CIRCULAR DATED 7 FEBRUARY 2022

THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

THIS CIRCULAR (AS DEFINED HEREIN) IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) OF STARBURST HOLDINGS LIMITED AND THE ADVICE OF RHT CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS.

This Circular is issued by Starburst Holdings Limited (the "**Company**"). If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

If you have sold or transferred all your issued and paid-up ordinary shares in the capital of the Company held through the Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular with the Notice of Extraordinary General Meeting ("**Notice**") and the Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your ordinary shares in the issued share capital of the Company represented by physical share certificate(s) which are not deposited with the CDP, you should immediately forward this Circular together with the Notice and the Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Due to the current COVID-19 restriction orders in Singapore, Shareholders will not be able to attend the EGM. Instead, the Company has opted for electronic dissemination of this Circular. Please note that no printed copies of this Circular will be despatched to Shareholders. Only printed copies of the notice regarding the electronic dissemination of this Circular will be despatched to Shareholders.

This Circular has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). The Circular has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this Circular including the correctness of any of the statements or opinions made or reports contained in this Circular.

The contact person for the Sponsor is Mr. David Yeong (Telephone: 65-6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

STARBURST

MODERN FIREARMS-TRAINING FACILITIES

STARBURST HOLDINGS LIMITED

(Company Registration No. 201329079E)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY CONDITIONAL OFFER

by

PHILLIP SECURITIES PTE LTD

(Company Registration No. 197501035Z)
(Incorporated in the Republic of Singapore)

for and on behalf of

NORDIC FLOW CONTROL PTE. LTD.

(Company Registration Number: 199805602D)
(Incorporated in the Republic of Singapore)

a wholly-owned subsidiary of

NORDIC GROUP LIMITED

(Company Registration Number: 201007399N)
(Incorporated in the Republic of Singapore)

for all the issued and paid-up ordinary shares in the capital of the Company, other than those already owned or agreed to be acquired by the Offeror as at the date of the Offer in accordance with Rule 15 of the Singapore Code on Take-overs and Mergers

Independent Financial Adviser to the Independent Directors of the Company

RHT Capital

RHT CAPITAL PTE. LTD.

(Company Registration No 201109968H)
(Incorporated in the Republic of Singapore)

SHAREHOLDERS (AS DEFINED HEREIN) SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 7 MARCH 2022 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR.

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DEFINITIONS

In this Circular, the following definitions apply throughout except where the context otherwise requires:

"**1H2021**"	:	Half year period ended 30 June 2021
"**Annual Report FY2020**"	:	Annual report of the Group containing the audited consolidated financial statements of the Group for FY2020
"**Board**"	:	The board of Directors as at the Latest Practicable Date
"**Business Day**"	:	A day other than Saturday, Sunday or a public holiday on which commercial banks are open for business in Singapore
"**Catalist**"	:	The Catalist Board of the SGX-ST
"**Catalist Rules**"	:	The SGX-ST Listing Manual Section B: Rules of Catalist in force as at the Latest Practicable Date
"**Circular**"	:	This circular to Shareholders dated 7 February 2022 in relation to the Offer enclosing, inter alia, the IFA Letter
"**Closing Date**"	:	5.30 p.m. on 7 March 2022 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last date and time for the lodgement of acceptances of the Offer
"**Code**"	:	The Singapore Code on Take-overs and Mergers
"**Companies Act**"	:	The Companies Act 1967 of Singapore, as amended or modified from time to time
"**Convertible Securities**"	:	Securities convertible or exchangeable into new shares or existing shares
"**Constitution**"	:	The constitution of the Company, as amended, modified or supplemented from time to time
"**CPFIS**"	:	CPF Investment Scheme
"**CPFIS Investors**"	:	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
"**Derivatives**"	:	Includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities
"**Directors**"	:	The directors of the Company (including the Independent Directors) as at the Latest Practicable Date, and "**Director**" means any one of them

"**FAA**"	:	Form of Acceptance and Authorisation for Shares in respect of the Offer, applicable to Depositors whose Shares are deposited with CDP and which forms part of the Offer Document was despatched on 24 January 2022
"**FAT**"	:	Form of Acceptance and Transfer for Shares in respect of the Offer, applicable to Shareholders whose Shares are registered in their own names in the Register and are not deposited with CDP and which forms part of the Offer Document was despatched on 24 January 2022
"FY2018"	:	Financial year ended 31 December 2018
"FY2019"	:	Financial year ended 31 December 2019
"FY2020"	:	Financial year ended 31 December 2020
"**IFA Letter**"	:	The letter dated 7 February 2022 from the IFA to the Independent Directors in respect of the Offer as set out in Appendix 1 to this Circular
"**Independent Directors**"	:	The Directors who are considered independent for the purposes of the Offer, being all the Directors
"**Interested Person**"	:	As defined in the Note on Rule 24.6 of the Code and read with the Note on Rule 23.12 of the Code, an interested person, in relation to a company, is: (a) a director, chief executive officer, or Substantial Shareholder of the company; (b) the immediate family of a director, the chief executive officer, or a Substantial Shareholder (being an individual) of the company; (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer, or a Substantial Shareholder (being an individual) and his immediate family is a beneficiary; (d) any company in which a director, the chief executive officer, or a Substantial Shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more; (e) any company that is the subsidiary, holding company or fellow subsidiary of the Substantial Shareholder (being a company); or

(f) any company in which a Substantial Shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more

"**Irrevocable Undertakings**"	:	Shall have the meaning ascribed to it in the Offer Document
"**Latest Practicable Date**"	:	31 January 2022, being the latest practicable date prior to the dissemination of this Circular
"**Offer**"	:	The voluntary conditional offer made by the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended, extended or revised from time to time by or on behalf of the Offeror
"**Offer Announcement**"	:	The announcement in connection with the Offer released by the Offeror, on the Offer Announcement Date
"**Offer Announcement Date**"	:	10 November 2021, being the date of the Offer Announcement
"**Offer Document**"	:	The offer document dated 24 January 2022, including the FAA and FAT, and any other document which may be issued by the Offeror, to amend, revise, supplement or update the document(s) from time to time
"**Offer Price**"	:	S$0.238 in cash for each Share
"**Offer Shares**"	:	All the Shares (excluding any Shares held in treasury) in the capital of the Company, other than those already owned or controlled or agreed to be acquired by the Offeror, as at the date of the Offer
"**Offeror Group"**	:	The Offeror and its subsidiaries, collectively
"**Offeror Securities**"	:	(a) shares of the Offeror; (b) securities which carry substantially the same rights as any shares of the Offeror; or (c) Convertible Securities, Warrants, Options or Derivatives in respect of (a) or (b)
"**Options**"	:	Options to subscribe for or purchase new Shares or existing Shares
"**Overseas Shareholders**"	:	Shall have the meaning ascribed to it in Section 14 of this Circular

"**Pre-Condition**"	:	All resolution(s) as may be necessary or incidental to approve and undertake the Offer and the acquisition of any Shares pursuant to or in connection with the Offer or otherwise having been passed at a general meeting of NGL (or any adjournment thereof).
"**Register**"	:	The register of holders of the Shares, as maintained by the Registrar
"**S$**" and "**cents**"	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
"**Securities Account**"	:	The securities account maintained by a Depositor with CDP but does not include a securities sub-account
"**SFA**"	:	The Securities and Futures Act (Chapter 289 of Singapore Statutes), as amended or modified from time to time
"**Shareholders**"	:	Holders of Shares (other than CDP), including persons whose Shares are deposited with CDP or who have purchased Offer Shares on the SGX-ST
"**Shares**"	:	Issued and paid-up ordinary shares in the capital of the Company
"**SRS**"	:	Supplementary Retirement Scheme
"**SRS Investors**"	:	Investors who have purchased Shares pursuant to the SRS
"**Subject Property**"	:	The property/building situated at 6 Tuas View Circuit Singapore 637599
"**Substantial Shareholder**"	:	A shareholder who has an interest or interests in one or more voting shares (excluding treasury shares) in the company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all voting shares (excluding treasury shares) in the Company
"**Warrants**"	:	Rights to subscribe for or purchase new Shares or existing Shares
"**Valuation Report**"	:	The valuation report prepared by the Independent Valuer in respect of the Subject Property dated 20 December 2021 as set out in Appendix 6 to this Circular
"**%**" or "**per cent.**"	:	Per centum or percentage

COMPANIES/ORGANISATIONS

"Auditor"	:	Deloitte & Touche LLP, being the auditor of the Company
"**CDP**"	:	The Central Depository (Pte) Limited
"**Company**"	:	Starburst Holdings Limited
"**CPF**"	:	The Central Provident Fund
"**Group**"	:	The Company and its subsidiaries, collectively
"**Independent Valuer**"	:	PREMAS Valuers & Property Consultants Pte Ltd
"**Legal Advisors**"	:	Bird & Bird ATMD LLP
"**NGL**"	:	Nordic Group Limited, being a company incorporated in Singapore and listed on the Main Board of the SGX-ST
"**Offeror**"	:	Nordic Flow Control Pte. Ltd., being a wholly-owned subsidiary of NGL
"**Phillip Securities**"	:	Phillip Securities Pte Ltd
"**Registrar**"	:	Boardroom Corporate & Advisory Services Pte. Ltd., in its capacity as the share registrar of the Company
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**SIC**"	:	Securities Industry Council of Singapore
"**Sponsor**"	:	SAC Capital Private Limited

Unless otherwise defined, the term "**acting in concert**" shall have the meaning ascribed to it in the Code.

The terms "**Depositor**" and "**Depository Register**" shall have the meanings ascribed to them in Section 81 SF of the SFA.

The terms "**subsidiary**" and "**related corporation**" shall have the meanings ascribed to them respectively in Section 5 and Section 6 of the Companies Act.

References to "**you**" and "**your**" in this Circular are, as the context so determines, to Shareholders.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Words importing the singular shall, where applicable, include the plural and *vice versa,* and words importing one gender shall include the other gender. References to persons shall, where applicable, include corporations.

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 defined under the Companies Act, the Catalist Rules or the Code or any statutory or regulatory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the Catalist Rules or the Code or any statutory or regulatory modification thereof, as the case may be, unless the context otherwise requires.

Any reference to a time of day and date in this Circular is reference to Singapore time and date respectively, unless otherwise stated.

Any discrepancies in figures included in this Circular between the amounts shown 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.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital comprising 248,300,050 Shares (excluding treasury shares).

Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Constitution are set out in this Circular within quotes and in italics, and capitalised terms used within these reproduced statements bear the same meanings as ascribed to them in the Offer Document, the IFA Letter and the Constitution respectively.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include, but are not limited to, those using words such as "aim", "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "potential", "strategy", "forecast", "possible", "probable" and similar expressions or future or conditional verbs such as "if", "will", "would", "should", "could", "may" or "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 as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future results, performance, events or achievements and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Given the risks and uncertainties involved, Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Company nor RHT Capital Pte. Ltd. guarantees any future performance or event or assumes any obligation to update publicly or revise any forward-looking statement, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

SUMMARY TIMETABLE

Date of dissemination of the Offer Document	:	24 January 2022
Date of dissemination of this Circular	:	7 February 2022
Closing Date	:	5.30 p.m. on 7 March 2022 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last date and time for the lodgement of acceptances of the Offer
Settlement of consideration for valid acceptances of the Offer	:	In respect of acceptances of the Offer which are complete and valid in all respects and in accordance with the instructions stated in, inter alia, the Offer Document, within seven (7) Business Days of the date of such receipt. Please refer to paragraph 2 of Appendix 1 to the Offer Document for further information.

LETTER TO SHAREHOLDERS

STARBURST HOLDINGS LIMITED

(Company Registration No.: 201329079E)
(Incorporated in the Republic of Singapore)

Board of Directors:
Mr Edward Lim Chin Wah (*Chairman and Executive Director*)
Mr Yap Tin Foo (*Managing and Executive Director*)
Mr Martin Muller (*Non-Executive Director*)
Mr Lai Keng Wei (*Lead Independent Director*)
Mr Gopal Perumal (*Independent Director*)
Mr Tan Teng Wee (*Independent Director*)

Registered Office:
6 Tuas View Circuit
Singapore 637599

7 February 2022

To: The Shareholders of Starburst Holdings Limited

Dear Sir/Madam

VOLUNTARY CONDITIONAL OFFER BY THE OFFEROR FOR THE OFFER SHARES

1. INTRODUCTION

1.1 OFFER ANNOUNCEMENT AND UNCONDITIONAL ANNOUNCEMENT

On 10 November 2021, Phillip Securities, for and on behalf of the Offeror, announced that, subject to and contingent upon the satisfaction or waiver of the Pre-Condition, the Offeror intends to make a voluntary conditional offer to acquire all of the issued and paid-up ordinary shares in the capital of the Company (excluding any Shares held in treasury) other than those already owned, controlled or agreed to be acquired by the Offeror as at the date of the Offer in accordance with Rule 15 of the Code.

A copy of the Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

On 7 January 2022, Phillip Securities, for and on behalf of the Offeror, announced that the Pre-Condition had been satisfied, and the Offeror announced its firm intention to make the Offer. On 24 January 2022, Phillip Securities, for and on behalf of the Offeror, announced that as the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties, result in the Offeror and its Concert Parties holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares (excluding Shares held in treasury), the Offer has become unconditional as to acceptances and declared unconditional in all respects ("**Unconditional Announcements**").

A copy of the Unconditional Announcements are available on the website of the SGX-ST at www.sgx.com.

1.2 OFFER DOCUMENT

Shareholders should have by now received a copy of the Offer Document, as announced by the Offeror, which has been despatched on 24 January 2022, setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in Sections 2, Section 4, and Appendix 1 of the Offer Document. Shareholders are urged to read the terms and conditions of the Offer set out in the Offer Document carefully.

A copy of the Offer Document is available on the website of the SGX-ST at www.sgx.com.

1.3 PURPOSE OF CIRCULAR

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer, and to set out the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix 1 to this Circular carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer before deciding whether to accept or reject the Offer.

If you are in any doubt about the Offer, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

2. THE OFFER

2.1 OFFER TERMS

The Offer is made by the Offeror on the principal terms set out in Section 2 of the Offer Document, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

> ***2. THE OFFER***
>
> *2.1* ***Offer***
>
> *Phillip Securities, for and on behalf of the Offeror, hereby makes the Offer to acquire all the Offer Shares in accordance with Rule 15 of the Code and on the terms and subject to the conditions set out in this Offer Document, the FAA and the FAT.*
>
> *2.2* ***Offer Shares***
>
> *The Offer will be extended to all the Shares (excluding any Shares held in treasury), other than those already owned, controlled or agreed to be acquired by the Offeror as at the date of the Offer.*
>
> *As at the Latest Practicable Date, the Offeror does not own or control, directly or indirectly, any Shares.*

2.3 ***Offer Price***

The consideration for each Offer Share is as follows:

For each Offer Share: ***S$0.238 in cash***

2.4 ***No Encumbrances***

The Offer Shares will be acquired fully paid and free from all Encumbrances and together with all rights, interests, benefits, entitlements and advantages attached thereto as at the Pre-Conditional Offer Announcement Date and thereafter attaching thereto, including the right to all Distributions (if any), the Record Date for which falls on or after the Pre-Conditional Offer Announcement Date.

2.5 ***Adjustments for Distributions***

Without prejudice to the generality of the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distributions, the Record Date for which falls on or after the Pre-Conditional Offer Announcement Date. In the event of any such Distribution, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution as follows, depending on when the Offer Settlement Date falls:

(a) if the Offer Settlement Date falls on or before the Record Date, the Offeror will pay the relevant accepting Shareholders the unadjusted Offer Price of S$0.238 in cash for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; and

(b) if the Offer Settlement Date falls after the Record Date, the Offer Price payable for such Offer Shares tendered in acceptance shall be reduced by an amount which is equal to the Distribution in respect of such Offer Shares, as the Offeror will not receive such Distribution from the Company.

2.6 ***Minimum Acceptance Condition***

*The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares (excluding Shares held in treasury) as at the close of the Offer (the "**Minimum Acceptance Condition**").*

Save for the Minimum Acceptance Condition, the Offer is unconditional in all other respects.

Pursuant to the Irrevocable Undertakings, the Offer will become unconditional as to acceptances upon the Undertaking Shareholders tendering their Shares (representing approximates 69.7% of the total number of issues Shares (excluding Shares held in treasury) of the Company) in acceptance of the Offer.

2.7 ***Revision of Terms of the Offer***

The Offeror reserves the right to revise the terms of the Offer in accordance with the Code.

2.8 ***Warranty***

A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to the Offeror that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, fully paid, free from all Encumbrances and together with all rights, benefits, entitlements and advantages attached thereto as at the Pre-Conditional Offer Announcement Date and thereafter attaching thereto, including the right to all Distributions (if any), the Record Date for which falls on or after the Pre-Conditional Offer Announcement Date.

2.2 NO OPTIONS OR AWARDS PROPOSAL

Section 3 of the Offer Document sets out that there are no outstanding options to subscribe for new Shares and no outstanding awards for new Shares in connection with the Offer, the extract of which is set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

3. NO OPTIONS OR AWARDS PROPOSAL

*Based on the latest information available to the Offeror, there are no outstanding options to subscribe for new Shares ("**Options**") and no outstanding awards for new Shares ("**Awards**") granted under any employee share scheme of the Company as at the Latest Practicable Date. In view of the foregoing, the Offeror will not make an offer to acquire any Options or Awards. For the avoidance of doubt, the Offer will be extended to all new Shares unconditionally issued or to be issued pursuant to the valid exercise of Options (if any) or pursuant to the valid vesting or release of Awards (if any), prior to the close of the Offer.*

2.3 DETAILS OF THE OFFER

The duration of the Offer is set out in Appendix 1 to the Offer Document, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

1. DURATION OF THE OFFER

1.1 ***Closing Date.*** *The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder.* ***Accordingly, the Offer will close at 5.30 p.m. on 21 February 2022 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.***

1.2 ***Subsequent Closing Date(s).*** *If the Offer is extended and:*

(a) the Offer is not unconditional as to acceptances as at the date of such extension, the announcement of the extension must state the next Closing Date; or

(b) the Offer is unconditional as to acceptances as at the date of such extension, the announcement of the extension need not state the next Closing Date but may state that the Offer will remain open until further notice. In such a case, the Offeror must give Shareholders at least 14 days' prior notice in writing before it may close the Offer.

1.3 ***No Obligation to Extend the Offer.*** *The Offeror is not obliged to extend the Offer if the condition of the Offer as set out in Section 2.6 (Minimum Acceptance Condition) of this Offer Document is not fulfilled by the Closing Date(s).*

1.4 ***Offer to Remain Open for 14 Days after Being Declared Unconditional as to Acceptances.*** *Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared unconditional as to acceptances, the Offer will remain open for a period (the "**Rule 22.6 Period**") of not less than 14 days after the date on which the Offer would otherwise have closed, in order to give Shareholders who have not accepted the Offer the opportunity to do so.*

*This requirement does not apply if, before the Offer has become or is declared unconditional as to acceptances, the Offeror has given Shareholders at least 14 days' notice in writing (the "**Shut-Off Notice**") that the Offer will not be open for acceptance beyond a specified Closing Date, provided that:*

(a) the Offeror may not give a Shut-Off Notice in a competitive situation; and

(b) the Offeror may not enforce a Shut-Off Notice, if already given, in a competitive situation.

For these purposes, the SIC would normally regard a "competitive situation" to have arisen if a competing offer for the Company has been announced.

If a declaration that the Offer is unconditional is confirmed in accordance with Paragraph 4.2(a) (Right of Withdrawal of Shareholders) of this Appendix 1, the Rule 22.6 Period will run from the date of such confirmation or the date on which the Offer would otherwise have closed, whichever is later.

1.5 ***Final Day Rule.*** *The Offer (whether revised or not) will not be capable:*

(a) of becoming or being declared unconditional as to acceptances after 5.30 p.m. on the 60th day after the Despatch Date; or

(b) of being kept open after the expiry of such 60-day period unless the Offer has previously become or been declared to be unconditional as to acceptances,

*provided that the Offeror may extend the Offer beyond such 60-day period with the SIC's prior consent (the "**Final Day Rule**"). The SIC will consider granting such permission in circumstances, including but not limited to, where a competing offer has been announced.*

1.6 ***Revision.*** *The Offeror reserves the right to revise the terms of the Offer at such time and in such manner as it may consider appropriate. If the Offer is revised, the Offer will remain open for acceptance for at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders who had previously accepted the Offer.*

1.7 ***Time for Fulfilment of Other Conditions.*** *Except with the SIC's consent, all conditions of the Offer must be fulfilled or the Offer must lapse within 21 days of the first Closing Date or of the date on which the Offer becomes or is declared to be unconditional as to acceptances, whichever is the later.*

The Offer is made subject to the terms and conditions as set out in the Offer Document. Appendix 1 to the Offer Document contains, *inter alia*, further details on: (i) the duration of the Offer; (ii) the settlement of the consideration for the Offer; (iii) the requirements relating to the announcement of the level of acceptances of the Offer; and (iv) the right of withdrawal of acceptances of the Offer.

