and approved by the Audit Committee. The amount of RMB80.0 million which represents around 5.3% of the Group's latest audited NTA as at 31 December 2021 is derived by the Group based on 80% of its projected costs 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;

- (c) In respect of the sale of recycled propylene to Dongming Qianhai, the price per unit for the recycled propylene shall be calculated based on 80% of the price per unit for the Propylene Purchase (which corresponds to the expected propylene content of such by-products) in the same month. The Group derived the 80% of the price per unit for the Propylene Purchase as recycled propylene (which has a purity level of 80%) does not meet industrial standards, and thus there is a lack of demand for 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 purchase recycled propylene at a discounted price in reference to the price of industrial propylene;

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- (d) In respect of the sale of products and procurement services through Dongming Petrochem Distribution Company as agent of the Group, 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 is 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 quotes from non-Interested Persons. Furthermore, Dongming Petroleum Distribution Company shall also provide the Group with access to the sales and purchases invoices of, and the right to review and monitor cash receipts from, the products sold/purchased through Dongming Petroleum Distribution Company, 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). 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 Dongming Petroleum Distribution Company to ensure that such fees are not higher than the then prevailing market rates for such services.

6.4 Internal Audit

The Company's annual internal audit plan will incorporate a review of all Interested Person Transactions (including but not limited to those carried out under the 2022 IPT General Mandate and the Proposed New IPT General Mandate) 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 Interested Person Transactions entered into pursuant to 2022 IPT General Mandate and the Proposed New 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.

6.5 Periodic Reviews 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.

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If during these periodic 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 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 Interested Person. During the period prior to obtaining a fresh mandate from Shareholders, all transactions with Interested Persons will be subject to prior review and approval by the Audit Committee.

7. OUR OPINION ON THE PROPOSED NEW IPT GENERAL MANDATE

In arriving at our opinion in respect of the Proposed New IPT General Mandate, we have considered, *inter alia*, the guidelines and review procedures set up by the Company, the roles of Internal Audit and the Audit Committee in undertaking periodic reviews of the transactions mandated under the Proposed New IPT General Mandate and the rationale for and the benefits to the Company arising from the Proposed New IPT General Mandate.

Having considered the above, we are of the opinion that the review procedures established by the Company for determining the transaction prices as set out in Section 5.3 of the Circular, if adhered to, are sufficient to ensure that the Interested Person Transactions conducted thereunder will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

Our opinions, as set out in Sections 5 and 7, are prepared as required under Chapter 9 of the Listing Rules as well as addressed to the IPT Recommending Directors in connection with their consideration of the Past Recurrent IPTs and the Proposed Adoption of the New IPT General Mandate and their advice to the Shareholders arising thereof. The recommendations made by the IPT Recommending Directors to the Shareholders shall remain the responsibility of the IPT Recommending Directors.

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Directors, nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose at any time and in any manner without our prior written consent in each specific case, except for the purposes of the forthcoming Extraordinary General Meeting and for the purpose of the Past Recurrent IPTs and the Proposed Adoption of the New IPT General Mandate.

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

Yours faithfully,

For and on behalf of
W Capital Markets Pte. Ltd.

Foo Say Nam
Partner
Head of Advisory

Sheila Ong
Senior Vice President
Corporate Finance

APPENDIX C – BLACKLINED PROPOSED AMENDMENTS TO EXISTING IPT GENERAL MANDATE

With reference to the Company's AGM held on 28 April 2022, and the Company's issued Appendix dated 13 April 2022 ("the **13 April Appendix**") regarding the General Mandate for Interested Person Transactions, the below blacklined changes reflect the proposed amendments to extracts of the existing IPT General Mandate.

(a) Purchase of raw LPG from Dongming Petrochem Group

Transaction Volume (page 14 of the 13 April Appendix)

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

Transaction Price (page 15 of the 13 April Appendix)

- (ii) For supplies that contain 30.0% or more of propylene per tonne of raw LPG, their pricing will be determined based on the average quoted selling price of **three (3) five (5)** unrelated suppliers of raw LPG (excluding transportation costs) for the month.