On 24 January 2022, Phillip Securities, for and on behalf of the Offeror, announced that as the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties, result in the Offeror and its Concert Parties holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares (excluding Shares held in treasury), the Offer has become unconditional as to acceptances and declared unconditional in all respects. In accordance with Rule 22.6 of the Code, if the Offer becomes or is declared to be unconditional as to acceptances, the Offer must remain open for acceptance for not less than 14 days after the date on which the Offer would otherwise have closed. Accordingly, Phillip Securities announced, for and on behalf of the Offeror, that **the Closing Date of the Offer is extended from 5.30 p.m. (Singapore time) on 21 February 2022 to 5.30 p.m. (Singapore time) on 7 March 2022 (or such later date(s) as may be announced from time to time, by or on behalf of the Offeror).**

2.4 PROCEDURES FOR ACCEPTANCE

The procedures for acceptance of the Offer are set out in Appendix 2 to the Offer Document, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

1. DEPOSITORS

1.1 ***Depositors whose Securities Accounts are credited with Offer Shares.*** *If you have Offer Shares standing to the credit of the "Free Balance" of your Securities Account, you should receive the Notification (containing the instructions for the electronic retrieval of this Offer Document and its related documents), together with the FAA. If you do not receive the FAA, you may obtain a copy of such FAA, upon production of satisfactory evidence that you are a Shareholder, by submitting a request to CDP via phone (+65 6535 7511) or email services (asksgx@sgx.com) or by post to The Central Depository (Pte) Limited at 11 North Buona Vista Drive, #06-07 The Metropolis Tower 2, Singapore 138589. An electronic copy of the FAA may also be obtained from the website of the SGX-ST at www.sgx.com.*

Acceptance. *If you wish to accept the Offer, you should:*

(a) complete the FAA in accordance with this Offer Document and the provisions and instructions printed on the FAA. In particular, you must state in Part A of the FAA or the relevant section in the electronic form of the FAA, the number of Offer Shares in respect of which you wish to accept the Offer.

(i) If you:

(aa) do not specify such number; or

(bb) specify a number which exceeds the number of Offer Shares standing to the credit of the "Free Balance" of your Securities Account on the Date of Receipt, or, in the case where the Date of Receipt is on the Closing Date, as at 5.30 p.m. on the Closing Date (provided always that the Date of Receipt must fall on or before the Closing Date),

you shall be deemed to have accepted the Offer in respect of all the Offer Shares standing to the credit of the "Free Balance" of your Securities Account on the Date of Receipt or 5.30 p.m. on the Closing Date (if the FAA is received by CDP on the Closing Date);

*(ii) if Paragraph 1.1(a)(i)(bb) above applies and at the time of verification by CDP of the FAA on the Date of Receipt, there are outstanding settlement instructions with CDP to receive further Offer Shares into the "Free Balance" of your Securities Account ("**Unsettled Buy Position**"), and the Unsettled Buy Position settles such that the Offer Shares in the Unsettled Buy Position are transferred to the "Free Balance" of your Securities Account at any time during the period the Offer is open, up to 5.30 p.m. on the Closing Date ("**Settled Shares**"), you shall be deemed to have accepted the Offer in respect of the balance number of Offer Shares inserted in Part A of the FAA or the relevant section of the electronic form of the FAA which have not yet been accepted pursuant to Paragraph 1.1(a)(i)(bb) above, or the number of Settled Shares, whichever is less;*

(b) if you are submitting the FAA in physical form, sign the FAA in accordance with this Appendix 2 and the instructions printed on the FAA; and

(c) submit the completed FAA:

*(i) **by post**, in the enclosed pre-addressed envelope at your own risk, to Nordic Flow Control Pte. Ltd. c/o The Central Depository (Pte) Limited, Robinson Road Post Office P.O. Box 1984, Singapore 903934; or*

*(ii) **in electronic form**, via SGX's Investor Portal at investors.sgx.com,*

***in each case so as to arrive not later than 5.30 p.m. on the Closing Date.** If the completed and signed FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope, which is pre-paid for posting in Singapore only. It is your responsibility to affix adequate postage on the said envelope if posting outside of Singapore.*

If you have sold or transferred all your Offer Shares held through CDP, you need not forward this Offer Document and the accompanying FAA to the purchaser or transferee, as CDP will arrange for the Notification (containing the instructions for the electronic retrieval of this Offer Document and its related documents) and FAA to be sent to the purchaser or transferee.

If you are a Depository Agent, you may accept the Offer via Electronic Acceptance. CDP has been authorised by the Offeror to receive Electronic Acceptances on its behalf and such Electronic Acceptances must be submitted not later than 5.30 p.m. on the Closing Date. Such Electronic Acceptances submitted will be deemed irrevocable and subject to each of the terms and conditions contained in the FAA and this Offer Document as if the FAA had been completed and delivered to CDP.

1.2 ***Depositors whose Securities Accounts will be credited with Offer Shares.*** *If you have purchased Offer Shares on the SGX-ST and such Offer Shares are in the process of being credited to the "Free Balance" of your Securities Account, you should also receive the Notification (containing the instructions for the electronic retrieval of this Offer Document and its related documents) together with the FAA. If you do not receive the FAA, you may obtain a copy of such FAA, upon production of satisfactory evidence that you are a Shareholder, from CDP at 11 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138589.*

Acceptance. *If you wish to accept the Offer in respect of such Offer Shares, you should, after the "Free Balance" of your Securities Account has been credited with such number of Offer Shares:*

(a) complete the FAA in accordance with Paragraph 1.1 of this Appendix 2 and the instructions printed on the FAA; and

(b) submit the completed FAA:

(i) ***by post****, in the enclosed pre-addressed envelope at your own risk, to Nordic Flow Control Pte. Ltd. c/o The Central Depository (Pte) Limited, Robinson Road Post Office P.O. Box 1984, Singapore 903934; or*

(ii) ***in electronic form****, via SGX's Investor Portal at investors.sgx.com,*

in each case so as to arrive not later than 5.30 p.m. on the Closing Date. *If the completed and signed FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope, which is pre-paid for posting in Singapore only. It is your responsibility to affix adequate postage on the said envelope if posting outside of Singapore.*

Rejection. *If upon receipt by CDP, on behalf of the Offeror, of the FAA, it is established that such Offer Shares have not been or will not be, credited to the "Free Balance" of your Securities Account (as, for example, where you sell or have sold such Offer Shares), your acceptance is liable to be rejected. None of the Offeror (or, for the avoidance of doubt, any of the Offeror's related corporations), Phillip Securities and CDP accepts any responsibility or liability in relation to such a rejection, including the consequences thereof.*

If you purchase Offer Shares on the SGX-ST on a date close to the Closing Date, your acceptance in respect of such Offer Shares is liable to be rejected if the "Free Balance" of your Securities Account is not credited with such Offer Shares by the Date of Receipt or by 5.30 p.m. on the Closing Date (if the FAA is received by CDP on the Closing Date), unless Paragraph 1.1(a)(i)(bb) read together with Paragraph 1.1(a)(ii) of this Appendix 2 apply. If the Unsettled Buy Position does not settle by 5.30 p.m. on the Closing Date, your acceptance in respect of such Offer Shares will be rejected. None of the Offeror (or, for the avoidance of doubt, any of the Offeror's related corporations), Phillip Securities and CDP accepts any responsibility or liability in relation to such a rejection, including the consequences thereof.

1.3 ***Depositors whose Securities Accounts are and will be credited with Offer Shares.*** *If you have Offer Shares credited to the "Free Balance" of your Securities Account, and have purchased additional Offer Shares on the SGX-ST which are in the process of being credited to your Securities Account, you may accept the Offer in respect of the Offer Shares standing to the credit of the "Free Balance" of your Securities Account and may accept the Offer in respect of the additional Offer Shares purchased which are in the process of being credited to your Securities Account only* ***AFTER*** *the "Free Balance" of your Securities Account has been credited with such number of Offer Shares.*

1.4 ***General.*** *No acknowledgement will be given by CDP for submissions of FAAs. All communications, notices, documents and payments to be delivered or sent to you will be sent by ordinary post at your own risk to your address as it appears in the records of CDP. For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares credited to your Securities Account. You can*

verify such number in your Securities Account: (i) through CDP Online if you have registered for the CDP Internet Access Service; or (ii) through the CDP Phone Service using SMS OTP, under the option "To check your securities balance".

1.5 ***Blocked Balance.*** *Upon receipt of the FAA which is complete and valid in all respects, CDP will transfer the Offer Shares in respect of which you have accepted the Offer from the "Free Balance" of your Securities Account to the "Blocked Balance" of your Securities Account. Such Offer Shares will be held in the "Blocked Balance" until the consideration for such Offer Shares has been despatched to you.*

1.6 ***Notification.*** *If you have accepted the Offer in accordance with the provisions contained in this Appendix 2 and the FAA, upon the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CDP will send you a notification letter stating the number of Offer Shares debited from your Securities Account together with payment of the Offer Price which will be credited directly into your designated bank account for Singapore Dollars via CDP's Direct Crediting Service ("**DCS**") on the payment date as soon as practicable and in any event:*

(a) *in respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the date on which the Offer becomes or is declared unconditional in all respects in accordance with its terms, within seven Business Days of that date; or*

(b) *in respect of acceptances of the Offer which are complete and valid in all respects and are received after the Offer becomes or is declared unconditional in all respects in accordance with its terms, but before the Offer closes, within seven Business Days of the date of such receipt.*

In the event you are not subscribed to CDP's DCS, any monies to be paid shall be credited to your Cash Ledger and subject to the same terms and conditions as Cash Distributions under the CDP Operation of Securities Account with the Depository Terms and Conditions ("Cash Ledger" and "Cash Distribution" are as defined therein).

1.7 ***Return of Offer Shares.*** *In the event the Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, CDP will return the aggregate number of Offer Shares in respect of which you have accepted the Offer and tendered for acceptance under the Offer to the "Free Balance" of your Securities Account as soon as possible but in any event within 14 days from the lapse or withdrawal of the Offer.*

1.8 ***No Securities Account.*** *If you do not have an existing Securities Account in your own name at the time of acceptance of the Offer, your acceptance as contained in the FAA will be rejected.*

2. SCRIP HOLDERS

2.1 ***Shareholders whose Offer Shares are not deposited with CDP.*** *As at the Latest Practicable Date, based on information available to the Offeror, there are no Shareholders holding Offer Shares which are not deposited with CDP. If you hold Offer Shares which are not deposited with CDP ("**in scrip form**") after the Latest Practicable Date, you may obtain a copy of the FAT, upon production of satisfactory evidence that you are a Shareholder, from the Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 (before 31 January 2022) or 1 Harbourfront Avenue #14-07 Keppel Bay Tower, Singapore 098632 (on or after 31 January 2022).*

Acceptance. *If you wish to accept the Offer, you should:*

(a) *complete the FAT in accordance with the provisions and instructions in this Offer Document and those printed on the FAT (which provisions and instructions shall be deemed to form part of the terms and conditions of the Offer). In particular, you must state in Part A of the FAT the number of Offer Shares in respect of which you wish to accept the Offer. If you:*

(i) *do not specify any number in the FAT; or*

(ii) *specify a number which exceeds the number of Offer Shares represented by the attached share certificate(s) accompanying the FAT,*

you shall be deemed to have accepted the Offer in respect of all the Offer Shares represented by the share certificate(s) accompanying the FAT;

(b) *sign the FAT in accordance with this Appendix 2 and the instructions printed on the FAT; and*

(c) *deliver:*

(i) *the duly completed and signed FAT in its entirety (no part may be detached or otherwise mutilated);*

(ii) *the share certificate(s), other document(s) of title and/or other relevant document(s) required by the Offeror relating to the Offer Shares in respect of which you wish to accept the Offer. If you are recorded in the Register as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the Constitution of the Company and then deliver such share certificate(s) in accordance with the procedures set out in this Offer Document and the FAT;*

(iii) *where such Offer Shares are not registered in your name, a transfer form, duly completed and executed by the person in whose name such share certificate(s) is/are registered and stamped, with the particulars of transferee left blank (to be completed by the Offeror or a person authorised by it); and*

(iv) *any other relevant document(s),*

either:

(A) ***by hand****, to Nordic Flow Control Pte. Ltd. c/o Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 (if delivered before 31 January 2022) or 1 Harbourfront Avenue #1407 Keppel Bay Tower, Singapore 098632 (if delivered on or after 31 January 2022); or*

(B) ***by post****, in the enclosed pre-addressed envelope at your own risk, to Nordic Flow Control Pte. Ltd. c/o Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623,*

in either case so as to arrive not later than 5.30 p.m. on the Closing Date*. If the duly completed and signed FAT is delivered by post to the Offeror, please use the enclosed pre-addressed envelope, which is pre-paid for posting in Singapore only. It is your responsibility to affix adequate postage on the said envelope if posting outside of Singapore.*

2.2 ***Receipt.*** *No acknowledgement of receipt of any FAT, share certificate(s), other document(s) of title, transfer form(s) or any other accompanying document(s) will be given by the Offeror, Phillip Securities or the Registrar.*

2.3 ***Return of Offer Shares.*** *In the event the Offer does not become or is not declared to be unconditional in all respects in accordance with its terms by the Closing Date, the FAT, share certificate(s) and/or any other accompanying document(s) will be returned to you as soon as possible but in any event within 14 days from the lapse or withdrawal of the Offer.*

3. GENERAL

3.1 ***Disclaimer.*** *The Offeror, Phillip Securities, CDP and/or the Registrar will be entitled, at their sole and absolute discretion, to reject or treat as valid any acceptance of the Offer through the FAA and/or the FAT, as the case may be, which is not entirely in order or which does not comply with the terms of this Offer Document and the relevant Acceptance Forms or which is otherwise incomplete, incorrect, unsigned, signed but not in its originality, or invalid in any respect. If you wish to accept the Offer, it is your responsibility to ensure that the relevant Acceptance Forms are properly completed and executed in all respects and are submitted with original signature(s) and that all required documents (where applicable) are provided. Any decision to reject or treat as valid any acceptance will be final and binding and none of the Offeror (or, for the avoidance of doubt, any of the Offeror's related corporations), Phillip Securities, CDP and/or the Registrar accepts any responsibility or liability for such a decision, including the consequences of such a decision.*

3.2 ***Discretion.*** *The Offeror and Phillip Securities each reserves the right to treat acceptances of the Offer as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as stated in this Offer Document or in the relevant Acceptance Forms, or if made otherwise than in accordance with the provisions of this Offer Document and the instructions in the relevant Acceptance Forms. Any decision to reject or treat as valid any acceptance will be final and binding and none of the Offeror (or, for the avoidance of doubt, any of the Offeror's related corporations), Phillip Securities, CDP and/or the Registrar accepts any responsibility or liability for such a decision, including the consequences of such a decision.*

3.3 ***Scrip and Scripless Offer Shares.*** *If you hold some Offer Shares in scrip form and others with CDP, you should complete a FAT for the former and a FAA for the latter in accordance with the respective procedures set out in this Appendix 2 and the relevant Acceptance Forms if you wish to accept the Offer in respect of all such Offer Shares.*

3.4 ***Acceptances Received on Saturday, Sunday or Public Holiday.*** *Acceptances in the form of the FAA (by post or in electronic form) and/or the FAT received by CDP and/or the Registrar, for and on behalf of the Offeror, on a Saturday, Sunday or public holiday in Singapore will only be processed and validated on the next Business Day.*

3.5 ***Deposit Time.*** *If you hold Offer Shares in scrip form, the Offer Shares may not be credited into your Securities Account with CDP in time for you to accept the Offer by way of the FAA if you were to deposit your share certificate(s) with CDP after the*

Despatch Date. If you wish to accept the Offer in respect of such Offer Shares held in scrip form, you should complete the FAT and follow the procedures set out in Paragraph 2 (Scrip Holders) of this Appendix 2 and the FAT.

3.6 ***Correspondences.*** *All communications, certificates, notices, documents and remittances to be delivered or sent to you (or, in the case of scrip holders, your designated agent or, in the case of accepting joint Shareholders who have not designated any agent, to the one first named in the records of CDP or the Register, as the case may be) will be sent by ordinary post to your mailing address appearing in the records of CDP or the Register, as the case may be, at the risk of the person(s) entitled thereto (or for the purposes of remittances only, to such different name and address as may be specified by you in the FAA and/or the FAT, as the case may be, at your own risk).*

3.7 ***Evidence of Title.*** *Delivery of the duly completed and signed FAA and/or FAT, as the case may be, together with the relevant share certificate(s) and/or other documents of title (where applicable) and/or other relevant documents required by the Offeror, CDP and/or the Registrar, to the Offeror, CDP and/or the Registrar, as the case may be, shall be conclusive evidence in favour of the Offeror (or its nominee), CDP and/or the Registrar, as the case may be, of the right and title of the person(s) signing it to deal with the same and with the Offer Shares to which it relates.*

3.8 ***Loss in Transmission.*** *The Offeror, Phillip Securities, CDP and/or the Registrar, as the case may be, shall not be liable for any loss in transmission of the FAA and/or the FAT.*

3.9 ***Acceptance Irrevocable.*** *Except as expressly provided in this Offer Document and the Code, the acceptance of the Offer made by you using the FAA and/or the FAT, as the case may be, shall be irrevocable and any instructions or subsequent FAA(s) and/or FAT(s) received by CDP and/or the Registrar, as the case may be, after the FAA and/or the FAT, as the case may be, has been received shall be disregarded.*

3.10 ***Personal Data Privacy.*** *By completing and delivering the FAA and/or the FAT, each person:*

(a) *consents to the collection, use and disclosure of his personal data by the Registrar, CDP, the SGX-ST, the Offeror, Phillip Securities and the Company (the "**Relevant Persons**") for the purpose of facilitating his acceptance of the Offer, and in order for the Relevant Persons to comply with any applicable laws, listing rules, regulations and/or guidelines;*

(b) *warrants that where he discloses the personal data of another person, such disclosure is in compliance with applicable laws, listing rules, regulations and/or guidelines; and*

(c) *agrees that he will indemnify the Relevant Persons in respect of any penalties, liabilities, claims, demands, losses and damages as a result of his breach of warranty.*

2.5 CLOSING DATE

The Offer Document states that the Offer will remain open for acceptance by the Shareholders for at least 28 days after the date of despatch of the Offer Document, unless the Offer is withdrawn with the consent of the SIC in which event every person shall be released from any obligation incurred thereunder.

On 24 January 2022, as the Offer was declared unconditional in all respects, in accordance with Rule 22.6 of the Code, the Offer must remain open for acceptance for not less than 14 days after the date on which the Offer would otherwise have closed. Accordingly, the Closing Date of the Offer was extended from 5.30 p.m. (Singapore time) on 21 February 2022 to 5.30 p.m. (Singapore time) on 7 March 2022 (or such later date(s) as may be announced from time to time, by or on behalf of the Offeror).

The Offer will therefore close at 5.30 p.m. (Singapore time) on 7 March 2022, or such later date(s) as may be announced from time to time, by or on behalf of the Offeror).

3. INFORMATION ON THE OFFEROR AND NGL

3.1 THE OFFEROR AND NGL

Section 6 of the Offer Document sets out certain information on the Offeror and NGL, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

> ***6.*** **INFORMATION ON THE OFFEROR AND NGL**
>
> *6.1* ***The Offeror***
>
> *The Offeror is a company incorporated in Singapore on 13 November 1998 and is a direct wholly-owned subsidiary of NGL. Its principal activities comprise integration, assembly, trading, importing and exporting of hydraulic systems and marine components.*
>
> *As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S$1,350,000 comprising 1,350,000 ordinary shares.*
>
> *The directors of the Offeror are Mr Chang Yeh Hong, Ms Teo Ling Ling and Mr Lin Choon Hin.*
>
> *6.2* ***NGL***
>
> *NGL is a company incorporated in Singapore and is listed on the Main Board of the SGX-ST. Its principal activities are those of an investment holding company and providing management and administrative support to its subsidiaries. The Nordic Group is a diversified group of companies providing solutions in areas of automation and systems integration; maintenance, repair, overhaul and trading; precision engineering; scaffolding; insulation services; petrochemical and environmental engineering services; and cleanroom, air and water engineering services.*
>
> *As at the Latest Practicable Date, NGL has an issued and paid-up share capital of approximately S$22,438,597 comprising 400,000,000 ordinary shares, of which 12,000,000 are held as treasury shares.*

As at the Latest Practicable Date, the directors of NGL are as follows:

(a) Mr Chang Yeh Hong (Executive Chairman);

(b) Ms Teo Ling Ling (Executive Director);

(c) Ms Lee Kim Lian Juliana (Independent Director);

(d) Mr Lee Kok Keng Andrew (Independent Director); and

(e) Mr Siau Kai Bing (Independent Director).

6.3 ***Additional Information***

Additional information on the Offeror and NGL is set out in Appendix 3 and Appendix 4, respectively, to this Offer Document.

3.2 FURTHER INFORMATION

Additional information on the Offeror and NGL extracted from Appendix 3 and Appendix 4 respectively to the Offer Document is set out in Appendix 3 to this Circular.

4. IRREVOCABLE UNDERTAKING

4.1 IRREVOCABLE UNDERTAKING TO ACCEPT THE OFFER

Section 8 of the Offer Document sets out certain information relating to the Irrevocable Undertaking received by the Offeror, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

***8.* IRREVOCABLE UNDERTAKINGS**

8.1 ***Irrevocable Undertakings***

As at the Latest Practicable Date, the Offeror had received the Irrevocable Undertakings from the Undertaking Shareholders, pursuant to which each of them had, amongst other things, unconditionally and irrevocably undertaken to the Offeror to accept, or procure the acceptance of, the Offer in respect of all the Shares held by him, whether directly or indirectly, as at the date of the Irrevocable Undertakings, as well as any further Shares which he may acquire after such date.

The names of the Undertaking Shareholders and the number of Shares owned by them as at the Latest Practicable Date are as follows:–

No.	***Name of Undertaking Shareholder***	***No. of Shares which are the subject of the Irrevocable Undertaking***	***Percentage of issued Shares (%)[(1)]***
1.	*Edward Lim Chin Wah[(2)]*	*88,931,900*	*35.8%*
2.	*Yap Tin Foo[(2)]*	*84,099,500*	*33.9%*
	Total	***173,031,400***	***69.7%***

Notes:

(1) Based on a total number of 248,300,050 Shares (excluding 11,189,500 Shares held in treasury) as at the Latest Practicable Date.

(2) Each of Mr Edward Lim Chin Wah and Mr Yap Tin Foo is a director of the Company as at the Latest Practicable Date.

8.2 ***Termination of Irrevocable Undertakings***

Each of the Irrevocable Undertakings shall lapse and cease to have any effect on the date on which the Offer lapses or is withdrawn without having become unconditional in all respects in accordance with its terms, for any reason other than a breach of the obligations of the Undertaking Shareholders under the Irrevocable Undertakings.

8.3 ***No Other Undertakings***

Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any of its Concert Parties has received any other undertakings from any other party to accept or reject the Offer.

5. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS RELATING TO THE COMPANY

The full text of the rationale for the Offer and the Offeror's intentions for the Company has been extracted from Section 9 of the Offer Document, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extracts below carefully and note the Offeror's future plans for the Company.**

9. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS RELATING TO THE COMPANY

9.1 ***Rationale for the Offer***

(a) Business Synergy

The Nordic Group believes that the business and operations of the Starburst Group are a strategic fit and will provide synergistic benefits to the business and operations of the Nordic Group. Some of the synergistic benefits are as follows:

(i) the engineering competencies, know-how and resources of the Nordic Group and the Starburst Group are complementary, and may be transferred and assimilated to build economies of scale and cost efficiencies and enhance overall productivity;

(ii) the acquisition of the Starburst Group will add civil and mechanical form structure products and services to the Nordic Group's existing suite of products and services;

(iii) the acquisition of the Starburst Group will increase the Nordic Group's current market and client base by adding new clients and new sectors and allowing the Nordic Group to tap on the Starburst Group's client network in Southeast Asia and the Middle East; and

(iv) there is strong potential for cross-selling of the Nordic Group's mechanical, electrical and instrumentation, insulation and scaffolding services to the clients of the Starburst Group.

(b) Potential for Continued Growth

The Nordic Group sees potential for continued growth in the businesses of the Starburst Group. The Starburst Group is one of the few players operating primarily in Southeast Asia and the Middle East that provides design, fabrication and installation of anti-ricochet ballistic protection systems for shooting ranges and tactical training mockups for law enforcement, military and security agencies.

(c) Opportunity for Shareholders to Realise their Investments in the Shares

The Offer Price represents a premium of approximately 4.16%, 9.07%, 12.53% and 25.46% over the VWAP per Share for the one-month, three-month, six-month and 12-month periods up to and including the Last Trading Day.

The Offer Price therefore presents Shareholders with a clean cash exit opportunity to realise their entire investment in the Shares at a premium over the historical market prices of the Shares (before the Last Trading Day) without incurring brokerage and other trading costs.

(d) Low Trading Liquidity

The trading volume of the Shares has been low, with an average daily trading volume of approximately 223,546 Shares, 114,686 Shares, 90,477 Shares and 229,630 Shares during the one-month period, three-month period, six-month period and 12-month period up to and including the Last Trading Day. These represent only 0.09%, 0.05%, 0.04% and 0.09% of the total number of issued Shares (excluding Shares held in treasury) for the aforementioned relevant periods, respectively.

The Offer therefore provides Shareholders with an opportunity to realise their entire investment in the Shares at a premium over the historical market prices (before the Last Trading Day) which may not otherwise be readily available to Shareholders given the low historical trading liquidity of the Shares.

(e) Costs of Maintaining Listing Status

In maintaining its listed status, the Company incurs compliance and associated costs relating to continuing listing requirements. The Offeror intends to make the Offer with a view to delisting and privatising the Company. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses and costs relating to the maintenance of a listed status and channel such resources to its business operations.

9.2 ***The Offeror's Intentions in relation to the Company***

Upon completion of the Offer, the Offeror may undertake a strategic and operational review of the Company and its subsidiaries with a view to realising synergies, scale, cost efficiencies and growth potential. The Offeror will also consider delisting the Company from the SGX-ST in the event it achieves the requisite acceptances for such delisting, in order to facilitate management and operational control and leverage over the Company and its subsequent developments.

The Offeror presently has no intention to introduce any major changes to the business of the Company, or to discontinue the employment of any of the existing employees of the Starburst Group or redeploy any of the fixed assets of the Company, other than in the ordinary course of business. The Offeror, however, retains the flexibility at any time to consider options or opportunities which may present themselves and which it regards to be in the interests of the Offeror and/or the Company.

The Offeror presently has no intention to make any changes to the board of directors or key management of the Company, other than in the ordinary course of business or seeking representation on the board of directors and/or key management of the Starburst Group.

6. OFFER DECLARED UNCONDITIONAL, EXERCISE OF COMPULSORY ACQUISITION AND LISTING STATUS

Pursuant to the Unconditional Announcements, the Offer was declared unconditional in all respects on 24 January 2022.

As at 6.00 p.m. (Singapore time) on the Latest Practicable Date, the total number of valid acceptances of the Offer amounted to an aggregate of 204,010,765 Shares, representing approximately 82.2% of the 248,300,050 Shares (excluding 11,189,500 Shares held in treasury) of the Company.

Pursuant to Rule 22.6 of the Code, as the Offer has become unconditional as to acceptances, the Offer will remain open for acceptance for not less than 14 days after the date on which the Offer would otherwise have closed. Accordingly, the Offer will remain open for acceptance until 5.30 p.m. (Singapore time) on 7 March 2022 (or such later date(s) as may be announced from time to time, by or on behalf of the Offeror).

Section 10 of the Offer Document sets out the intentions of the Offeror relating to the listing status of the Company and compulsory acquisition, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extract below carefully.**

> ***10. COMPULSORY ACQUISITION AND LISTING STATUS***
>
> *10.1* ***Compulsory Acquisition***
>
> *Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires the Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**"), at a price equal to the Offer Price.*
>
> ***In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.***
>
> *Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at a price equal to the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding Shares held in treasury). Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.*
>
> *10.2* ***Listing Status***
>
> *Pursuant to Rule 1104 of the Catalist Rules, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and parties acting in concert with it to above 90% of the total*

number of issued Shares (excluding Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time it is satisfied that at least 10% of the total number of issued Shares (excluding Shares held in treasury) are held by at least 200 Shareholders who are members of the public. Rule 1303(1) of the Catalist Rules provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

In addition, under Rule 724(1) of the Catalist Rules, if the percentage of the total number of issued Shares (excluding Shares held in treasury) held in public hands falls below 10%, the Company must, as soon as practicable, notify its sponsor of that fact and announce that fact, and the SGX-ST may suspend the trading of the Shares. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

10.3 ***The Offeror's Intention***

As mentioned above, subject to achieving the requisite acceptances, the Offeror will consider delisting the Company from the SGX-ST. Consistent therewith, the Offeror, when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total number of issued Shares (excluding Shares held in treasury) are held in public hands. The Offeror further reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Catalist Rules.

Shareholders and investors are to note that where the Offeror decides not to maintain the listing status of the Company on the SGX-ST after the Company loses its public float, the SGX-ST may consider whether to grant a waiver of compliance imposed on a voluntary delisting under Rule 1307 of the Catalist Rules.

If the waiver is not granted and the Company wishes to undertake a voluntary delisting, it will need to do so in accordance with Rule 1307 of the Catalist Rules. In the event the Company is unable to meet the conditions for a voluntary delisting, the Company will be obliged to comply with the Catalist Rules, including the requirement to restore its public float (through private placement or otherwise).

Shareholders and investors should note there is the risk that the Company may be subject to prolonged suspension should the free float be lost but the requisite conditions for a delisting are not met.

7. FINANCIAL ASPECTS OF THE OFFER

Section 11 of the Offer Document sets out certain information on the financial aspects of the Offer, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

11. FINANCIAL ASPECTS OF THE OFFER

The Offer Price represents:

(a) a premium of approximately 5.78% over S$0.2250, being the last transacted price of the Shares on the SGX-ST on the Last Trading Day;

(b) a premium of approximately 4.16% over S$0.2285, being the VWAP of the Shares on the SGX-ST over the one-month period prior to and including the Last Trading Day;

(c) a premium of approximately 9.07% over S$0.2182, being the VWAP of the Shares on the SGX-ST over the three-month period prior to and including the Last Trading Day;

(d) a premium of approximately 12.53% over S$0.2115, being the VWAP of the Shares on the SGX-ST over the six-month period prior to and including the Last Trading Day; and

(e) a premium of approximately 25.46% over S$0.1897, being the VWAP of the Shares on the SGX-ST over the 12-month period prior to and including the Last Trading Day.

Note:

The figures set out above in relation to the last transacted price of the Shares on the Last Trading Date and the VWAP of the Shares are based on data extracted from Bloomberg L.P..

8. DISCLOSURES

Section 13 of the Offer Document sets out certain information relating to the disclosure of shareholdings and dealings, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

13. DISCLOSURE OF HOLDINGS AND DEALINGS

13.1 ***No Holdings and Dealings***

As at the Latest Practicable Date, based on responses received pursuant to enquiries that the Offeror has made, none of the Offeror and its Concert Parties:

*(a) owns, controls or has agreed to acquire any (i) Shares, (ii) securities which carry voting rights in the Company, or (iii) convertible securities, warrants, options or derivatives in respect of the Shares or securities which carry voting rights in the Company (collectively, the "**Company Securities**"); and*

(b) has dealt for value in any Company Securities during the Reference Period.

13.2 ***Other Arrangements***

Save as disclosed in this Offer Document, as at the Latest Practicable Date and based on responses received pursuant to enquiries that the Offeror has made, none of the Offeror and its Concert Parties has:

(a) entered into any arrangement (whether by way of option, indemnity or otherwise) in relation to the Company Securities which might be material to the Offer, other than the Irrevocable Undertakings;

(b) granted any security interest relating to any Company Securities to another person, whether through a charge, pledge or otherwise;

(c) borrowed any Company Securities from another person (excluding borrowed Company Securities which have been on-lent or sold); or

(d) lent any Company Securities to another person.

9. CONFIRMATION OF FINANCIAL RESOURCES

Section 12 of the Offer Document sets out certain information on the confirmation of financial resources, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

12. CONFIRMATION OF FINANCIAL RESOURCES

Phillip Securities, as financial adviser to the Offeror in relation to the Offer, has confirmed that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer by the holders of the Offer Shares at the Offer Price.

10. DIRECTORS' INTERESTS

Details of the Directors including, *inter alia*, the Directors' direct and deemed interests in the Shares and the Offeror Securities as at the Latest Practicable Date are set out in Appendix 2 to this Circular.

11. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER

11.1 INDEPENDENCE OF DIRECTORS

Mr Edward Lim Chin Wah and Mr Yap Tin Foo have provided irrevocable undertakings ("**Irrevocable Undertakings**") to the Offeror pursuant to which each of them has, amongst other things, unconditionally and irrevocably undertaken to the Offeror to accept, or procure the acceptance of, the Offer in respect of all the Shares held by him, whether directly or indirectly, as at the date of the Irrevocable Undertakings, as well as any further Shares which he may acquire after such date. As at the date of the Irrevocable Undertakings, Mr Edward Lim Chin Wah and Mr Yap Tin Foo hold 35.8% and 33.9% of the Company respectively. Mr Edward Lim Chin Wah also holds 35,000 shares in NGL. Notwithstanding this, neither Mr Edward Lim Chin Wah nor Mr Yap Tin Foo are of the view that they face irreconcilable conflicts of interest in making a recommendation on the Offer to Shareholders.

None of Mr Edward Lim Chin Wah and Mr Yap Tin Foo has entered into any agreement to become a director, employee or nominee of the Offeror or a person acting in concert with it.

Accordingly, all the Directors (including Mr Edward Lim Chin Wah and Mr Yap Tin Foo) are considered Independent Directors, and will be making a recommendation to Shareholders in relation to the Offer.

11.2 LEGAL ADVISORS

For the purpose of this Circular, Bird & Bird ATMD LLP has been appointed as the legal advisors to the Company as to Singapore law in relation to the Offer.

11.3 THE INDEPENDENT FINANCIAL ADVISER AND THE IFA LETTER

RHT Capital Pte. Ltd. has been appointed as the independent financial adviser to the Independent Directors in respect of the Offer.

Shareholders should read and consider carefully the advice of the IFA to the Independent Directors in respect of the Offer as set out in the IFA Letter and the recommendation of the Independent Directors in their entirety before deciding whether to accept or reject the Offer. The IFA Letter is reproduced in Appendix 1 to this Circular.

11.4 ADVICE OF THE IFA TO THE INDEPENDENT DIRECTORS ON THE OFFER

Based on the IFA's evaluation and assessment of the financial terms of the Offer, the IFA has made its recommendation in respect of the Offer as set out in Section 9 of the IFA Letter and reproduced in italics below. The opinion and advice set out below should be considered and read by Shareholders in conjunction with, and in the context of, the full text of the IFA Letter.

Shareholders should read the following extract in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the IFA Letter.

9. OPINION

In arriving at our opinion on the financial terms of the Offer, we have taken into consideration, inter alia, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter:

(a) Market quotation and trading liquidity of the Shares;

(i) The Offer Price represents a premium of approximately 4.4% over the VWAP of the Shares of S$0.228 on 9 November 2021, being the day when the Shares were last traded prior to the release of the Offer Announcement.

(ii) The Offer Price represents a premium of approximately 3.9% and 9.2% above the VWAP of the Shares for 1-month and 3-month periods prior to the release of the Offer Announcement respectively.

(iii) The Offer Price represents a premium of approximately 12.8% and 25.3% above the VWAP of the Shares for 6-month and 1-year periods prior to the release of the Offer Announcement respectively.

(iv) Over the 1-year period prior to the release of the Offer Announcement, the Shares have traded between a low of S$0.120 and a high of S$0.430. The Offer Price represents a premium of S$0.118 (or 98.3%) above the lowest transacted price and a discount of S$0.192 (or 44.7%) to the highest transacted price of the Shares. The share price had declined from S$0.43 on 10 November 2020 to S$0.12 on 16 November 2020 and was on a general uptrend thereafter.

(v) The Offer Price represents a premium of approximately 2.1% over the VWAP of the Shares of S$0.233 for the period after the release of the Offer Announcement to the Latest Practicable Date.

(vi) For the period from the release of the Offer Announcement Date to the Latest Practicable Date, the Shares have traded between a low of S$0.230 and a high of S$0.240. The Offer Price represents a discount of S$0.002 (or 0.8%) to the highest transacted price of the Shares. The Shares have traded above the Offer Price on 17 out of 50 market days from the Offer Announcement Date to the Latest Practicable Date.

(vii) The Shares were closed below the Offer Price at S$0.235 on 31 January 2022, being the Latest Practicable Date.

(viii) Over the 1-year period prior to the release of the Offer Announcement, the Shares were traded on 239 days out of a total of 261 market days. The average daily trading volume of the Shares for the 1-month, 3-month, 6-month, and 12-month periods up to and including the day prior the release of the Offer Announcement represent 1.30%, 0.70%, 0.57% and 1.57% of the free float of the Shares respectively.

(ix) During the period following the release of the Offer Announcement up to the Latest Practicable Date, the average daily trading volume on the Shares was approximately 509,000 Shares, representing 0.68% of the free float of the Shares.

(b) Historical financial performance, position and cash flows of the Group;

(i) The revenue of the Group increased by 29.3% from FY2018 to FY2019, increased by 135.5% from FY2019 to FY2020 and increased by 110.9% from HY2020 to HY2021. The Group's net loss decreased by 43.8% from FY2018 to FY2019, recorded a profit of S$9.1 million in FY2020 and recorded a profit of S$7.4 million in HY2021.

(ii) As at 30 June 2021, the Group recorded a NAV of S$37.1 million, based on the 248,300,050 number of Shares as at the Latest Practicable Date, the NAV per Share is S$0.149. The Offer Price represents a premium of 59.7% to the unaudited NAV per Share of the Group as at 30 June 2021.

(iii) The Group recorded (i) a net cash inflow from operating activities of S$0.3 million and S$6.0 million in FY2018 and HY2021 respectively and a net cash outflow from operating activities of S$1.4 million and S$0.3 million in FY2019 and FY2020 respectively; (ii) a net cash inflow from investing activities of S$2.6 million in FY2018 and a net cash outflow from investing activities of S$0.02 million, S$0.3 million and S$0.3 million in FY2019, FY2020 and HY2021 respectively; and (iii) a net cash outflow from financing

activities of S$3.2 million, $1.6 million and S$5.4 million in FY2018, FY2019 and HY2021 respectively and a net cash inflow from financing activities of S$5.4 million in FY2020.

(iv) In terms of the Group's financial performance, in the most recent completed financial year as well as the latest half year, the financial performance of the Group has been strong and resilient, in light due to the numerous contract wins, notwithstanding the general weakness in the economy as well as the impact of Covid-19, coming from losses incurred in the previous two financial years. In terms of cash flows, as a result of its strong financial performance in the most recent completed financial year as well as the latest half year, the Group's cash flows are healthy, generating positive cash in flows.

(v) The business is cyclical in nature, with swings in revenue and alternating profit and loss in the last eight years since the Listing.

(c) RNAV of the Group;

The Offer Price of S$0.238 per Share represents a premium of 84.5% to the P/RNAV per Share of S$0.129 and values the Group at a P/RNAV ratio of 1.84 times as at 30 June 2021.

(d) Comparison with the valuation ratios of selected companies which are broadly comparable to the Group;

(i) The PE ratio of the Group of 4.1 times implied by the Offer Price is below the mean and median PE ratios of the SGX-ST Companies of 13.9 times and 12.4 times respectively.

(ii) The P/NAV ratio of the Group of 1.59 times is above the mean and the median P/NAV ratios of the SGX-ST Companies of 0.57 times and 0.52 times respectively.

(iii) The P/RNAV ratio of the Group of 1.84 times is above the mean and the median P/RNAV ratios of the SGX-ST Companies of 0.57 times and 0.52 times respectively.

(iv) The EV/EBITDA ratio of the Group of 4.2 times is above the mean and median EV/EBITDA ratios of the SGX-ST Companies of 3.4 times and 3.1 times respectively.

(e) Comparison with Privatisation Transactions

(i) The premia implied by the Offer Price of 4.4% over the last transacted price of the Shares prior to the Offer Announcement Date is below the range of the corresponding premia of the Privatisation Transactions.

(ii) The premia implied by the Offer Price of 3.9% over the VWAPs for the 1-month is below the range of the corresponding premia of the Privatisation Transactions and the premia implied by the Offer Price of 9.2% over the VWAPs for the 3-month period prior to the Offer Announcement Date is within the range but below the mean and median of the corresponding premia of the Privatisation Transactions.