The **three (3) five (5)** 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.

Transaction Settlement (page 15 of the 13 April Appendix)

- (iii) The partial payment, if any, will be set off against the month-end settlement. The approving authority for the partial payment (if any) and month-end settlement shall comprise any two (2) of the Directors, CFO, or 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 Dongming Petrochem Group.

(b) Sale of processed LPG to Dongming Petrochem Group

Transaction Volume (page 16 of the 13 April Appendix)

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

Transaction Settlement (page 17 of the 13 April Appendix)

- (ii) **The approving authority for the month-end settlement shall comprise any two (2) of the Directors, CFO, or 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 Dongming Petrochem Group.**

APPENDIX C – BLACKLINED PROPOSED AMENDMENTS TO EXISTING IPT GENERAL MANDATE

- (c) Purchase of utilities, parts and components (including packaging materials) from Dongming Petrochem Group

Transaction Volume (page 17 of the 13 April Appendix)

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

Transaction Price (page 17 of the 13 April Appendix)

- (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. As at the Latest Practicable Date, 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 (page 18 of the 13 April Appendix)

- (iii) The approving authority for the partial payment (if any) and month-end settlement shall comprise any two (2) of the Directors, CFO of the Company, or 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 Dongming Petrochem Group.

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Sinostar PEC Holdings Limited the “**Company**”) will be held by way of electronic mean on Wednesday, 28 December 2022 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following Ordinary Resolutions:

Unless otherwise defined, all terms defined in this Notice of EGM shall have the same meanings as those defined or construed in the circular to the shareholders dated 13 December 2022 (the “Circular”).

Ordinary Resolutions

- (1) THE PROPOSED RATIFICATION OF PAST RECURRENT INTERESTED PERSONS TRANSACTIONS;**
(Resolution 1)
- (2) THE PROPOSED AMENDMENT OF GUIDELINES AND REVIEW PROCEDURES UNDER THE EXISTING IPT GENERAL MANDATE; AND**
(Resolution 2)
- (3) THE PROPOSED ADOPTION OF THE NEW IPT GENERAL MANDATE.**
(Resolution 3)

By Order of the Board

Tan Chee How
Company Secretary

Singapore, 13 December 2022

Notes:

1. *The Extraordinary General Meeting (“EGM”) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meeting for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Shareholders will not be allowed to attend the EGM in person.*
However, the alternative arrangement has been provided to allow the shareholders to participate and vote at the EGM via electronic means. Printed copies of this Notice and the Circular dated 13 December 2022 will not be sent to members. Instead, this Notice and the Circular dated 13 December 2022 will be sent to members by electronic means via publication on the SGX website at <https://www.sgx.com/securities/company-announcements> and on the Company’s website at <https://www.sinostar-pec.com>.
2. *Alternative arrangements are put in place to allow shareholders to participate in the EGM by:*
 - (a) *watching or listening to the EGM proceedings via a Live Webcast (as defined below). Shareholders who wish to participate as such will have to pre-register in the manner outlined in paragraphs (3) to (7) below;*
 - (b) *submitting questions in advance of or “live” at the EGM. Please refer to paragraphs (8) to (13) below for further details;and*
 - (c) *voting (i) “live” by the Shareholders themselves or their duly appointed proxy(ies) (other than the Chairman of the EGM via electronic means; or (ii) by appointing the Chairman of the EGM as proxy to vote on their behalf at the EGM. Please refer to paragraphs (14) to (19) below for further details.*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Participation in the EGM via live webcast or live audio feed.