(iii) *The premia implied by the Offer Price of 12.8% to the VWAPs for the 6-month period prior to the Offer Announcement Date is below the range of the corresponding premia of the Privatisation Transactions.*

(iv) *The P/NAV ratio of the Group of 1.59 times as implied by the Offer Price is within the range of P/NAV or P/RNAV ratios of the Privatisation Transactions and above the mean and median P/NAV or P/RNAV ratios of the Privatisation Transactions.*

(v) *The P/RNAV ratio of the Group of 1.84 times as implied by the Offer Price is within the range of P/NAV or P/RNAV ratios of the Privatisation Transactions and above the mean and median P/NAV or P/RNAV ratios of the Privatisation Transactions.*

(f) *Dividend track record of the Company;*

(g) *Other relevant considerations:*

(i) *Likelihood of competing offers;*

(ii) *Offeror's intention for the Company;*

(iii) *Outlook of the Group; and*

(iv) *Release of the FY2021 Result Announcement vis-à-vis* the Close of Offer.

Having considered the various factors set out in the earlier sections of this Letter and summarised below, we are of the opinion that the financial terms of the Offer are not fair and not reasonable.

We consider the financial terms of the Offer to be NOT FAIR, after taking into consideration the following factors:

(a) *In terms of the Group's financial performance, in the most recent completed financial year as well as the latest half year, the financial performance of the Group has been strong and resilient, in light due to the numerous contract wins, notwithstanding the general weakness in the economy as well as the impact of Covid-19, coming from losses incurred in the previous two financial years. In terms of cash flows, as a result of its strong financial performance in the most recent completed financial year as well as the latest half year, the Group's cash flows are healthy, generating positive cash in flows.*

(b) *The PE ratio of the Group of 4.1 times implied by the Offer Price is below the mean and median PE ratios of the SGX-ST Companies of 13.9 times and 12.4 times respectively.*

In terms of the reasonableness of the financial terms of the Offer, notwithstanding:

(a) *The business is cyclical in nature, with swings in revenue and alternating profit and loss in the last eight years since the Listing.*

(b) *The P/NAV ratio of the Group of 1.59 times is above the mean and the median P/NAV ratios of the SGX-ST Companies of 0.57 times and 0.52 times respectively.*

(c) *The P/RNAV ratio of the Group of 1.84 times is above the mean and the median P/RNAV ratios of the SGX-ST Companies of 0.57 times and 0.52 times respectively.*

(d) *The EV/EBITDA ratio of the Group of 4.2 times is above the mean and median EV/EBITDA ratios of the SGX-ST Companies of 3.4 times and 3.1 times respectively.*

(e) *The P/NAV ratio of the Group of 1.59 times as implied by the Offer Price is within the range of P/NAV or P/RNAV ratios of the Privatisation Transactions and above the mean and median P/NAV or P/RNAV ratios of the Privatisation Transactions.*

(f) *The P/RNAV ratio of the Group of 1.84 times as implied by the Offer Price is within the range of P/NAV or P/RNAV ratios of the Privatisation Transactions and above the mean and median P/NAV or P/RNAV ratios of the Privatisation Transactions.*

(g) *As per the Company's understanding, the Offeror and its concert parties own approximately 82.2% of the total number of Shares. The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer or proposal from any third party has been received. We also note that there is no publicly available evidence of any alternative offer for the Offer Shares from any third party. Based on the above, given that the Offeror has already achieved statutory control of the Company, the likelihood of competing offers is low.*

We consider the financial terms of the Offer to be NOT REASONABLE, after taking into consideration the following factors:

(a) *As at 30 June 2021, the Group has a current ratio is 4.5 times which implies that the Group has sufficient current assets to cover the current liabilities.*

(b) *The premia implied by the Offer Price of 4.4% over the last transacted price of the Shares prior to the Offer Announcement Date is below the range of the corresponding premia of the Privatisation Transactions.*

(c) *The premia implied by the Offer Price of 3.9% over the VWAPs for the 1-month is below the range of the corresponding premia of the Privatisation Transactions and the premia implied by the Offer Price of 9.2% over the VWAPs for the 3-month period prior to the Offer Announcement Date is within the range but below the mean and median of the corresponding premia of the Privatisation Transactions.*

(d) *The premia implied by the Offer Price of 12.8% to the VWAPs for the 6-month period prior to the Offer Announcement Date is below the range of the corresponding premia of the Privatisation Transactions.*

(e) *The Company has consistently been paying dividends to its Shareholders in the last six financial years with the total annual dividend per Share between S$0.0025 and S$0.01 and dividend yield ranging from approximately 0.6% and 3.0% per annum.*

(f) *The Company's view on the industry it is operating, as set out in paragraph 8.7.3 of this Letter.*

Accordingly, we advise the Independent Directors to recommend that Shareholders REJECT the Offer. Considering the illiquidity of the Shares in the one year period prior to the Offer Announcement Date, should Shareholders wish to realise their investments in the Company, they can choose to sell their Shares in the open market at a price equivalent to or higher than the Offer Price (after deducting transaction costs).

As set out in the Offer Document, Shareholders should also take note that in the event the percentage of Shares held in public hands falls below 10.0% and the SGX-ST suspends trading of the Shares, the Offeror reserves the right to re-evaluate its position, taking into account, amongst other things, the level of acceptances received by the Offeror and the prevailing market conditions at the relevant time. Accordingly, there is no assurance that the Offeror will take steps to preserve the listing status of the Company on the SGX-ST if the public float of the Company is less than 10.0%.

Shareholders may also wish to consider taking into consideration the release of the FY2021 result announcement which will take place before the close of the Offer.

11.5 RECOMMENDATION OF THE INDEPENDENT DIRECTORS

The Independent Directors (other than Mr Edward Lim Chin Wah and Mr Yap Tin Foo), having considered carefully the terms of the Offer and the opinion and advice given by the IFA to the Independent Directors in the IFA Letter, **concur** with the advice of the IFA in respect of the Offer. Accordingly, the Independent Directors (other than Mr Edward Lim Chin Wah and Mr Yap Tin Foo) recommend that Shareholders **REJECT** the Offer and to take no action and let the Offer lapse.

Notwithstanding the advice given by the IFA to the Independent Directors in the IFA Letter, Mr Edward Lim Chin Wah and Mr Yap Tin Foo, having considered carefully the terms of the Offer, **disagree** with the advice of the IFA for the Independent Directors to recommend that Shareholders reject the Offer as set out in Section 11.4 of this Circular and in the IFA Letter for the following reasons:

(i) the cyclical nature of the Group's business, with swings in revenue and alternating profit and loss in the last eight years since its listing on the Catalist Board of the SGX-ST;

(ii) as set out in the IFA Letter, the Offer Price represents a P/NAV ratio (as defined in the IFA Letter) of the Group of 1.59 times, which is above the mean and the median P/NAV ratios of the SGX-ST Companies (as defined in the IFA Letter) of 0.57 times and 0.52 times respectively;

(iii) as set out in the IFA Letter, the Offer Price represents a P/RNAV ratio (as defined in the IFA Letter) of the Group of 1.84 times is above the mean and the median P/RNAV ratios of the SGX-ST Companies (as defined in the IFA Letter) of 0.57 times and 0.52 times respectively;

(iv) as set out in the IFA Letter, the Offer Price represents an EV/EBITDA ratio (as defined in the IFA Letter) of the Group of 4.2 times is above the mean and median EV/EBITDA ratios of the SGX-ST Companies (as defined in the IFA Letter) of 3.4 times and 3.1 times respectively;

(v) as set out in the IFA Letter, the P/NAV ratio of the Group of 1.59 times as implied by the Offer Price is within the range of P/NAV or P/RNAV ratios of the Privatisation Transactions (as defined in the IFA Letter) and above the mean and median P/NAV or P/RNAV ratios of the Privatisation Transactions;

(vi) as set out in the IFA Letter, the P/RNAV ratio of the Group of 1.84 times as implied by the Offer Price is within the range of P/NAV or P/RNAV ratios of the Privatisation Transactions and above the mean and median P/NAV or P/RNAV ratios of the Privatisation Transactions; and

(vii) as at the Latest Practicable Date, the Offeror and its concert parties own approximately 82.2% of the total number of Shares. The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer or proposal from any third party has been received. There is no publicly available evidence of any alternative offer for the Offer Shares from any third party. Given that the Offeror has already received acceptances for more than 50 percent of the entire shareholdings of the Company, the likelihood of competing offers is low.

Accordingly, Mr Edward Lim Chin Wah and Mr Yap Tin Foo recommend that Shareholders **ACCEPT** the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, taking into account all the brokerage commissions or transactions costs in connection with open market transactions.

Shareholders are advised to read the terms and conditions of the Offer Document carefully. Shareholders are advised to read and consider carefully the recommendation of the Independent Directors and the IFA Letter set out in Appendix 1 to this Circular and other relevant information set out in this Circular before deciding whether to accept or reject the Offer. Shareholders should note that the IFA's advice to the Independent Directors in respect of the Offer should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept or reject the Offer.

Shareholders should note that there is no assurance that the market prices and trading volume of the Shares will be maintained at current levels prevailing as at the Latest Practicable Date after the close of the Offer, and that trading of the Shares is subject to, *inter alia*, the performance and prospects of the Company, prevailing economic conditions, economic outlook and stock market conditions and sentiments. Accordingly, the advice by the IFA to the Independent Directors in respect of the Offer does not and cannot take into account the future trading activities or patterns or price levels that may be established beyond the Latest Practicable Date.

In preparing the above advice and giving the above recommendation, the IFA and the Independent Directors have not had regard to any general or specific investment objectives, financial situations, tax positions, risk profiles or particular needs and constraints or other particular circumstances of any individual Shareholder. **As each Shareholder would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require specific advice with regard to his Shares, should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other appropriate professional adviser immediately.**

12. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders may accept the Offer in respect of all or any part of their holdings of Shares. Shareholders who wish to accept the Offer must do so not later than **5.30 p.m. (Singapore time) on 7 March 2022**. There are different procedures for acceptance for Depositors whose Securities Accounts are or will be credited with Shares and for Shareholders who hold Shares which are not deposited with CDP. Shareholders who wish to accept the Offer should take note of the "Procedures for Acceptance of the Offer" set out in Appendix 2 to the Offer Document and in the accompanying FAA and/or FAT.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by the CDP (in respect of the FAA) or the Registrar (in respect of the FAT), as the case may be, not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document and the FAA and/or FAT which have been sent to them.

13. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

Section 15 of the Offer Document sets out information pertaining to CPFIS Investors and SRS Investors, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

15. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

15.1 ***CPFIS Investors***

CPFIS Investors will receive further information on how to accept the Offer from their respective CPFIS Agent Banks directly. CPFIS Investors are advised to consult their respective CPFIS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice.

CPFIS Investors who wish to accept the Offer are to reply to their respective CPFIS Agent Banks accordingly by the deadline stated in the letter from their respective CPFIS Agent Banks. Subject to the Offer becoming or being declared unconditional in accordance with its terms, CPFIS Investors who accept the Offer will receive the Offer Price payable in respect of their Offer Shares validly tendered in acceptance of the Offer, in their CPFIS investment accounts.

15.2 ***SRS Investors***

SRS Investors will receive further information on how to accept the Offer from their respective SRS Agent Banks directly. SRS Investors are advised to consult their respective SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, SRS Investors should seek independent professional advice.

SRS Investors who wish to accept the Offer are to reply to their respective SRS Agent Banks accordingly by the deadline stated in the letter from their respective SRS Agent Banks. Subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms, SRS Investors who accept the Offer will receive the Offer Price payable in respect of their Offer Shares validly tendered in acceptance of the Offer, in their SRS investment accounts.

14. OVERSEAS SHAREHOLDERS

Shareholders and Depositors holding Shares through CDP, whose addresses are outside Singapore as shown in the Register or in the Depository Register (as the case may be) (each, an "**Overseas Shareholder**") should refer to Section 14 of the Offer Document extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

14. **OVERSEAS SHAREHOLDERS**

14.1 ***Overseas Jurisdictions***

This Offer Document does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document in any jurisdiction in contravention of applicable law.

The release, publication or distribution of this Offer Document in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Offer Document is released, published or distributed should inform themselves about and observe such restrictions.

Copies of this Offer Document, the Notification and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of ***the Offer would violate the law of that jurisdiction ("Restricted Jurisdiction") and will not be*** *capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.*

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

14.2 ***Overseas Shareholders***

The availability of the Offer to Shareholders whose addresses are outside Singapore as shown in the register of members of the Company or in the records of CDP (as the case may be) ***(each, an "Overseas Shareholder") may be affected by the laws of the relevant overseas*** *jurisdictions in which they are located. Accordingly, Overseas Shareholders should inform themselves of, and observe, any applicable requirements.*

For the avoidance of doubt, the Offer will be open to all Shareholders holding Shares, including those to whom the Notification (containing the instructions for the electronic retrieval of the Offer Document and its related documents) and the relevant Acceptance Forms may not be sent.

It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant overseas jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholders shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror, its related corporations, Phillip Securities, CDP, the Registrar and any person acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholders for any such taxes, imposts, duties or other requisite payments as the Offeror, its related corporations, Phillip Securities, CDP, the Registrar and/or any person acting on their behalf may be required to pay. In accepting the Offer, each Overseas Shareholder represents and warrants to the Offeror and Phillip Securities that he is in full observance of the laws of the relevant jurisdiction in that connection and that he is in full compliance with all necessary formalities or legal requirements.

Any Overseas Shareholder who is in doubt about his position should consult his professional adviser in the relevant jurisdiction.

14.3 ***Copies of Notification and Acceptance Forms***

Where there are potential restrictions on sending the Notification (containing the instructions for the electronic retrieval of the Offer Document and its related documents) and the relevant Acceptance Forms to any overseas jurisdictions, the Offeror and Phillip Securities each reserves the right not to send these documents to Overseas Shareholders in such overseas jurisdictions. Subject to compliance with applicable laws, any affected Overseas Shareholder may, nonetheless, attend in person and obtain a copy of the Notification (containing the instructions for the electronic retrieval of the Offer Document and its related documents) and the relevant Acceptance Forms during normal business hours and up to the Closing Date, from the office of the Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 (before 31 January 2022) or 1 Harbourfront Avenue #14-07 Keppel Bay Tower, Singapore 098632 (on or after 31 January 2022). Alternatively, an Overseas Shareholder may, subject to compliance with applicable laws, write to the Registrar at the above-stated address to request that the Notification (containing the instructions for the electronic retrieval of the Offer Document and its related documents) and the relevant Acceptance Forms be sent to an address in Singapore by ordinary post at his own risk, up to five Market Days prior to the Closing Date.

14.4 ***Notice***

The Offeror and Phillip Securities each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published or circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement.

Due to potential restrictions on sending this Circular to overseas jurisdictions, this Circular has not been and will not be sent to any Overseas Shareholder who has not provided, and will not provide, the Company with an address within Singapore at which notices or documents may be served upon him. Any affected Overseas Shareholder may nonetheless (subject to compliance with applicable laws) download electronic copies of this Circular from the SGXNET announcement page of the Company at the following URL: https://www.sgx.com/securities/company-announcements?value=STARBURST%20HOLDINGS%20LIMITED&type=company&pagesize=20.

In downloading this Circular and any related documents, each of the Overseas Shareholders represents and warrants to the Company that each of them is in full observance of the laws of the relevant jurisdiction in that connection, and that each of them is in full compliance with all necessary formalities or legal requirements.

15. DIRECTORS' RESPONSIBILITY STATEMENT

Save for: (a) **Appendices 1, 3 and 6** to this Circular; (b) information extracted from the Offer Document; and (c) information relating to the Offeror and the parties acting in concert with the Offeror, the Directors (including those who have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated in this Circular are fair and accurate, and that no material facts have been omitted from this Circular, the omission of which would render any statement in this Circular misleading, and they jointly and severally accept responsibility accordingly.

Where any information in this Circular has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, from the Offer Document) or obtained from the Offeror, the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular.

In respect of Appendices 1 and 6 to this Circular, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are, to the best of their knowledge and belief, fair and accurate in all material respects.

16. ADDITIONAL INFORMATION

The attention of the Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully,

For and on behalf of the Board of
Starburst Holdings Limited

Lai Keng Wei
Lead Independent Director

APPENDIX 1

IFA LETTER

RHT CAPITAL PTE. LTD.

(Company Registration Number: 201109968H)
(Incorporated in the Republic of Singapore)
6 Raffles Quay, #24-02
Singapore 048580

7 February 2022

To: The Independent Directors of Starburst Holdings Limited
(deemed to be independent in respect of the Offer)

Mr Edward Lim Chin Wah	(Chairman and Executive Director)
Mr Yap Tin Foo	(Managing and Executive Director)
Mr Martin Muller	(Non-Executive Director)
Mr Lai Keng Wei	(Lead Independent Director)
Mr Gopal Perumal	(Independent Director)
Mr Tan Teng Wee	(Independent Director)

Dear Sirs,

INDEPENDENT FINANCIAL ADVICE TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE PRE-CONDITIONAL VOLUNTARY OFFER

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*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 7 February 2022 ("**Circular**") issued by the Company to the shareholders of the Company ("**Shareholders**") shall have the same meaning herein.*

1. INTRODUCTION

On 10 November 2021 ("**Offer Announcement Date**"), Phillip Securities Pte Ltd ("**Phillip Securities**"), for and on behalf of Nordic Flow Control Pte. Ltd. ("**Offeror**"), announced that, subject to and contingent upon the satisfaction or waiver of the Pre-Condition (as defined below), the Offeror intends to make a voluntary conditional offer ("**Offer**") to acquire all of the issued and paid-up ordinary shares in the capital of Starburst Holdings Limited ("**Company**") (excluding any Shares held in treasury) in the capital of the Company other than those already owned, controlled or agreed to be acquired by the Offeror ("**Offer Shares**") as at the date of the Offer in accordance with Rule 15 of the Singapore Code on Take-overs and Mergers ("**Code**").

The Offeror is a wholly-owned subsidiary of Nordic Group Limited ("**NGL**"), a company incorporated in Singapore and listed on the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). As at the Offer Announcement Date, the Offeror does not own or control, directly or indirectly, any Shares.

Based on the relative figures computed on the basis of Rule 1006 of the Listing Manual of the SGX-ST, the Offer, if made, will constitute a "major transaction" under Chapter 10 of the Listing Manual from the perspective of NGL. Hence, the approval from shareholders of NGL is required for the Offer and before NGL is able to make the Offer. Accordingly, the making of the Offer to Shareholders and the posting of the formal offer document containing the terms and conditions of the Offer ("**Offer Document**") to Shareholders was subject to and contingent upon, and will only take place following the satisfaction or waiver of the following condition on or before 10 February 2022, or such other date as the Offeror may determine in consultation with the Securities Industry Council ("**SIC**"):

"All resolution(s) as may be necessary or incidental to approve or undertake the Offer and the acquisition of any Shares pursuant to or in connection with the Offer or otherwise having been passed at a general meeting of NGL (or any adjournment thereof)" ("**Pre-Condition**").

Subsequently, at an extraordinary general meeting of NGL held on 7 January 2022, shareholders of NGL granted approval for, *inter alia*, the Offer to be undertaken by the Offeror and the acquisition of the Shares whether pursuant to the Offer or otherwise. Accordingly, the Pre-Condition has been satisfied. On the same day, Phillip Securities, for and on behalf of the Offeror, announced that the Pre-Condition had been satisfied as well as the Offeror's firm intention to make the Offer.

On 24 January 2022, the formal Offer was made by Philip Securities, for and on behalf of the Offeror, for the Offer Shares, subject to the terms and conditions of the Offer as set out in the Offer Document dated 24 January 2022. Pursuant to the temporary measures issued by the SIC on 6 May 2020, the Offer Document and the Acceptance Forms were despatched electronically to the Shareholders via SGXNet on 24 January 2022.

Mr Edward Lim Chin Wah, the Company's Chairman and Executive Director and Mr Yap Tin Foo, the Company's Managing and Executive Director (together, "**Undertaking Shareholders**") had provided irrevocable undertakings to the Offeror ("**Irrevocable Undertakings**"), pursuant to which each of them had, amongst other things, unconditionally and irrevocably undertaken to the Offeror to accept, or procure the acceptance of, the Offer in respect of all the Shares held by him, whether directly or indirectly, as at the date of the Irrevocable Undertakings, as well as any further Shares which he may acquire after such date.

The details of the Irrevocable Undertakings are as follows:

No.	Undertaking Shareholder	No. of Shares which are the subject of the Irrevocable Undertaking	Percentage of issued Shares (%)
1.	Mr Edward Lim Chin Wah	88,931,900	35.8
2.	Mr Yap Tin Foo	84,099,500	33.9
	Total	**173,031,400**	**69.7**

As at the Latest Practicable Date, pursuant to the Irrevocable Undertakings, the Undertaking Shareholders had tendered their Shares representing 69.7% of the total number of issued Shares (excluding Shares held in treasury) of the Company in acceptance of the Offer.

The Company has confirmed to us that all the Directors, namely, Mr Edward Lim Chin Wah, Mr Yap Tin Foo, Mr Martin Muller, Mr Lai Keng Wei, Mr Gopal Perumal, and Mr Tan Teng Wee are all considered independent in respect of the Offer ("**Independent Directors**"), and will be making a recommendation to Shareholders in relation to the Offer.

In connection with the Offer, RHT Capital Pte. Ltd. ("**RHTC**") has been appointed by the Company as the independent financial adviser ("**IFA**") to advise the Independent Directors for the purposes of making their recommendation to Shareholders in respect of the Offer.

This letter ("**Letter**") is addressed to the Independent Directors and sets out, *inter alia*, our views and evaluation of the financial terms of the Offer, our opinion thereon, and forms part of the Circular providing, *inter alia*, details of the Offer, and the recommendation of the Independent Directors and it is to be despatched to Shareholders in relation to the Offer.

2. TERMS OF REFERENCE

We have been appointed to advise the Independent Directors on the financial terms of the Offer in compliance with the provisions of the Code. We have confined our evaluation to the financial terms of the Offer and have not taken into account the commercial risks and/or commercial merits of the Offer.

Our terms of reference do not require us to evaluate or comment on the rationale for, or the strategic or long term merits of the Offer or on the future prospects of the Company and/or the Group or the method and terms by which the Offer is made or any other alternative methods by which the Offer may be made. Such evaluations and comments remain the sole responsibility of the Directors, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

We are not authorised, and we have not solicited, any indications of interest from any third party with respect to the Shares. We are therefore not addressing the relative merits of the Offer as compared to any alternative transaction that may be available to the Company (or its Shareholders), or as compared to any alternative offer that might otherwise be available in the future.

In the course of our evaluation of the financial terms of the Offer, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Group. We have also relied on information provided and representations made, including relevant financial analyses and estimates, by the management of the Company ("**Management**"), the Directors, the Company's solicitors and auditors. We have not independently verified such information or any representation or assurance made by them, 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, representation or assurance. We have nevertheless made such enquiries and exercised our judgement as we deemed necessary and have found no reason to doubt the reliability of the information.

We have relied upon the assurances of the Directors that, upon making all reasonable inquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Offer, the Company and/or the Group has been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors jointly and severally accept responsibility accordingly.

For the purposes of assessing the financial terms of the Offer and reaching our conclusions thereon, we have not relied upon any financial projections or forecasts in respect of the Company and/or the Group. We will not be required to express, and we do not express, any view on the growth prospects and earnings potential of the Company and/or the Group in connection with our opinion in this Letter.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, property, plant and equipment). We have, however, been furnished with a valuation report ("**Valuation Report**") on a property owned by the Company classified as property, plant and equipment, situated at 6 Tuas View Circuit, Singapore 637599 ("**Tuas Property**") prepared by PREMAS Valuers & Property Consultants Pte Ltd ("**Independent Valuer**"), being the independent valuer appointed for the purposes of the Offer, on which we have placed sole reliance on for such valuation. Further details on the Valuation Report are set out in Appendix 6 to the Circular.

We are not experts in the evaluation or appraisal of the assets concerned and we have made reference to Valuation Report for such assets appraisal and have not made any independent verification of the contents thereof. In particular, we do not assume any responsibility to enquire about the basis of the valuations contained in the Valuation Report or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements.

We will be relying on the disclosures and representations made by the Company on the value of the assets, liabilities and profitability of the Company and/or the Group. We have not been furnished with any such evaluation or appraisal. We have not relied on any financial projections or forecasts in respect of the Company and/or the Group for the purpose of our evaluation of the Offer.

Our analysis and our opinion as set out in this Letter are based upon market, economic, industry, monetary and other conditions in effect on, and the information provided to us as at 31 January 2022 ("**Latest Practicable Date**"). Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Offer which may be released by the Company and/or the Offeror after the Latest Practicable Date.

In rendering our opinion, we did not have regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, or other professional adviser immediately. As such, our opinion should not be the sole basis for deciding whether or not to accept the Offer.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this Letter).

Our opinion in respect of the Offer, as set out in Section 9 of this Letter, should be considered in the context of the entirety of this Letter and the Circular.

3. THE OFFER

Shareholders should have by now been notified that the Offer Document that contains the formal offer for the Offer Shares, subject to the terms and conditions of the Offer as set out in the Offer Document, has been published on the SGXNet. The principal terms and conditions of the Offer are set out in Sections 2, 3, 4 and 5 of the Offer Document. Shareholders are advised to read the terms and conditions of the Offer as set out in the Offer Document carefully.

The key terms of the Offer are set out below for your reference.

3.1 Offer Shares

The Offer will be extended to all the Shares (excluding any Shares held in treasury), other than those already owned, controlled or agreed to be acquired by the Offeror as at the date of the Offer.

3.2 Offer Price

The Offer Price for each Offer Share is as follows:

For each Offer Share: S$0.238 in cash ("Offer Price").

3.3 No Encumbrances

The Offer Shares will be acquired fully paid and free from all claims, charges, equities, liens, pledges and other encumbrances of any nature whatsoever and together with all rights, interests, benefits, entitlements and advantages attached thereto as at the date of the Offer Announcement Date ("**Encumbrances**") and thereafter attaching thereto, including the right to all dividends, rights and other distributions ("**Distributions**") (if any), the Record Date for which falls on or after the Offer Announcement Date.

3.4 Adjustments for Distributions

Without prejudice to the generality of the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distributions, the Record Date for which falls on or after the Offer Announcement Date. In the event of any such Distribution, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution as follows, depending on when the settlement date in respect of the Offer Shares tendered in acceptance by Shareholders pursuant to the Offer (if made) ("**Offer Settlement Date**") falls:

(i) if the Offer Settlement Date falls on or before the Record Date, the Offeror will pay the relevant accepting Shareholders the unadjusted Offer Price of S$0.238 in cash for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; and

(ii) if the Offer Settlement Date falls after the Record Date, the Offer Price payable for such Offer Shares tendered in acceptance shall be reduced by an amount which is equal to the Distribution in respect of such Offer Shares, as the Offeror will not receive such Distribution from the Company.

3.5 Minimum Acceptance Condition

The Offer will be conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), would result in the Offeror and its Concert Parties holding such number of Shares carrying more than 50.0% of the total voting rights attributable to the issued Shares (excluding treasury shares) as at the close of the Offer ("**Minimum Acceptance Condition**").

Pursuant to the Irrevocable Undertakings, the Offer, if and when made, will become unconditional as to acceptances upon the Undertaking Shareholders tendering their Shares (representing approximately 69.7% of the total number of issued Shares (excluding Shares held in treasury) of the Company) in acceptance of the Offer.

As at the Latest Practicable Date, the Undertaking Shareholders had tendered their Shares, representing 69.7% of the total number of issued Shares (excluding Shares held in treasury) of the Company, in acceptance of the Offer. Accordingly, the Minimum Acceptance Condition has been met and the Offer had turned unconditional.

3.6 Revision of Terms of the Offer

The Offeror reserves the right to revise the terms of the Offer in accordance with the Code.

3.7 Warranty

A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to the Offeror that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, fully paid, free from all Encumbrances and together with all rights, benefits, entitlements and advantages attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to all Distributions (if any), the Record Date for which falls on or after the Offer Announcement Date.

3.8 No Options or Awards Proposal

Based on the latest information available to the Offeror, there are no outstanding options to subscribe for new Shares ("**Options**") and no outstanding awards for new Shares ("**Awards**") granted under any employee share scheme of the Company as at the date of the Offer Document. In view of the foregoing, the Offeror will not make an offer to acquire any Options or Awards. For the avoidance of doubt, the Offer will be extended to all new Shares unconditionally issued or to be issued pursuant to the valid exercise of Options (if any) or pursuant to the valid vesting or release of Awards (if any), prior to the close of the Offer.

3.9 Further details of the Offer

Further details of the Offer, including details on: (i) the duration of the Offer; (ii) the settlement of the consideration for the Offer; (iii) the requirements relating to the announcement(s) of the level of acceptances of the Offer; and (iv) the right of withdrawal of acceptances of the Offer; and (v) the procedures for acceptance of the Offer by Shareholders, are set out in Appendices 1 and 2 to the Offer Document.

4. INFORMATION ON THE OFFEROR AND NGL

The information on the Offeror, NGL and the NGL Group, as set out below in italics, has been extracted from Section 6 of the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Offer Document.

*"**6. INFORMATION ON THE OFFEROR AND NGL***

6.1 The Offeror

The Offeror is a company incorporated in Singapore on 13 November 1998 and is a direct wholly-owned subsidiary of NGL. Its principal activities comprise integration, assembly, trading, importing and exporting of hydraulic systems and marine components.

As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S$1,350,000 comprising 1,350,000 ordinary shares.

The directors of the Offeror are Mr Chang Yeh Hong, Ms Teo Ling and Mr Lin Choon Hin.

6.2 NGL

NGL is a company incorporated in Singapore and is listed on the Main Board of the SGX-ST. Its principal activities are those of an investment holding company and providing management and administrative support to its subsidiaries. The Nordic Group is a diversified group of companies providing solutions in areas of automation and systems integration; maintenance, repair, overhaul and trading; precision engineering; scaffolding; insulation services; petrochemical and environmental engineering services; and cleanroom, air and water engineering services.

As at the Latest Practicable Date, NGL has an issued and paid-up share capital of approximately S$22,438,597 comprising 400,000,000 ordinary shares, of which 12,000,000 are held as treasury shares.

As at the Latest Practicable Date, the directors of NGL are as follows:

(a)	*Mr Chang Yeh Hong*	*(Executive Chairman);*
(b)	*Ms Teo Ling*	*(Executive Director);*
(c)	*Ms Lee Kim Lian Juliana*	*(Independent Director);*
(d)	*Mr Lee Kok Keng Andrew*	*(Independent Director); and*
(e)	*Mr Siau Kai Bing*	*(Independent Director).*

6.3 Additional Information

Additional information on the Offeror and NGL is set out in Appendix 3 and Appendix 4, respectively, to this Offer Document."

5. INFORMATION ON THE COMPANY

The information on the Company, as set out below in italics, has been extracted from Section 7 of the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Offer Document.

"7.1 The Company

The Company was listed on the Catalist Board of the SGX-ST on 10 July 2014. The Starburst Group is an engineering group specialising in the design and engineering of training facilities, with an established track record and experience of more than 20 years in this niche industry. The Company is one of the few companies operating primarily in Southeast Asia and the Middle East that provides in-house integrated solutions in the design, fabrication, installation and maintenance of anti-ricochet ballistic protection systems for shooting ranges and tactical training mock-ups. These solutions are provided to law enforcement, military and security agencies as well as civil authorities in Southeast Asia and the Middle East. The Starburst Group's key business areas include the following:

(a) Shooting Ranges

The Starburst Group designs, fabricates and installs anti-ricochet ballistic protection systems at live-firing ranges to prevent fire rounds from ricocheting. This involves the installation of proprietary "Searls" anti-ricochet panels, rubber lining panels and floor and ceiling baffles at indoor, outdoor and modular live-firing ranges, close quarter battle houses and method of entry training facilities.

(b) Tactical Training Mock-Ups

The Starburst Group designs, fabricates and installs tactical training mock-ups to suit each desired training scenario such as rescue and evacuation operations, aviation and maritime operations, sniper operations and other counter terrorism operations. Its mock-ups provide simulations which are as close to real scenarios as possible and thus each element of the desired mock-up is examined to ensure that the details are replicated. The Starburst Group installs tactical training mock-ups for live-fire-arms-training and non-live-fire-arms-training.

(c) Maintenance Services and Other Activities

The Starburst Group offers complete service and maintenance programmes for completed shooting ranges and tactical training mock-ups. As its customers' training activities typically involve live-firearms and/or the use of pyrotechnics, it is critical that the facilities are monitored continually to ensure that they are kept in optimal condition and that international safety standards are met and updated, if necessary. This ensures that customers' training facilities are maximised, downtime is minimised and safety is not compromised.

Additional information on the Company can be found on its website at www.starburst.net.sg.

Based on a search conducted at the Accounting and Corporate Regulatory Authority of Singapore on the Latest Practicable Date, the Company had an issued and paid-up share capital of approximately S$43,760,129 comprising 259,489,550 Shares (including 11,189,500 Shares held in treasury).

Based on the information available to the Offeror, the Company does not have any outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities which carry voting rights.

The directors of the Company are as follows:

(a)	*Mr Edward Lim Chin Wah*	*(Chairman and Executive Director);*
(b)	*Mr Yap Tin Foo*	*(Managing and Executive Director);*
(c)	*Mr Martin Muller*	*(Non-Executive Director);*
(d)	*Mr Lai Keng Wei*	*(Lead Independent Director);*
(e)	*Mr Gopal Perumal*	*(Independent Director); and*
(f)	*Mr Tan Teng Wee*	*(Independent Director).*

7.2 Additional Information

Additional information on the Company is set out in Appendix 5 to this Offer Document."

Implied market capitalisation

As at the Latest Practicable Date, the Company has an issued and paid-up share capital comprising 248,300,050 Shares (excluding treasury shares). Based on the Offer Price of S$0.238 per Share and the total number of issued Shares as at the Latest Practicable Date, the implied market capitalisation of the Company is approximately **S$59.1 million**.

6. IRREVOCABLE UNDERTAKINGS

The information on the Irrevocable Undertakings as set out below in italics, has been extracted from Section 8 of the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Offer Document.

"8. IRREVOCABLE UNDERTAKINGS

8.1 Irrevocable Undertakings

As at the Latest Practicable Date, the Offeror had received the Irrevocable Undertakings from the Undertaking Shareholders, pursuant to which each of them had, amongst other things, unconditionally and irrevocably undertaken to the Offeror to accept, or procure the acceptance of, the Offer in respect of all the Shares held by him, whether directly or indirectly, as at the date of the Irrevocable Undertakings, as well as any further Shares which he may acquire after such date.

The names of the Undertaking Shareholders and the number of Shares owned by them as at the Latest Practicable Date are as follows:-

No.	*Name of Undertaking Shareholder*	*No. of Shares which are the subject of the Irrevocable Undertaking*	*Percentage of issued Shares (%)(1)*
1.	*Mr Edward Lim Chin Wah(2)*	*88,931,900*	*35.8%*
2.	*Mr Yap Tin Foo(2)*	*84,099,500*	*33.9%*
	Total	***173,031,400***	***69.7%***

Notes:

(1) Based on a total number of 248,300,050 Shares (excluding 11,189,500 Shares held in treasury) as at the Latest Practicable Date.

(2) Each of Mr Edward Lim Chin Wah and Mr Yap Tin Foo is a director of the Company as at the Latest Practicable Date.

8.2 Termination of Irrevocable Undertakings

Each of the Irrevocable Undertakings shall lapse and cease to have any effect on the date on which the Offer lapses or is withdrawn without having become unconditional in all respects in accordance with its terms, for any reason other than a breach of the obligations of the Undertaking Shareholders under the Irrevocable Undertakings.

8.3 No Other Undertakings

Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any of its Concert Parties has received any other undertakings from any other party to accept or reject the Offer."

Acceptances pursuant to the Irrevocable Undertakings

As at the Latest Practicable Date, pursuant to the Irrevocable Undertakings, the Undertaking Shareholders had tendered their Shares representing 69.7% of the total number of issued Shares (excluding Shares held in treasury) of the Company in acceptance of the Offer.

7. RATIONALE FOR THE OFFER, OFFEROR'S INTENTION REGARDING THE COMPANY, COMPULSORY ACQUISITION AND THE LISTING STATUS OF THE COMPANY

The full text of the rationale for the Offer, the Offeror's intention in relation to the Company, compulsory acquisition and the listing status of the Company has been extracted from Sections 9 and 10 of the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Offer Document.

*"**9. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS RELATING TO THE COMPANY***

9.1 Rationale for the Offer

(a) Business Synergy

The Nordic Group believes that the business and operations of the Starburst Group are a strategic fit and will provide synergistic benefits to the business and operations of the Nordic Group. Some of the synergistic benefits are as follows:

(i) the engineering competencies, know-how and resources of the Nordic Group and the Starburst Group are complementary, and may be transferred and assimilated to build economies of scale and cost efficiencies and enhance overall productivity;

(ii) the acquisition of the Starburst Group will add civil and mechanical form structure products and services to the Nordic Group's existing suite of products and services;

(iii) the acquisition of the Starburst Group will increase the Nordic Group's current market and client base by adding new clients and new sectors and allowing the Nordic Group to tap on the Starburst Group's client network in Southeast Asia and the Middle East; and

(iv) there is strong potential for cross-selling of the Nordic Group's mechanical, electrical and instrumentation, insulation and scaffolding services to the clients of the Starburst Group.

(b) Potential for Continued Growth

The Nordic Group sees potential for continued growth in the businesses of the Starburst Group. The Starburst Group is one of the few players operating primarily in Southeast Asia and the Middle East that provides design, fabrication and installation of anti-ricochet ballistic protection systems for shooting ranges and tactical training mock-ups for law enforcement, military and security agencies.

(c) Opportunity for Shareholders to Realise their Investments in the Shares

The Offer Price represents a premium of approximately 4.16%, 9.07%, 12.53% and 25.46% over the VWAP per Share for the one-month, three-month, six-month and 12-month periods up to and including the Last Trading Day.

The Offer Price therefore presents Shareholders with a clean cash exit opportunity to realise their entire investment in the Shares at a premium over the historical market prices of the Shares (before the Last Trading Day) without incurring brokerage and other trading costs.

(d) Low Trading Liquidity

The trading volume of the Shares has been low, with an average daily trading volume of approximately 223,546 Shares, 114,686 Shares, 90,477 Shares and 229,630 Shares during the one-month period, three-month period, six-month period and 12-month period up to and including the Last Trading Day. These represent only 0.09%, 0.05%, 0.04% and 0.09% of the total number of issued Shares (excluding Shares held in treasury) for the aforementioned relevant periods, respectively.

The Offer therefore provides Shareholders with an opportunity to realise their entire investment in the Shares at a premium over the historical market prices (before the Last Trading Day) which may not otherwise be readily available to Shareholders given the low historical trading liquidity of the Shares.

(e) Costs of Maintaining Listing Status

In maintaining its listed status, the Company incurs compliance and associated costs relating to continuing listing requirements. The Offeror intends to make the Offer with a view to delisting and privatising the Company. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses and costs relating to the maintenance of a listed status and channel such resources to its business operations.

9.2 The Offeror's Intentions in relation to the Company

Upon completion of the Offer, the Offeror may undertake a strategic and operational review of the Company and its subsidiaries with a view to realising synergies, scale, cost efficiencies and growth potential. The Offeror will also consider delisting the Company from the SGX-ST in the event it achieves the requisite acceptances for such delisting, in order to facilitate management and operational control and leverage over the Company and its subsequent developments.

The Offeror presently has no intention to introduce any major changes to the business of the Company, or to discontinue the employment of any of the existing employees of the Starburst Group or redeploy any of the fixed assets of the Company, other than in the ordinary course of business. The Offeror, however, retains the flexibility at any time to consider options or opportunities which may present themselves and which it regards to be in the interests of the Offeror and/or the Company.

The Offeror presently has no intention to make any changes to the board of directors or key management of the Company, other than in the ordinary course of business or seeking representation on the board of directors and/or key management of the Starburst Group.

10. COMPULSORY ACQUISITION AND LISTING STATUS

10.1 Compulsory Acquisition

*Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires the Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**"), at a price equal to the Offer Price.*

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at a price equal to the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding Shares held in treasury). Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

10.2 Listing Status

Pursuant to Rule 1104 of the Catalist Rules, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and parties acting in concert with it to above 90% of the total number of issued Shares (excluding Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time it is satisfied that at least 10% of the total number of issued Shares (excluding Shares held in treasury) are held by at least 200 Shareholders who are members of the public. Rule 1303(1) of the Catalist Rules provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

In addition, under Rule 724(1) of the Catalist Rules, if the percentage of the total number of issued Shares (excluding Shares held in treasury) held in public hands falls below 10%, the Company must, as soon as practicable, notify its sponsor of that fact and announce that fact, and the SGX-ST may suspend the trading of the Shares. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

10.3 The Offeror's Intention

As mentioned above, subject to achieving the requisite acceptances, the Offeror will consider delisting the Company from the SGX-ST. Consistent therewith, the Offeror, when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total number of issued Shares (excluding Shares held in treasury) are held in public hands. The Offeror further reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Catalist Rules."

8. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In our assessment of the financial terms of the Offer, we have considered the following which we consider to be pertinent and to have a significant bearing on our assessment of the Offer:

(a) Market quotation and trading liquidity of the Shares;

(b) Historical financial performance, position and cash flows of the Group;

(c) Revalued net asset value ("**RNAV**") of the Group;

(d) Comparison with the valuation ratios of selected companies which are broadly comparable to the Group;

(e) Comparison with recently completed privatisation transactions ("**Privatisation Transactions**") on the SGX-ST;

(f) Dividend track record of the Company; and

(g) Other relevant considerations.