3. A shareholder of the Company or their corporate representatives (in the case of a member which is a legal entity) will be able to watch or listen to the proceedings of the EGM through a live webcast via mobile phone, tablet or computer ("**Live Webcast**"). In order to do so, the member must pre-register by 10.00 a.m. on 26 December 2022, being forty-eight (48) hours before the time appointed for the EGM ("**Registration Cut-Off Time**"), at the following URL: <https://conveneagm.com/sg/sinostarpec2022egm> ("**Sinostar EGM Website**"), to create an account.
4. Following authentication of his/her/its status as a shareholder of the Company, such shareholder will receive an email on their authentication status and will be able to access the Live Webcast using the account created.
5. Shareholders who have pre-registered by the Registration Cut-Off Time in accordance with paragraph (3) above but do not receive the aforementioned email by 10.00 a.m. on 26 December 2022 should contact the Company's Share Registrar at the following email address: shareregistry@incorp.asia, with the following details included:
 - (a) the member's full name; and
 - (b) his/her/its identification/registration number.
6. Investors who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act) (including those who hold shares under the Central Provident Fund Investment Scheme and/or the Supplementary Retirement Scheme) and who wish to observe and/or listen to the EGM proceedings or submit questions in advance of the EGM, should contact their respective relevant intermediaries (including CPF Agent Banks or SRS Operators) as soon as possible in order to make the necessary arrangements for them to do so.
7. A Depositor shall not be regarded as a member of the Company entitled to observe and/or listen to the EGM proceedings and to exercise his voting rights thereat unless his name appears on the Depository Register as at seventy-two (72) hours before the EGM.

Submission of questions in advance of or "live" at the EGM

8. Shareholders and Investors may submit substantial and relevant textual questions related to the resolution to be tabled for approval for the EGM in advance of, or "live" at, the EGM.

How to submit questions in advance of EGM

9. Shareholders and Investors may submit textual questions in advance of the EGM in the following manner:
 - (a) via the Sinostar EGM Website; or
 - (b) by post to the Company's registered office at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712.All questions submitted in advance of the EGM must be received by the Company no later than 22 December 2022 at 10.00 a.m. to be treated as valid.
10. Shareholders and Investors submitting questions are required to state:
 - (a) their full name as it appears on his/her/its CDP/CPF/SRS records;
 - (b) their identification/registration number; and
 - (c) the manner in which his/her/its shares in the Company are held (e.g. via CDP, CPF, or SRS), failing which the Company shall be entitled to regard the submission as invalid and not respond to the question(s) submitted.
11. The Company will endeavour to address all substantial and relevant questions relating to the resolution to be tabled for approval at the EGM as received from Shareholders and Investors before the EGM on SGXNET and the Company's website Sinostar EGM Website at least forty-eight (48) hours prior to the closing date and time for the lodgement of the proxy forms no later than 23 December 2022 at 10.00 a.m. or during the EGM.
12. The Company will publish the minutes of the EGM on SGXNET and the Company's website within one month after the date of the EGM and the minutes will include the responses to the questions referred to above.

How to submit questions "live" at the EGM

13. Shareholders and Investors may submit textual questions "live" at the EGM in the following manner:
 - (a) Shareholders or where applicable, their appointed proxy(ies) and Investors who have pre-registered and are verified to attend the EGM can ask questions relating to the ordinary resolution tabled for approval at the EGM "live" at the EGM, by typing in and submitting their questions through the "live" ask-a-question function via the audio-visual webcast platform during the EGM within a certain prescribed time limit.
 - (b) Shareholders who wish to appoint a proxy(ies) (other than the Chairman of the EGM) to ask questions "live" at the EGM on their behalf must, in addition to completing and submitting an instrument appointing a proxy(ies), ensure that their proxy(ies) pre-register separately via the registration link that will be sent to the appointed proxy(ies) via email by the EGM service provider, Convene SG, upon verification of the Proxy Form(s).

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- (c) Shareholders (including CPF and SRS Investors) or, where applicable, their appointed proxy(ies) must access the EGM proceedings via the “live” audio-visual webcast in order to ask questions “live” at the EGM, and will not be able to do so via the audio-only stream of the EGM proceedings.
- (d) The Company will, during the EGM itself, address as many substantial and relevant questions (which are related to the resolution to be tabled for approval at the EGM) which have not already been addressed prior to the EGM, as well as those received “live” at the EGM itself, as reasonably practicable. Where there are substantially similar questions, the Company will consolidate such questions; consequently, not all questions may be individually addressed.