The figures, underlying financial and market data used on our analysis, including securities prices, trading volumes, free float data and foreign exchange rates have been extracted from Bloomberg L.P., SGX-ST and other publicly available information as at the Latest Practicable Date or as provided by the Company where relevant. RHTC makes no representation or warranties, express or implied, as to the accuracy or completeness of such information.

8.1 Market quotation and trading liquidity of the Shares

We have compared the Offer Price against the historical market price performance of the Shares and considered the historical trading volume over the observation periods as discussed below.

We note that trading of the Shares was halted after trading hours on 9 November 2021. The Offer Announcement was then released, followed by a response to the Offer Announcement by the Company to the Offer. The trading halt was subsequently lifted before trading hours on 12 November 2021.

We have therefore compared the Offer Price against the historical market price performance of the Shares and considered the historical trading volume of the Shares from 9 November 2020, being approximately a 1-year period prior to the release of the Offer Announcement and up to the Latest Practicable Date ("**Period Under Review**").

Share price chart

We set out below a chart showing the Offer Price relative to the daily last transacted prices and trading volume of the Shares for the Period Under Review.

Price movement and trading volume of the Shares for the Period Under Review



Source: *Bloomberg L.P.*

Significant announcements

(1) 15 November 2020: The Company announced that it has been informed that Mr Edward Lim Chin Wah (Executive Chairman) ("**Mr Lim**"), Mr Yap Tin Foo (Managing Director) ("**Mr Yap**") and Mr Wu Guangyi (Chief Financial Officer) ("**Mr Wu**") and Mr Ng Eng Long Josiah Lawrence (Senior Project Manager) ("**Mr Ng**") were interviewed by the Corrupt Practices Investigation Bureau ("**CPIB**") on 12 November 2020 in connection with Starburst Engineering Pte Ltd ("**SEPL**") (a wholly-owned subsidiary of the Company) ("**Investigation**"). Mr Lim, Mr Yap and Mr Ng are currently on bail. Mr Yap's passport has been retained and Mr Ng's passport has been requested to be provided on 16 November 2020. The Board is unable to provide further details at this time as the CPIB's investigation is ongoing.

(2) 18 November 2020: The Company announced its responses to the queries raised by the Singapore Exchange Securities Trading Limited on 16 November 2020 in relation to the Company's announcement dated 15 November 2020 pursuant to Rule 703(1) of the Catalist Rules.

(3) 23 November 2020: The Company updated further to the announcements on 14 November 2020 and 18 November 2020, the Board has been informed by Mr Lim that he has at the request of CPIB, surrendered his travel documents to CPIB on 23 November 2020. As disclosed in the announcement dated 18 November 2020, it is a condition of his bail that Mr Lim has to surrender his travel documents to CPIB.

(4) 29 December 2020: The Company announced that SEPL has been awarded a contract of approximately S$7.9 million for the design, supply, installation, testing and commissioning of an indoor and outdoor shooting ranges training facility in the Middle East. This contract is not expected to have material impact on the net tangible assets and earnings per share of the Group for the financial year ended 31 December 2020.

(5) 4 February 2021: The Company announced that SEPL has been awarded a contract of approximately S$6.4 million for the design and build of an indoor shooting range training facility in Southeast Asia. This contract is not expected to have material impact on the net tangible assets and earnings per Share of the Group for the financial year ended 31 December 2021.

(6) 25 February 2021: The Company announced its full year financial results and news release for the period ended 31 December 2020. The Company announced that SEPL has been awarded two contracts from two unrelated vendors with an aggregate contract value of S$9.7 million in Southeast Asia. The contracts will be carried out over six years and are not expected to have material impact on the net tangible assets and earnings per Share of the Group for the financial year ended 31 December 2021.

(7) 8 March 2021: The Company updated on the Middle East contract award announcement released on the SGXNet on 26 June 2020 in relation to the Contract, SEPL has received two (2) variation orders with an aggregate value of approximately S$2.4 million. The revised contract value is approximately S$7.5 million including the variation orders. The awarded variation orders are not expected to have material impact on the net tangible assets and earnings per Share of the Group for the financial year ended 31 December 2021.

(8) 9 April 2021: The Company announced that the independent auditor of the Company, Deloitte & Touche LLP has rendered an unmodified audit opinion with an emphasis of matter on the audited financial statements of the Company and the Group for the financial year ended 31 December 2020.

(9) 19 July 2021: The Company announced that SEPL has been awarded various contracts from two unrelated customers with an aggregate contract value of S$4.7 million in Southeast Asia and the Middle East and North Africa. The contracts are not expected to have material impact on the net tangible assets and earnings per Share of the Group for the financial year ended 31 December 2021.

(10) 13 August 2021: The Company announced its half year financial results for the period ended 30 June 2021 and declared an interim cash dividend of S$0.006 per Share.

(11) 9 November 2021: The Company requested for trading halt with immediate effect due to pending release of the Offer Announcement. The Company released the Pre-Conditional Voluntary Offer announcement on 10 November 2021 and the Company requested for lifting of trading halt with immediate effect on 12 November 2021.

(12) 7 January 2022: The Company released Voluntary Conditional Offer announcement.

From the share price chart above, we noted that the Shares have been on a general upward trend for the Period Under Review following a steep decline at the beginning of the Period Under Review, as a result of the announcement made by the Company on 15 November 2020. The Shares had traded between a high of S$0.43 and a low of S$0.12. The share price had declined from S$0.43 on 10 November 2020 to S$0.12 on 16 November 2020 and was on a general uptrend thereafter, increasing to S$0.23 on 9 November 2021, being the last trading day prior to the release of the Offer Announcement.

Market statistics

In addition to the share price chart above, we have tabulated below selected statistical information on the share price performance and trading liquidity of the Shares for the Period Under Review:

	Highest traded price (S$)	Lowest traded price (S$)	VWAP[1] (S$)	Premium / (Discount) of Offer Price over / (to) VWAP (%)	Number of traded days	Average daily traded volume[2] ('000)	Average daily traded volume as a percentage of free float[3] (%)
Prior to the Offer Announcement Date							
Last 1 month	0.240	0.198	0.229	3.9	21	978	1.30
Last 3 months	0.240	0.184	0.218	9.2	64	526	0.70
Last 6 months	0.240	0.174	0.211	12.8	117	428	0.57
Last 1 year	0.430	0.120	0.190	25.3	239	1,185	1.57
As at 9 November 2021, being the last traded day prior to the Offer Announce-ment Date	0.228	0.225	0.230	4.4	1	779	1.03
After the Offer Announcement Date to the Latest Practicable Date							
After the Offer Announce-ment Date and up to the Latest Practicable Date	0.240	0.230	0.233	2.1	50	509	0.68
As at the Latest Practicable Date	0.235	0.235	0.235	1.3	1	100	0.13

Source: *Bloomberg L.P.*

Notes:

(1) The VWAP is calculated based on the turnover divided by volume of the Shares as extracted from Bloomberg L.P..

(2) The average daily trading volume of the Shares was computed based on the total volume of Shares traded during the relevant periods, divided by the number of days that were open for trading (excluding public holidays and days with full day trading halts on the Shares) during that period.

(3) Free float refers to the Shares other than those held by the Directors, chief executive officer, controlling Shareholders or substantial Shareholders of the Company, and amounts to approximately 75.2 million Shares representing approximately 30.30% of the issued Shares as disclosed in the Company's FY2020 annual report.

Based on the above, we observe the following with regards to the share price performance of the Company for the Period Under Review:

(a) The Offer Price represents a premium of approximately 4.4% over the VWAP of the Shares of S$0.228 on 9 November 2021, being the day when the Shares were last traded prior to the release of the Offer Announcement.

(b) The Offer Price represents a premium of approximately 3.9% and 9.2% over the VWAP of the Shares for 1-month and 3-month periods prior to the release of the Offer Announcement respectively.

(c) The Offer Price represents a premium of approximately 12.8% and 25.3% over the VWAP of the Shares for 6-month and 1-year periods prior to the release of the Offer Announcement respectively.

(d) Over the 1-year period prior to the release of the Offer Announcement, the Shares have traded between a low of S$0.120 and a high of S$0.430. The Offer Price represents a premium of S$0.118 (or 98.3%) above the lowest transacted price and a discount of S$0.192 (or 44.7%) to the highest transacted price of the Shares.

(e) The Offer Price represents a premium of approximately 2.1% over the VWAP of the Shares of S$0.233 for the period after the release of the Offer Announcement to the Latest Practicable Date.

(f) For the period from the release of the Offer Announcement Date to the Latest Practicable Date, the Shares have traded between a low of S$0.230 and a high of S$0.240. The Offer Price represents a discount of S$0.002 (or 0.8%) to the highest transacted price of the Shares. The Shares have traded above the Offer Price on 17 out of 50 market days from the Offer Announcement Date to the Latest Practicable Date.

(g) The Shares were closed below the Offer Price at S$0.235 on 31 January 2022, being the Latest Practicable Date.

We observed the following with regards to the trading liquidity of the Shares:

(i) Over the 1-year period prior to the release of the Offer Announcement, the Shares were traded on 239 days out of a total of 261 market days. The average daily trading volume of the Shares for the 1-month, 3-month, 6-month, and 12-month periods up to and including the day prior the release of the Offer Announcement represent 1.30%, 0.70%, 0.57% and 1.57% of the free float of the Shares respectively.

(ii) During the period following the release of the Offer Announcement up to the Latest Practicable Date, the average daily trading volume on the Shares was approximately 509,000 Shares, representing 0.68% of the free float of the Shares.

8.2 Historical financial performance, position and cash flows of the Group

For the purpose of evaluating the financial terms of the Offer, we have considered the audited financial results of the Group for the financial years ended 31 December ("**FY**") 2018, 2019 and 2020 and its half year unaudited financial results for the financial period ended 30 June ("**HY**") 2020 and 2021. The following summary of the financial information should be read in conjunction with the full text of the Group's audited financial statements for FY2018, FY2019, FY2020, HY2020 and HY2021 in respect of the relevant financial periods including the notes thereto.

Historical financial performance of the Group

	Audited			Unaudited	
S$'000	**FY2018**	**FY2019**	**FY2020**	**HY2020**	**HY2021**
Revenue	7,151	9,244	21,772	9,716	20,492
Other operating income	177	78	151	115	137
Project and production costs	(4,313)	(4,942)	(9,795)	(5,260)	(8,139)
Employee benefits expenses	(3,237)	(3,168)	(2,479)	(1,041)	(1,918)
Depreciation expense	(1,494)	(1,309)	(1,065)	(567)	(418)
Other operating expenses	(2,099)	(1,875)	(1,519)	(676)	(962)
Finance costs	(412)	(390)	(331)	(176)	(179)
(Loss) Profit before income tax	(4,227)	(2,362)	6,734	2,111	9,013
Income tax (expense) benefit	(17)	(22)	2,399	(9)	(1,578)
(Loss) Profit for the period	**(4,244)**	**(2,384)**	**9,133**	**2,102**	**7,435**

Sources: *Group's audited financial statements for FY2018, FY2019 and FY2020, and unaudited financial statements for HY2020 and HY2021.*

FY2018 vs FY2019

The Group's revenue increased by approximately S$2.0 million or 29.3%, from S$7.2 million in FY2018 to S$9.2 million in FY2019. The increase in revenue was mainly contributed by the design, supply and installation of an underwater training facility and ad hoc works from the Group's existing maintenance customers in Southeast Asia.

The Group's project and production costs increased by approximately S$0.6 million or 14.6%, from S$4.3 million in FY2018 to S$4.9 million in FY2019. The increase in project and production costs was in line with the increase in revenue.

As a result of the foregoing, the Group's gross profit increased by approximately S$1.4 million or 48.3%, from S$2.9 million in FY2018 to S$4.3 million in FY2019. The Group's gross profit margin increased from 39.7% in FY2018 to 46.5% in FY2019.

The Group's other operating income decreased by approximately S$99,000 or 55.9%, from S$177,000 in FY2018 to S$78,000 in FY2019. The decrease in other operating income was mainly due to the decrease in foreign exchange gain and grants received from various government agencies.

The Group's employee benefits expenses remained stable at approximately S$3.2 million in FY2018 and FY2019.

The Group's depreciation expenses decreased by approximately S$0.2 million or 12.4%, from S$1.5 million in FY2018 to S$1.3 million in FY2019. The decrease in depreciation expenses was mainly due to the increase of fully depreciated assets.

The Group's other operating expenses decreased by approximately S$0.2 million or 10.7%, from S$2.1 million in FY2018 to S$1.9 million in FY2019, primarily due to the decrease in amortisation of intangible assets.

The Group's finance costs remained stable at approximately S$0.4 million in FY2018 and FY2019.

As a result of the foregoing, the Group's net loss narrowed by approximately S$1.9 million or 43.8%, from S$4.2 million in FY2018 to S$2.4 million in FY2019.

FY2019 vs FY2020

The Group's revenue increased by approximately S$12.6 million or 135.5%, from S$9.2 million in FY2019 to S$21.8 million in FY2020. The increase in revenue was mainly derived from two tactical training mock-up projects and a firearm shooting range project in Southeast Asia, and a firearm shooting range project in the Middle East.

The Group's project and production costs increased by approximately S$4.9 million or 98.2%, from S$4.9 million in FY2019 to S$9.8 million in FY2020. The increase in project and production costs was in line with the increase in revenue.

As a result of the foregoing, the Group's gross profit increased by approximately S$7.7 million or 178.4%, from S$4.3 million in FY2019 to S$12.0 million in FY2020. The Group's gross profit margin increased from 46.5% in FY2019 to 55.0% in FY2020.

The Group's other operating income increased by approximately S$73,000 or 93.6%, from S$78,000 in FY2019 to S$151,000 in FY2020. The increase in other operating income was mainly due to grants received for special employment credit from MOM and wage credit scheme from IRAS, and cash grant for non-residential property as announced in Fortitude Budget 2020.

The Group's employee benefits expenses decreased by approximately S$0.7 million or 21.7% from S$3.2 million in FY2019 to S$2.5 million in FY2020. The decrease in employee benefits expenses was mainly due to the Jobs Support Scheme and rebates received from government amounting to approximately S$0.7 million as announced under the Stabilisation and Support Package at Budget 2020.

The Group's depreciation expense decreased by approximately S$0.2 million or 18.6%, from S$1.3 million in FY2019 to S$1.1 million in FY2020. The decrease in depreciation expense was mainly due to the increase of fully depreciated assets compared to FY2019.

The Group's other operating expenses decreased by approximately S$0.4 million or 19.0%, from S$1.9 million in FY2019 to S$1.5 million in FY2020. The decrease in other operating expenses was primarily due to the decrease in foreign workers' dormitory rental of approximately S$0.1 million, sales and marketing expenses of approximately S$0.1 million and the absence of amortisation of intangible assets in the current financial year as the intangible assets were fully amortised in FY2019.

The Group's finance costs decreased by approximately S$59,000 or 15.1%, from S$390,000 in FY2019 to S$331,000 in FY2020. The decrease in finance costs was mainly due to the absence of hire purchase interest payment, which was fully repaid in 2019.

They recorded an income tax benefit of approximately S$2.4 million in FY2020 in comparison with S$22,000 income tax expense in FY2019. The increase in income tax benefit was mainly due to the recognition of deferred tax asset arising from unutilised tax losses of approximately S$1.1 million, capital allowances of approximately S$0.6 million and tax benefits of approximately S$0.7 million entitled under the Productivity and Innovation Credit scheme carried forward from prior years.

As a result of the foregoing, they recorded a net profit of approximately S$9.1 million in FY2020.

HY2020 vs HY2021

The Group's revenue increased by approximately S$10.8 million or 110.9%, from S$9.7 million in HY2020 to S$20.5 million in HY2021. The increase in revenue was mainly attributable to the commencement of fabrication and installation works for a tactical training mock-up project and commencement of design and fabrication works for a firearm shooting range project in Southeast Asia, and installation works for a firearm shooting range project in the Middle East.

The Group's project and production costs increased by approximately S$2.9 million or 54.7%, from S$5.2 million in HY2020 to S$8.1 million in HY2021. The increase in project and production costs was in line with the increase in revenue.

As a result of the foregoing, the Group's gross profit increased by approximately S$7.9 million or 177.2%, from S$4.5 million in HY2020 to S$12.4 million in HY2021. The Group's gross profit margin increased from 45.9% in HY2020 to 60.3% in HY2021. The improvement in gross profit margin was mainly due to more projects which improved the cost benefits from economies of scale.

The Group's other operating income increased by approximately S$22,000 or 19.1%, from S$115,000 in HY2020 to S$137,000 in HY2021. The increase in other operating income was mainly due to the increase in foreign exchange gain.

The Group's employee benefits expenses increased by approximately S$0.9 million or 84.2% from S$1.0 million in HY2020 to S$1.9 million in HY2021. The increase in employee benefits expenses was mainly due to the increase in headcount which in line with the increased business activities as well as there were lesser Jobs Support Scheme received from the government in HY2021 as compared to HY2020.

The Group's depreciation expense decreased by approximately S$0.2 million or 26.3%, from S$0.6 million in HY2020 to S$0.4 million in HY2021. The decrease in depreciation expense was mainly due to the increase of fully depreciated assets during the current financial period.

The Group's other operating expenses increased by approximately S$0.3 million or 42.3%, from S$0.7 million in HY2020 to S$1.0 million in HY2021. The increase in other operating expenses was mainly due to the increase in foreign workers' dormitory rental which was borne by government in HY2020.

The Group's income tax expense increased by approximately S$1.6 million from S$9,000 in HY2020 to S$1.6 million in HY2021. The increase in income tax expense was mainly due to a better financial performance achieved in HY2021. As a result of the foregoing, they recorded a net profit of approximately S$7.4 million in HY2021.

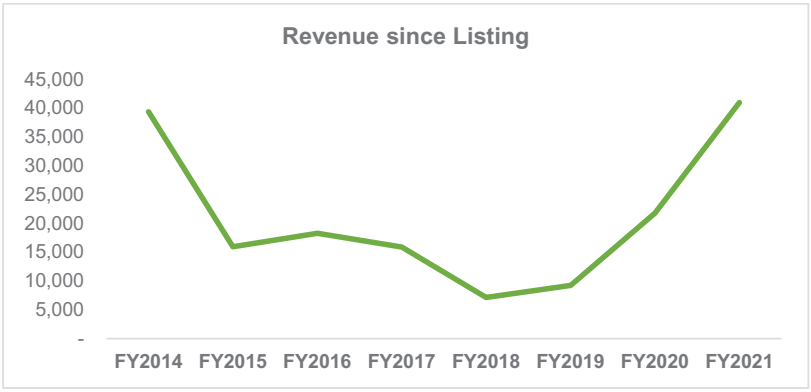
Cyclicality of financial performance

From the above, in the most recent completed financial year as well as the latest half year, the financial performance of the Group has been strong and resilient, in light due to the numerous contract wins, notwithstanding the general weakness in the economy as well as the impact of Covid-19, coming from losses incurred in the previous two financial years. We have extracted below, the financial performance of the Group since the listing of the Group in FY2014 ("**Listing**") to the latest available financial period as below:

	Audited							Un-audited
S$'000	**FY2014**	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**Annualised 2021[1]**
Revenue	39,356	15,944	18,301	15,876	7,151	9,244	21,772	40,984
Profit (Loss) for the period	13,159	(1,660)	(11,715)	106	(4,244)	(2,384)	9,133	14,870

Note:

(1) We have multiplied the earnings for HY2021 by a factor of two to annualise the figure for comparison.





We noted that the business is cyclical in nature, with swings in revenue and alternating profit and loss in the last eight years since the Listing.

Financial position of the Group

A summary of the unaudited financial position of the Group as at 30 June 2021 is set out below:

(S$'000)	Unaudited As at 30 June 2021
Current assets	
Cash and cash equivalents	10,063
Trade and other receivables	4,097
Contract assets	10,112
Inventories	2,739
Total current assets	**27,011**
Non-current assets	
Fixed deposits pledged	2,880
Trade and other receivables	2,907
Property, plant and equipment	22,754
Deferred tax assets	856
Total non-current assets	**29,397**
Total assets	**56,408**
Current liabilities	
Bank loans	3,218
Trade and other payables	2,662
Current portion of lease liabilities	45
Income tax payable	15
Total current liabilities	**5,940**
Non-current liabilities	
Bank loans	10,705
Lease liabilities	2,669
Total non-current liabilities	**13,374**
Capital and reserves	
Share capital	42,942
Treasury shares	(4,244)
Warrant reserve	422
Currency translation reserve	2
Merger reserve	(25,438)
Retained earnings	23,410
Total Equity	**37,094**
Net asset value ("NAV") (S$)	**37,094,000**
Number of Shares	**248,300,050**
NAV per Share (S$)	**0.149**
Premium of the Offer Price to the NAV per Share (%)	**59.7%**
Price-to-NAV ("P/NAV") ratio as implied by the Offer Price (times)	**1.59**

Source: *Group's unaudited financial statements for HY2021*

Assets of the Group

As at 30 June 2021, the assets of the Group of S$56.4 million comprised mainly: (i) property, plant and equipment of S$22.8 million; (ii) contract assets of S$10.1 (iii) Cash and cash equivalents of S$10.1 million; (iv) current trade and other receivables of S$4.1 million; and (v) non-current trade and other receivables of S$2.9 million, representing approximately 40.3%, 17.9%, 17.8%, 7.3% and 5.2% of the Group's total assets respectively.

Cash and cash equivalents

As at 30 June 2021, the cash and cash equivalents of the Group amounted to S$10.1 million.

Current trade and other receivables

As at 30 June 2021, the total current and non-current trade and other receivables amounted to S$7.0 million.

Contract assets

As at 30 June 2021, the contract assets of the Group amounted to S$10.1 million. Contract assets relating to construction contracts are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance – related milestones. The Group will recognise a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

The changes in contract asset balances are mainly due to projects performed during the reporting period.

Management always estimates the loss allowance on amounts due from customers at an amount equal to lifetime expected credit loss, taking into account the historical default experience and the future prospects of the construction industry. None of the amounts due from customers at the end of the reporting period is past due.

There has been no change in the estimation techniques or significant assumptions made during the current financial period in assessing the loss allowance for the contract assets.

Property, plant and equipment

As at 30 June 2021, the property, plant and equipment of the Group amounted to S$22.8 million. During HY2021, the Group acquired assets amounting to S$0.3 million. There was no disposal of assets during HY2021 and HY2020.

Liabilities of the Group

The corresponding liabilities of the Group of S$19.3 million comprised mainly: (i) non-current bank loans of S$10.7 million; (ii) current bank loans of S$3.2 million; (iii) lease liabilities of S$2.7 million; (iv) trade and other payables of S$2.7 million, representing approximately 55.4%, 16.6%, 14.0% and 14.0% of the Group's total liabilities respectively.

Cash flows of the Group

		Audited		Unaudited
(S$'000)	**FY2018**	**FY2019**	**FY2020**	**HY2021**
Net cash from (used in) operating activities	335	(1,384)	(281)	5,978
Net cash from (used in) investing activities	2,579	(22)	(317)	(344)
Net cash (used in) from financing activities	(3,240)	(1,574)	5,390	(5,350)
Net (decrease) increase in cash and cash equivalents	**(326)**	**(2,980)**	**4,792**	**284**
Cash and cash equivalent at the beginning of the financial period	8,292	7,966	4,987	9,778
Effect of exchange rate changes on cash and cash equivalents	-(1)	1	(1)	1
Cash and cash equivalents at end of financial period	**7,966**	**4,987**	**9,778**	**10,063**

Note:

(1) Represents less than S$1,000. Not material.

Sources: *Group's audited financial statements for FY2018, FY2019 and FY2020, and unaudited financial statements for HY2021.*

FY2018

In FY2018, the Group recorded a net cash from operating activities of S$0.3 million, which was a result of operating cash flow before movement in working capital of S$2.0 million, a decrease in working capital of approximately S$2.7 million and payment of interest of approximately S$0.4 million. The decrease in working capital was primarily due to the decrease in trade and other receivables of approximately S$2.0 million and contract assets of approximately S$1.3 million. This was partially offset by an increase in inventories of approximately S$0.1 million and a decrease in trade and other payables of approximately S$0.5 million.

Net cash from investing activities amounted to approximately S$2.6 million in FY2018, which was primarily due to a decrease in fixed deposits.

Net cash used in financing activities was approximately S$3.2 million in FY2018, which was primarily due to purchase of treasury shares of approximately S$1.9 million, payment of dividend of S$0.6 million, and repayment of bank loans and finance lease of approximately S$0.7 million.

As at 31 December 2018, the Group's cash and cash equivalents (net of bank overdraft and pledged fixed deposits and bank balances) were S$8.0 million.

FY2019

In FY2019, the Group recorded a net cash used in operating activities of approximately S$1.4 million, which was a result of operating cash outflows before movements in working capital of approximately S$0.5 million, an increase in working capital of approximately S$0.5 million and payment of interest of approximately S$0.4 million. The increase in working capital was primarily due to the increase in trade and other receivables of approximately S$0.5 million and contract assets of approximately S$0.2 million. This was partially offset by a decrease in inventory of approximately S$0.2 million.

Net cash used in investing activities was approximately S$22,000 in FY2019, which was primarily due to an increase in fixed deposits and purchase of machinery, computer and equipment.

Net cash used in financing activities was approximately S$1.5 million in FY2019, which was primarily due to purchase of treasury shares of approximately S$0.2 million, payment of dividend of S$0.6 million, and repayment of bank loans and finance lease of approximately S$0.7 million.

As at 31 December 2019, the Group's cash and cash equivalents (net of bank overdraft and pledged fixed deposits and bank balances) were S$5.0 million.

FY2020

In FY2020, the Group recorded a net cash used in operating activities of approximately S$0.3 million, which was a result of operating cash inflows before movements in working capital of approximately S$8.1 million, an increase in working capital of approximately S$8.1 million and interest payment of approximately S$0.3 million. The increase in working capital was primarily due to the increase in trade and other receivables of approximately S$4.2 million, contract assets of approximately S$5.4 million, which mainly attributable to the works carried out for a tactical training mock-up project and a firearm shooting range project in Southeast Asia, and a firearm shooting range project in the Middle East, and inventories of approximately S$1.5 million. This was partially offset by an increase in trade and other payables of approximately S$2.0 million and contract liabilities of approximately S$1.0 million.

Net cash used in investing activities was approximately 0.3 million in FY2020, which was mainly due to the purchase of machinery, computer and equipment.

Net cash from financing activities was approximately S$5.4 million in FY2020, which was primarily due to proceeds from the exercise of warrants of approximately S$1.9 million and a drawdown of a temporary bridging loan of S$5.0 million for project financing from a bank. This was partially offset by the purchase of treasury shares of approximately S$0.5 million, payment of dividend of S$0.6 million, and repayment of bank loans and lease liabilities of approximately S$0.4 million.

As at 31 December 2020, the Group's cash and cash equivalents (net of bank overdraft and pledged fixed deposits and bank balances) were S$9.8 million.

HY2021

In HY2021, the Group recorded a net cash generated from operating activities of approximately S$6.0 million, which was a result of operating cash inflows before working capital changes of approximately S$9.6 million, an increase in working capital of approximately S$3.4 million and payment for tax and interest payment of approximately S$0.2 million. The increase in working capital was primarily due to the increase in contract assets of approximately S$4.7 million, which mainly attributable to the works carried out for a tactical training mock-up project and a firearm shooting range project in Southeast Asia, and a firearm shooting range project in the Middle East, and a decrease in trade and other payables of approximately S$0.5 million. This was partially offset by an increase in trade and other receivables of approximately S$1.1 million and inventories of approximately S$0.7 million.

Net cash used in investing activities was approximately S$0.3 million in HY2021, which was primarily due to the purchase of machinery, computer and equipment.

Net cash used in financing activities was approximately S$5.4 million in HY2021, which was primarily due to dividend payment of approximately S$2.5 million and repayment of bank loans and lease liabilities of approximately S$2.9 million.

As at 30 June 2021, the Group's cash and cash equivalents (net of bank overdraft and pledged fixed deposits and bank balances) were S$10.1 million.

Summary

As a result of its strong financial performance in the most recent completed financial year as well as the latest half year, the Group's cash flows are healthy, generating positive cash in flows.

8.3 Revalued net asset value ("RNAV") of the Group

The NAV of the Group as at 30 June 2021 was S$37.1 million, representing NAV per Share of S$0.149 based on 248,300,050 Shares as at 30 June 2021.

In our evaluation of the financial terms of the Offer, we have also considered whether there is any other asset which should be valued at an amount that is materially different from that which was recorded in the statement of financial position of the Group as at 30 June 2021 and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to impact the NAV and RNAV of the Group as at 30 June 2021.

We noted that the Tuas Property is currently recorded as "building" and "leasehold land" under property, plant and equipment on the Group's financial statements. These line items are carried at cost less accumulated depreciation and any impairment losses.

As set out in Section 2 of this Letter, in connection with the Offer, the Group had commissioned an independent valuation on the Tuas Property. In arriving at the market value, the Independent Valuer relied on the Direct Comparison approach whereby sale transactions of comparable properties have been taken into consideration with regards to their location, tenure, age, land and floor areas, property type, design, layout, condition and standard of finishes amongst other factors. Further details on the Valuation Report are set out in Appendix 6 to the Circular.

Accordingly, in our evaluation of the Offer, we have accounted for the results of this valuation and its effects on the NAV of the Group as at 30 June 2021 as follows:

	(S$'000)
NAV of the Group as at 30 June 2021	37,094,000
Less: Revaluation loss on Tuas Property[(1)]	(5,163,000)
RNAV of the Group as at 30 June 2021	**31,931,000**
RNAV per Share	**0.129**

Note:

(1) The revaluation loss on Tuas Property is calculated based on the book value as of 30 June 2021 of the building and leasehold land of S$2,578,000 and S$19,585,000 respectively less revalued amount of S$17,000,000.

Based on the above, we note that the Offer Price represents a premium of 84.5% to the RNAV per Share of S$0.129 and values the Group at a P/RNAV ratio of 1.84 times.

In respect of the above, we have sought the following confirmations from the Directors and Management, and they confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief that:

(i) save as disclosed in the Circular and the Valuation Report, there are no material differences between realisable values of Group's assets and their respective book values as at 30 June 2021 which would have material impact on the NAV of the Group.

(ii) other than that already provided for or disclosed in the Group's financial statements as at 30 June 2021, there are no other contingent liabilities, bad or doubtful debts or material events which would likely have a material impact on the NAV of the Group as at the Latest Practicable Date.

(iii) there are no litigation, claim or proceedings pending or threatened against the Company or Group or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position of the Company and Group.

(iv) there are no other intangible assets and which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards (International) and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group.

(v) there are no material acquisitions or disposals of assets by the Group between 30 June 2021 and the Latest Practicable Date and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of the Group's material assets or material change in the nature of the Group's business.

8.4 Comparison with the valuation ratios of selected companies which are broadly comparable to the Group

We understand from Management that they are of the view that there are no direct comparable listed companies to the Group that they are aware of. Following from the above, we noted there are no similar companies in the military installation space which is listed on the SGX-ST. However, for the purpose of our evaluation on the financial terms of the Offer, as a broad reference, we have made reference to the valuation ratios of selected SGX-ST listed companies which are engaged in civil engineering construction, with a particular focus on undertaking and constructing public infrastructure and works ("**SGX-ST Companies**"), which would give a broad indication on the valuation of the Group.

We wish to highlight that the SGX-ST Companies are not exhaustive and we recognise that there is no company listed globally or on the SGX-ST, which we may consider to be identical to the Group in terms of, *inter alia*, geographical markets, composition of business activities, scale of the business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria and that such businesses may have fundamentally different annual profitability objectives. The Independent Directors should note that any comparison made with respect to the SGX-ST Companies merely serve to provide an illustrative perceived market valuation of the Group as at the Latest Practicable Date.

A brief description of the SGX-ST Companies is as follows:

SGX-ST Companies	Business Description	Financial Year Ended
Hock Lian Seng Holdings Ltd. ("**Hock Lian Seng**")	Hock Lian Seng is a civil engineering firm. The Company carries out civil engineering works for bridges, expressways, tunnels, MRT, port facilities, water and sewage facilities and other infrastructure works. Hock Lian also procures and sells building materials, namely, concreting sand and aggregates, for building and construction purposes.	31 December
Kori Holdings Limited ("**Kori**")	Kori is a Singapore based multi-discipline engineering and construction services company principally engaged in providing civil/structural engineering and infrastructural construction services as a sub-contractor for commercial, industrial and public infrastructural construction projects. The Company's customers include local and overseas developers.	31 December
OKP Holdings Ltd ("**OKP**")	OKP is a road builder and construction company which, with its subsidiaries, construct urban and arterial roads, expressways, vehicular bridges and flyovers. The Group also reconstructs work performed on roads, road reserves, pavements, footpaths and kerb, guardrails, railings, drains, signboards as well as bus bays and shelters.	31 December
Ley Choon Group Holdings Limited ("**Ley Choon**")	Ley Choon is a one-stop underground utilities infrastructure company. The Group provides underground utilities infrastructure construction and maintenance, sewer pipeline rehabilitation, road and airfield construction and maintenance as well as asphalt pre-mix production and construction waste recycling.	31 March

SGX-ST Companies	Business Description	Financial Year Ended
CSC Holdings Limited ("**CSC**")	CSC operates civil engineering and building works such as excavation, piling, and foundation works. The Company also sells and sublets land, develops properties, and manufactures and trades reinforced concrete piles, building products, and electrical accessories. CSC sells and rents heavy equipment, machinery, spare parts, and piling works.	31 March

Source: *Bloomberg L.P.*

In our evaluation, we have considered the following widely used valuation measures:

Valuation Ratio	Description
Price-to-earnings ("**PE**") ratio	PE ratio or earnings multiple is the ratio of a company's market capitalisation divided by the historical consolidated net profit attributable to shareholders. The PE ratio is an earnings-based valuation methodology and is calculated based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. The PE ratio illustrates the ratio of the market capitalisation of an entity in relation to the historical net profit attributable to its shareholders. As such, it is affected by the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.
P/NAV	NAV refers to consolidated net asset value, which are the total assets of a company less total liabilities. P/NAV refers to the ratio of a company's share price divided by NAV per share. The P/NAV ratio represents an asset-based relative valuation which takes into consideration the book value or NAV backing of a company. The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net assets of the company.
Enterprise Value-to-Earnings before Interests, Taxes, Depreciation and Amortisation ("**EV/EBITDA**")	EV refers to enterprise value which is the sum of a company's market capitalisation, preferred equity, minority interests, short-term and long-term debts (inclusive of finance leases), less its cash and cash equivalents. EBITDA refers to the historical consolidated earnings before interest, taxes, depreciation and amortisation. The EV/EBITDA ratio illustrates the ratio of the market value of an entity's business in relation to its historical pre-tax operating cash flow performance. The EV/EBITDA multiple is an earnings-based valuation methodology. The difference between EV/EBITDA and the PE ratio (described above) is that it does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges.

PE Ratio implied by the Offer Price

The Group's consolidated net profit attributable to shareholders for the trailing twelve months ended 30 June 2021 ("**T12M**") was S$14.5 million. Based on the Offer Price of S$0.238 per Share and the 248,300,050 issued Shares as at the Latest Practicable Date, the implied market capitalisation of the Company is approximately S$59.1 million. The Offer Price thus values the Group at a PE ratio of approximately **4.1 times**.

P/NAV implied by the Offer Price

The NAV of the Group as at 30 June 2021 amounted to approximately S$37.1 million. Based on the number of issued Shares of 248,300,050 Shares (excluding treasury Shares) as at the Latest Practicable Date, the NAV per Share amounted to S$0.149 per Share.

The Offer Price of S$0.238 per Share represents a premium of 59.7% over the NAV per Share of S$0.149 and values the Group at a P/NAV ratio of **1.59 times** as at 30 June 2021.

P/RNAV implied by the Offer Price

The P/RNAV attributable to owners of the Group as at 30 June 2021 amounted to approximately S$31.9 million. Based on the number of issued Shares of 248,300,050 Shares (excluding treasury Shares) as at the Latest Practicable Date, the RNAV per Share amounted to S$0.129 per Share.

The Offer Price of S$0.238 per Share represents a premium of 84.5% over the RNAV per Share of S$0.129 and values the Group at a P/RNAV ratio of **1.84 times** as at 30 June 2021.

EV/EBITDA implied by the Offer Price

The Group's EBITDA for T12M was S$14.9 million. Based on the Offer Price of S$0.238 per Share and the 248,300,050 issued Shares as at the Latest Practicable Date, the implied enterprise value of the Company is approximately S$63.0 million. The Offer Price thus values the Group at a EV/EBITDA ratio of approximately **4.2 times**.

SGX-ST Companies

The valuation ratios of the SGX-ST Companies based on their respective last traded share prices as at the Latest Practicable Date are set out below:

SGX-ST Companies	Market Capitalisation (S$'million)	PE Ratio (times)	P/NAV[(1)] (times)	EV/EBITDA[(2)] (times)
Hock Lian Seng	133.1	12.4	0.63	4.5
OKP	58.6	20.5	0.48	2.5
CSC	49.4	22.9	0.42	1.9
Ley Choon	19.0	2.2	0.82	3.1
Kori	14.5	11.6	0.52	4.7
Max		**22.9**	**0.82**	**4.6**
Min		**2.2**	**0.42**	**1.9**
Mean		**13.9**	**0.57**	**3.4**
Median		**12.4**	**0.52**	**3.1**
Company (implied by the Offer Price)	**59.1**	**4.1**	**1.59 (P/NAV)** **1.84 (P/RNAV)**	**4.2**

Sources: *Bloomberg L.P., annual reports and announcements of the SGX-ST Companies and RHTC calculations*

Notes:

(1) The P/NAV ratios of the SGX-ST Companies are calculated based on their respective NAV values as set out in their latest available published interim results or latest full year results, whichever is applicable.

(2) The EV of the SGX-ST Companies are calculated based on (i) their market capitalisation; and (ii) their preferred equity, minority interests and net debt (if any), as set out in their respective latest available financial results. The EBITDAs are calculated based on the T12M results of the respective SGX-ST Companies.

Based on the above, we observe that:

(i) The PE ratio of the Group of 4.1 times implied by the Offer Price is below the mean and median PE ratios of the SGX-ST Companies of 13.9 times and 12.4 times respectively.

(ii) The P/NAV ratio of the Group of 1.59 times is above the mean and the median P/NAV ratios of the SGX-ST Companies of 0.57 times and 0.52 times respectively.

(iii) The P/RNAV ratio of the Group of 1.84 times is above the mean and the median P/RNAV ratios of the SGX-ST Companies of 0.57 times and 0.52 times respectively.

(iv) The EV/EBITDA ratio of the Group of 4.2 times is above the mean and median EV/EBITDA ratios of the SGX-ST Companies of 3.4 times and 3.1 times respectively.

8.5 Comparison with recently completed Privatisation Transactions on the SGX-ST

In view that it is the intention of the Offeror to privatise the Company and delist it from the SGX-ST, for the purpose of our evaluation on the financial terms of the Offer, we have compared the financial terms of the Offer to other recently completed privatisation take-over offers of companies listed on the SGX-ST which were announced since 1 January 2020 and up to the Latest Practicable Date ("**Privatisation Transactions**").

However, we wish to highlight that the list of target companies set out under the Privatisation Transactions may not be directly comparable with the Company in terms of market capitalisation, size of operations, business activities, accounting policies, financial performance, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits. We also wish to highlight that the list of Privatisation Transactions is by no means exhaustive and has been compiled based on publicly available information as at the Latest Practicable Date.

The premium (if any) that an offeror would pay in respect of any particular takeover depends on various factors, *inter alia*, the offeror's intention with regard to the target company, the potential synergy that the offeror can derive from acquiring the target company, the presence of competing bids for the target company, prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets as well as existing and desired level of control in the target company. Therefore, the comparison of the Offer with the Privatisation Transactions set out below is for illustrative purposes only. Conclusions drawn from the comparisons made may not reflect the perceived market valuation of the Company.