Submission of instrument appointing a proxy(ies) to vote, or vote “live”, at the EGM

14. Shareholders who wish to exercise their voting rights at the EGM may:
- (a) (where such shareholders are individuals) vote “live” via electronic means at the EGM or (where such shareholders are individuals or corporates) appoint a proxy(ies) (other than the Chairman of the EGM to vote “live” via electronic means at the EGM on their behalf; or
- # For the avoidance of doubt, CPF and SRS investors will not be able to appoint third party proxy(ies) (i.e., persons other than the Chairman of the EGM) to vote “live” at the EGM on their behalf.
- (b) (where such shareholders are individuals or corporates) appoint the Chairman of the EGM as their proxy to vote on their behalf at the EGM.
- Shareholders (including CPF and SRS investors) and, where applicable, appointed proxy(ies), who wish to vote “live” at the EGM must first pre-register at the Sinostar EGM Website via the URL: <https://conveneagm.com/sg/sinostarpec2022egm>
 - Shareholders (whether individual or corporate) appointing the Chairman of the EGM as proxy must give specific instructions as to his manner of voting, or abstentions from voting, in the proxy form, failing which the appointment for the resolution will be treated as invalid.
15. A member who is not a Relevant Intermediary*, entitled to attend and vote at the EGM is entitled to appoint not more than two proxies to attend, speak and vote in his/her stead at the EGM of the Company. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the proxy form. A proxy need not be a member of the Company. The accompanying proxy form for the EGM may be accessed via the Sinostar EGM Website, the Company’s corporate website at the URL: <http://www.Sinostar-Pec.com>, and will also be made available on the SGX website at the URL: <https://www.sgx.com/securities/company-announcements>.
16. A member who is a relevant intermediary may appoint one or more proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.
17. The instrument appointing a proxy or proxies must be submitted to the Company in the following manner:
- (a) in the electronic format accessible on the Sinostar EGM Website;
- (b) if submitted by post, be lodged at the Company’s registered office of the Company at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or
- (c) if submitted electronically, be submitted via email to shareregistry@incorp.asia,
- in either case by no later than the Registration Cut-Off Time.**
- In the case of submission of the Proxy Form other than via the Sinostar EGM Website, a member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.
- Members are strongly encouraged to submit completed proxy forms electronically via email.**
18. In the case of submission of the Proxy Form other than via the Sinostar EGM Website, the instrument appointing the proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the proxy or proxies is executed by a corporation, it must be executed either under its common seal or signed on its behalf by its attorney duly authorised in writing or by an authorised officer of the corporation. Where the instrument appointing the proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.
19. An investor who holds shares under the CPF Investment Scheme (“CPF Investor”) and/or the Supplementary Retirement Scheme (“SRS Investor”) (as may be applicable) and wishes to vote, should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes to appoint the Chairman of the EGM as their proxy, at

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least seven (7) working days before the EGM in order to allow sufficient time for their relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the EGM to vote on their behalf not less than forty-eight (48) hours before the time for holding the EGM.

20. A Depositor's name must appear on the Depository Register maintained by CDP as at seventy-two (72) hours before the time fixed for holding the EGM in order for the Depositor to be entitled to vote.

***"Relevant Intermediary" means:**

- (a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

SINOSTAR PEC HOLDINGS LIMITED

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

IMPORTANT:

1. The Extraordinary General Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to the attendance of the EGM through electronic means, as well as conduct of the EGM and relevant guidance with full details are set out in the accompanying Company's Notice of EGM dated 13 December 2022, which can be accessed via the SGX website at: <https://www.sgx.com/securities/company-announcements>.
3. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") and wishes to vote should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes to appoint the Chairman of the EGM as their proxy, at least 7 working days before the EGM.
4. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We* _____ (Name) of _____ (Address)

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

Name	Address	Email Address [^]	NRIC/Passport Number	Proportion of Shareholdings to be presented by Proxy	
				No. of Shares	%

and/or failing him/her (delete as appropriate):

Name	Address	Email Address [^]	NRIC/Passport Number	Proportion of Shareholdings to be presented by Proxy	
				No. of Shares	%

[^] Appointed proxy(ies) will be prompted via email (within 2 business days after the Company's receipt of a validly completed and submitted proxy form) to pre-register at the pre-registration website which is accessible from the URL: <https://conveneagm.com/sg/sinostarpec2022egm> in order to access the "live" audio-visual webcast or "live" audio-only stream of the EGM proceedings.

or failing him/her, the Chairman of the Extraordinary General Meeting of the Company (the "Meeting"), as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf at the Meeting to be held by way of electronic means on Wednesday, 28 December 2022 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our proxy/proxies to vote for or against, or abstain from voting on the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, (i) the *proxy/proxies (except for the Chairman of the Meeting) will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the EGM and at any adjournment thereof; or (ii) the appointment of Chairman of the Meeting as proxy for the resolution will be treated as invalid at the EGM and at any adjournment thereof.

	For	Against	Abstain
Ordinary Resolution 1 THE PROPOSED RATIFICATION OF PAST RECURRENT INTERESTED PERSONS TRANSACTIONS			
Ordinary Resolution 2 THE PROPOSED AMENDMENT OF GUIDELINES AND REVIEW PROCEDURES UNDER THE EXISTING IPT GENERAL MANDATE			
Ordinary Resolution 3 THE PROPOSED ADOPTION OF THE NEW IPT GENERAL MANDATE			

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolution as set out in the Notice of the Meeting. Alternatively, please indicate the number of votes as appropriate, if you mark "abstain" you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll).

Dated this _____ day of _____ 2022

Total Number of Shares in:	
(a) CDP	
(b) Register of Members	

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

PROXY FORM

Notes:--

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.
2. Members will not be able to attend the EGM in person. If a member (individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it may:
 - (a) (where the member is an individual) vote "live" via electronic means at the EGM or (where the member is an individual or a corporate) appoint a proxy(ies) (other than the Chairman of the EGM to vote "live" via electronic means at the EGM on his/her/its behalf; or
 - # For the avoidance of doubt, CPF and SRS investors will not be able to appoint third party proxy(ies) (i.e., persons other than the Chairman of the EGM) to vote "live" at the EGM on their behalf.
 - (b) (where the member is an individual or corporate) appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM.

In appointing the Chairman of the EGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment for the resolution will be treated as invalid.
3. A member of the Company who is not a Relevant Intermediary entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
4. Where a member who is not a Relevant Intermediary appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
5. A member who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
6. Subject to paragraph (9) below, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attend the Live Webcast of the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
7. The instrument appointing a proxy or proxies must be submitted to the Company in the following manner:
 - (a) via the following URL: <https://conveneagm.com/sg/sinostarpec2022egm> ("Sinostar EGM Website"), in the electronic format accessible on the Sinostar EGM Website;
 - (b) if submitted by post, be lodged at the Company's registered office of the Company at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or
 - (c) if submitted electronically, be submitted via email at shareregistry@incorp.asia,

in either case by no later than 10.00 p.m. on 26 December 2022, being forty-eight (48) hours before the time appointed for the EGM.

In the case of submission of the Proxy Form other than via the Sinostar EGM Website, a member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

Members are strongly encouraged to submit completed proxy forms electronically either through the Sinostar EGM Website or via email to shareregistry@incorp.asia.
8. In the case of submission of the Proxy Form other than via the Sinostar EGM Website, the instrument appointing the proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the proxy or proxies is executed by a corporation, it must be executed either under its common seal or signed on its behalf by its attorney duly authorised in writing or by an authorised officer of the corporation. Where the instrument appointing the proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.
9. Investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) and wishes to appoint the Chairman of the EGM as their proxy to vote on their behalf at the EGM, in which case they should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes at least seven (7) working days before the EGM.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing the proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 13 December 2022.