Privatisation Transactions	Date of announcement [1]	Premium / (Discount) of Offer Price over / (to) [1] (%)				Price-to-NAV or RNAV [2] (times)
		Last transacted market price prior to announcement	VWAP for the 1-month period prior to announcement	VWAP for the 3-month period prior to announcement	VWAP for the 6-month period prior to announcement	
Roxy-Pacific Holdings Limited	15 Dec 21	19.8	21.0	23.5	30.3	0.64
United Global Limited	10 Dec 21	12.5	16.7	16.7	16.2	1.06
SingHaiyi Group Ltd.	9 Nov 21	8.3	7.1	10.7	18.3	0.60
Fragrance Group Limited	9 Jul 21	16.9	19.0	19.0	20.0	0.70
Dutech Holdings Limited	31 May 21	73.3	74.7	73.3	61.1	0.75
Cheung Woh Technologies Limited	6 May 21	90.0	90.0	92.6	109.6	1.10
Sin Ghee Huat Corporation Ltd	20 Apr 21	25.6	68.2	68.2	68.8	0.64
Neo Group Limited	30 Mar 21	20.0	17.9	14.5	15.4	1.22
Singapore Reinsurance Corporation Limited	19 Mar 21	17.8	20.6	20.8	21.8	0.79
World Class Global Limited	12 Mar 21	112.1	107.9	107.9	89.2	0.83
Top Global Limited	9 Mar 21	122.9	133.6	146.8	148.7	0.32 [3]
International Press Softcom Limited	28 Jan 21	12.5	25.4	32.0	21.6	1.08
GL Limited	15 Jan 21	25.0	28.2	33.4	27.5	0.66
CEI Limited	11 Jan 21	15.0	18.1	20.5	23.6	1.89
Hi-P International Limited	18 Dec 20	13.6	23.2	42.3	50.6	2.60
Sunvic Chemical Holdings Limited	20 Nov 20	27.3	40.0	(3.4)	16.7	0.16 [3]
LCT Holdings Limited	16 Sep 20	39.5	60.8	61.7	61.5	0.91

Privatisation Transactions	Date of announcement [1]	Premium / (Discount) of Offer Price over / (to) [1] (%)				Price-to-NAV or RNAV [2] (times)
		Last transacted market price prior to announcement	VWAP for the 1-month period prior to announcement	VWAP for the 3-month period prior to announcement	VWAP for the 6-month period prior to announcement	
Sunningdale Tech Ltd	9 Sep 20	32.0	39.1	45.0	58.2	0.77
SK Jewellery Group Limited	2 Sep 20	70.5	90.2	94.8	93.7	1.31
China Jishan Holdings Limited	20 Aug 20	84.2	101.3	106.4	116.7	0.78
Teckwah Industrial Corporation Limited	12 Aug 20	17.8	23.1	25.0	32.4	0.81
Luzhou Bio-chem Technology Limited	30 Jun 20	100.0	87.5	130.8	150.0	n.a.
Dynamic Colours Limited	1 Jun 20	13.6	22.8	29.1	26.8	0.91
Perennial Real Estate Holdings Limited	15 May 20	88.1	105.2	124.2	112.7	0.58
Elec & Eltek International Company Limited	3 Apr 20	93.0	61.3	43.8	48.4	1.00
Breadtalk Group Ltd	24 Feb 20	19.4	30.1	24.0	25.0	2.81
Max		**122.9**	**133.6**	**146.8**	**150.0**	**2.81**
Min		**8.3**	**7.1**	**(3.4)**	**15.4**	**0.16**
Mean		**45.0**	**51.3**	**54.0**	**56.3**	**1.00 [3]**
Median		**25.3**	**34.6**	**37.9**	**40.4**	**0.81 [3]**
The Company (implied by the Offer Price)	**10 Nov 2021**	**4.4**	**3.9**	**9.2**	**12.8**	**1.59 (based on NAV of the Group as at 30 June 2021)** **1.84 (based on RNAV of the Group as 30 June 2021)**

Sources: *Circulars and announcements of Privatisation Transactions and RHTC calculations*

Notes:

(1) Date of announcement and premium/(discount) of offer price over last transacted price and VWAPs refer to the date of first announcement, including holding announcement, of offers and are extracted from the independent financial adviser's letter set out in respective circular of the companies.

(2) Based on the NAV per share or RNAV per share, where available, as published in the independent financial adviser's letter set out in respective circular of the companies.

(3) If the offer P/RNAV ratio of Top Global Limited and the P/NAV ratio of Sunvic Chemical Holdings Limited are excluded as statistical outliers, the mean and median offer price-to-NAV/RNAV ratios of the Recent Privatisation Transactions would be 1.1 times and 0.87 times respectively.

Based on the above, we note the following:

(a) The premia implied by the Offer Price of 4.4% over the last transacted price of the Shares prior to the Offer Announcement Date is below the range of the corresponding premia of the Privatisation Transactions.

(b) The premia implied by the Offer Price of 3.9% over the VWAPs for the 1-month is below the range of the corresponding premia of the Privatisation Transactions and the premia implied by the Offer Price of 9.2% over the VWAPs for the 3-month period prior to the Offer Announcement Date is within the range but below the mean and median of the corresponding premia of the Privatisation Transactions.

(c) The premia implied by the Offer Price of 12.8% to the VWAPs for the 6-month period prior to the Offer Announcement Date is below the range of the corresponding premia of the Privatisation Transactions.

(d) The P/NAV ratio of the Group of 1.59 times as implied by the Offer Price is within the range of P/NAV or P/RNAV ratios of the Privatisation Transactions and above the mean and median P/NAV or P/RNAV ratios of the Privatisation Transactions.

(e) The P/RNAV ratio of the Group of 1.84 times as implied by the Offer Price is within the range of P/NAV or P/RNAV ratios of the Privatisation Transactions and above the mean and median P/NAV or P/RNAV ratios of the Privatisation Transactions.

8.6 Dividend track record of the Company

We set out the dividend track record of the Shares of the past six financial years prior to the Offer Announcement Date:

Dividend declared (S$)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Total dividends per Share	0.0025	0.0025	0.0025	0.0025	0.01	0.006
Average Share price[1]	0.2646	0.3560	0.4067	0.3845	0.3555	0.1969
Dividend yield[2] (%)	0.9%	0.7%	0.6%	0.7%	2.8%	3.0%

Sources: *Bloomberg L.P., annual reports of the Group and announcements of the Company*

Notes:

(1) Average daily closing price of the Shares.

(2) Computed based on dividends per Share divided by the average Share price.

We noted that the Company has consistently been paying dividends to its Shareholders in the last six financial years with the total annual dividend per Share between S$0.0025 and S$0.01 and dividend yield ranging from approximately 0.6% and 3.0% per annum.

The Company does not have a fixed dividend policy and that they will recommend future dividends after taking into consideration the Company's cash and financial position, financial performance of the Group, working capital requirements and projected capital expenditure and other investment plans.

We wish to highlight that the above dividend analysis of the Company serves only as an illustrative guide and is not an indication of the Company's future dividend policy. There is no assurance that the Company will or will not pay dividends in future and/or maintain that level of dividend paid in past periods.

8.7 Other relevant considerations

8.7.1 Likelihood of competing offers

As at the Latest Practicable Date, we understand from the Company that the Offeror and its concert parties own approximately 82.2% of the total number of Shares.

The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer or proposal from any third party has been received. We also note that there is no publicly available evidence of any alternative offer for the Offer Shares from any third party.

Based on the above, given that the Offeror has already achieved statutory control of the Company, the likelihood of competing offers is low.

8.7.2 Offeror's intention for the Company

Upon completion of the Offer, if and when made, the Offeror may undertake a strategic and operational review of the Company and its subsidiaries with a view to realising synergies, scale, cost efficiencies and growth potential. The Offeror will also consider delisting the Company from the SGX-ST in the event it achieves the requisite acceptances for such delisting, in order to facilitate management and operational control and leverage over the Company and its subsequent developments.

The Offeror presently has no intention to introduce any major changes to the business of the Company, or to discontinue the employment of any of the existing employees of the Company or re-deploy any of the fixed assets of the Company, other than in the ordinary course of business. The Offeror however retains the flexibility at any time to consider options or opportunities which may present themselves and which it regards to be in the interests of the Offeror and/or the Company

8.7.3 Outlook of the Group

We have noted that based on the Group's HY2021's results announcement released on 13 August 2021, the Group had provided its views on the industry it is operating. We have reproduced the extracts of its views in italics below:

"Coming out of a year marred by the pandemic causing a 4.4% shrink in global economic output, military expenditure continued to increase and gain traction. The total global military expenditure hit US$2 trillion in 2020, an increase of 2.6% in real terms from 2019. Global defence spending is expected to grow at 2.8% in 2021 to cross US$2 trillion as countries still look to modernise their military equipment and training facilities.

In Asia, China, India, Japan and South Korea were the largest military spenders in the region. All 4 countries increased their military spending between 2019 and 2020 and over the decade 2011-20, with China's military expenditure rising for the 26th consecutive year and estimated to have totalled $252 billion in 2020. Terrorists continue to remain a major threat to security forces globally, as does conflict and instability in Africa and the Middle East. Ongoing geopolitical tensions in the Middle East are also creating a strong demand for modern military equipment. As the COVID-19 situation is still evolving, there is a degree of uncertainty over the length and severity of this pandemic. The Group does not expect a material impact on its current operations and performance given the nature of the business as an essential service. The Group is closely monitoring the evolving situation and will continue to provide updates to the stakeholders.

Mr. Jonathan Yap (叶鼎富), Managing Director of Starburst, commented, "Economies around the world have dipped back into a lockdown situation due to the resurgence of the Covid-19 virus. These uncertain and challenging times have continued to create geopolitical tensions globally. As a Group, we are proud to have delivered a record set of results, owing to our record order book to date. However, we will continue to push ourselves forward and pursue opportunities to design and engineer customized training solutions for existing and potential customers. We will constantly be on the lookout for new partners and securing new installation and long term maintenance contracts to achieve higher profitability as well as enhance the sustainability of our earnings.""

8.7.4 Release of the FY2021 Result Announcement *vis-à-vis* the Close of Offer

We noted that, as at the Latest Practicable Date, the Offer is slated to close on 7 March 2022. In accordance with Rule 705 of the Catalist Rules, the Group is to announce its full year results in relation to FY2021 immediately after the figures are available, but in any event not later than 60 days after the relevant financial period being 1 March 2022. Shareholders may wish to consider waiting for the release of the FY2021 result announcement before making their decision in relation to their Shares.

9. OPINION

In arriving at our opinion on the financial terms of the Offer, we have taken into consideration, *inter alia*, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter:

(a) Market quotation and trading liquidity of the Shares;

(i) The Offer Price represents a premium of approximately 4.4% over the VWAP of the Shares of S$0.228 on 9 November 2021, being the day when the Shares were last traded prior to the release of the Offer Announcement.

(ii) The Offer Price represents a premium of approximately 3.9% and 9.2% above the VWAP of the Shares for 1-month and 3-month periods prior to the release of the Offer Announcement respectively.

(iii) The Offer Price represents a premium of approximately 12.8% and 25.3% above the VWAP of the Shares for 6-month and 1-year periods prior to the release of the Offer Announcement respectively.

(iv) Over the 1-year period prior to the release of the Offer Announcement, the Shares have traded between a low of S$0.120 and a high of S$0.430. The Offer Price represents a premium of S$0.118 (or 98.3%) above the lowest transacted price and a discount of S$0.192 (or 44.7%) to the highest transacted price of the Shares. The share price had declined from S$0.43 on 10 November 2020 to S$0.12 on 16 November 2020 and was on a general uptrend thereafter.

(v) The Offer Price represents a premium of approximately 2.1 % over the VWAP of the Shares of S$0.233 for the period after the release of the Offer Announcement to the Latest Practicable Date.

(vi) For the period from the release of the Offer Announcement Date to the Latest Practicable Date, the Shares have traded between a low of S$0.230 and a high of S$0.240. The Offer Price represents a discount of S$0.002 (or 0.8%) to the highest transacted price of the Shares. The Shares have traded above the Offer Price on 17 out of 50 market days from the Offer Announcement Date to the Latest Practicable Date.

(vii) The Shares were closed below the Offer Price at S$0.235 on 31 January 2022, being the Latest Practicable Date.

(viii) Over the 1-year period prior to the release of the Offer Announcement, the Shares were traded on 239 days out of a total of 261 market days. The average daily trading volume of the Shares for the 1-month, 3-month, 6-month, and 12-month periods up to and including the day prior the release of the Offer Announcement represent 1.30%, 0.70%, 0.57% and 1.57% of the free float of the Shares respectively.

(ix) During the period following the release of the Offer Announcement up to the Latest Practicable Date, the average daily trading volume on the Shares was approximately 509,000 Shares, representing 0.68% of the free float of the Shares.

(b) Historical financial performance, position and cash flows of the Group;

(i) The revenue of the Group increased by 29.3% from FY2018 to FY2019, increased by 135.5% from FY2019 to FY2020 and increased by 110.9% from HY2020 to HY2021. The Group's net loss decreased by 43.8% from FY2018 to FY2019, recorded a profit of S$9.1 million in FY2020 and recorded a profit of S$7.4 million in HY2021.

(ii) As at 30 June 2021, the Group recorded a NAV of S$37.1 million, based on the 248,300,050 number of Shares as at the Latest Practicable Date, the NAV per Share is S$0.149. The Offer Price represents a premium of 59.7% to the unaudited NAV per Share of the Group as at 30 June 2021.

(iii) The Group recorded (i) a net cash inflow from operating activities of S$0.3 million and S$6.0 million in FY2018 and HY2021 respectively and a net cash outflow from operating activities of S$1.4 million and S$0.3 million in FY2019 and FY2020 respectively; (ii) a net cash inflow from investing activities of S$2.6 million in FY2018 and a net cash outflow from investing activities of S$0.02 million, S$0.3 million and S$0.3 million in FY2019, FY2020 and HY2021 respectively; and (iii) a net cash outflow from financing activities of S$3.2 million, $1.6 million and S$5.4 million in FY2018, FY2019 and HY2021 respectively and a net cash inflow from financing activities of S$5.4 million in FY2020.

(iv) In terms of the Group's financial performance, in the most recent completed financial year as well as the latest half year, the financial performance of the Group has been strong and resilient, in light due to the numerous contract wins, notwithstanding the general weakness in the economy as well as the impact of Covid-19, coming from losses incurred in the previous two financial years. In terms of cash flows, as a result of its strong financial performance in the most recent completed financial year as well as the latest half year, the Group's cash flows are healthy, generating positive cash in flows.

(v) The business is cyclical in nature, with swings in revenue and alternating profit and loss in the last eight years since the Listing.

(c) RNAV of the Group;

The Offer Price of S$0.238 per Share represents a premium of 84.5% to the P/RNAV per Share of S$0.129 and values the Group at a P/RNAV ratio of 1.84 times as at 30 June 2021.

(d) Comparison with the valuation ratios of selected companies which are broadly comparable to the Group;

(i) The PE ratio of the Group of 4.1 times implied by the Offer Price is below the mean and median PE ratios of the SGX-ST Companies of 13.9 times and 12.4 times respectively.

(ii) The P/NAV ratio of the Group of 1.59 times is above the mean and the median P/NAV ratios of the SGX-ST Companies of 0.57 times and 0.52 times respectively.

(iii) The P/RNAV ratio of the Group of 1.84 times is above the mean and the median P/RNAV ratios of the SGX-ST Companies of 0.57 times and 0.52 times respectively.

(iv) The EV/EBITDA ratio of the Group of 4.2 times is above the mean and median EV/EBITDA ratios of the SGX-ST Companies of 3.4 times and 3.1 times respectively.

(e) Comparison with Privatisation Transactions

(i) The premia implied by the Offer Price of 4.4% over the last transacted price of the Shares prior to the Offer Announcement Date is below the range of the corresponding premia of the Privatisation Transactions.

(ii) The premia implied by the Offer Price of 3.9% over the VWAPs for the 1-month is below the range of the corresponding premia of the Privatisation Transactions and the premia implied by the Offer Price of 9.2% over the VWAPs for the 3-month period prior to the Offer Announcement Date is within the range but below the mean and median of the corresponding premia of the Privatisation Transactions.

(iii) The premia implied by the Offer Price of 12.8% to the VWAPs for the 6-month period prior to the Offer Announcement Date is below the range of the corresponding premia of the Privatisation Transactions.

(iv) The P/NAV ratio of the Group of 1.59 times as implied by the Offer Price is within the range of P/NAV or P/RNAV ratios of the Privatisation Transactions and above the mean and median P/NAV or P/RNAV ratios of the Privatisation Transactions.

(v) The P/RNAV ratio of the Group of 1.84 times as implied by the Offer Price is within the range of P/NAV or P/RNAV ratios of the Privatisation Transactions and above the mean and median P/NAV or P/RNAV ratios of the Privatisation Transactions.

(f) Dividend track record of the Company;

(g) Other relevant considerations:

(i) Likelihood of competing offers;

(ii) Offeror's intention for the Company;

(iii) Outlook of the Group; and

(iv) Release of the FY2021 Result Announcement *vis-à-vis* the Close of Offer.

Having considered the various factors set out in the earlier sections of this Letter and summarised below, we are of the opinion that the financial terms of the Offer are not fair and not reasonable.

We consider the financial terms of the Offer to be NOT FAIR, after taking into consideration the following factors:

(a) In terms of the Group's financial performance, in the most recent completed financial year as well as the latest half year, the financial performance of the Group has been strong and resilient, in light due to the numerous contract wins, notwithstanding the general weakness in the economy as well as the impact of Covid-19, coming from losses incurred in the previous two financial years. In terms of cash flows, as a result of its strong financial performance in the most recent completed financial year as well as the latest half year, the Group's cash flows are healthy, generating positive cash in flows.

(b) The PE ratio of the Group of 4.1 times implied by the Offer Price is below the mean and median PE ratios of the SGX-ST Companies of 13.9 times and 12.4 times respectively.

In terms of the reasonableness of the financial terms of the Offer, notwithstanding:

(a) The business is cyclical in nature, with swings in revenue and alternating profit and loss in the last eight years since the Listing.

(b) The P/NAV ratio of the Group of 1.59 times is above the mean and the median P/NAV ratios of the SGX-ST Companies of 0.57 times and 0.52 times respectively.

(c) The P/RNAV ratio of the Group of 1.84 times is above the mean and the median P/RNAV ratios of the SGX-ST Companies of 0.57 times and 0.52 times respectively.

(d) The EV/EBITDA ratio of the Group of 4.2 times is above the mean and median EV/EBITDA ratios of the SGX-ST Companies of 3.4 times and 3.1 times respectively.

(e) The P/NAV ratio of the Group of 1.59 times as implied by the Offer Price is within the range of P/NAV or P/RNAV ratios of the Privatisation Transactions and above the mean and median P/NAV or P/RNAV ratios of the Privatisation Transactions.

(f) The P/RNAV ratio of the Group of 1.84 times as implied by the Offer Price is within the range of P/NAV or P/RNAV ratios of the Privatisation Transactions and above the mean and median P/NAV or P/RNAV ratios of the Privatisation Transactions.

(g) As per the Company's understanding, the Offeror and its concert parties own approximately 82.2% of the total number of Shares. The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer or proposal from any third party has been received. We also note that there is no publicly available evidence of any alternative offer for the Offer Shares from any third party. Based on the above, given that the Offeror has already achieved statutory control of the Company, the likelihood of competing offers is low.

We consider the financial terms of the Offer to be NOT REASONABLE, after taking into consideration the following factors:

(a) As at 30 June 2021, the Group has a current ratio is 4.5 times which implies that the Group has sufficient current assets to cover the current liabilities.

(b) The premia implied by the Offer Price of 4.4% over the last transacted price of the Shares prior to the Offer Announcement Date is below the range of the corresponding premia of the Privatisation Transactions.

(c) The premia implied by the Offer Price of 3.9% over the VWAPs for the 1-month is below the range of the corresponding premia of the Privatisation Transactions and the premia implied by the Offer Price of 9.2% over the VWAPs for the 3-month period prior to the Offer Announcement Date is within the range but below the mean and median of the corresponding premia of the Privatisation Transactions.

(d) The premia implied by the Offer Price of 12.8% to the VWAPs for the 6-month period prior to the Offer Announcement Date is below the range of the corresponding premia of the Privatisation Transactions.

(e) The Company has consistently been paying dividends to its Shareholders in the last six financial years with the total annual dividend per Share between S$0.0025 and S$0.01 and dividend yield ranging from approximately 0.6% and 3.0% per annum.

(f) The Company's view on the industry it is operating, as set out in paragraph 8.7.3 of this Letter.

Accordingly, we advise the Independent Directors to recommend that Shareholders REJECT the Offer. Considering the illiquidity of the Shares in the one year period prior to the Offer Announcement Date, should Shareholders wish to realise their investments in the Company, they can choose to sell their Shares in the open market at a price equivalent to or higher than the Offer Price (after deducting transaction costs).

As set out in the Offer Document, Shareholders should also take note that in the event the percentage of Shares held in public hands falls below 10.0% and the SGX-ST suspends trading of the Shares, the Offeror reserves the right to re-evaluate its position, taking into account, amongst other things, the level of acceptances received by the Offeror and the prevailing market conditions at the relevant time. Accordingly, there is no assurance that the Offeror will take steps to preserve the listing status of the Company on the SGX-ST if the public float of the Company is less than 10.0%.

Shareholders may also wish to consider taking into consideration the release of the FY2021 result announcement which will take place before the close of the Offer.

We have prepared this Letter for the use of the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the financial terms of the Offer and should not be relied on by any other party. The recommendation made by the Independent Directors to the Shareholders in relation to the Offer shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of RHTC in each specific case.

This 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
RHT CAPITAL PTE. LTD.

Khong Choun Mun
Chief Executive Officer

Lay Shi Wei
Associate Director

APPENDIX 2

ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Description
Mr Edward Lim Chin Wah	c/o 6 Tuas View Circuit, Singapore 637599	Chairman and Executive Director
Mr Yap Tin Foo	c/o 6 Tuas View Circuit, Singapore 637599	Managing and Executive Director
Mr Martin Muller	c/o 6 Tuas View Circuit, Singapore 637599	Non-Executive Director
Mr Lai Keng Wei	c/o 6 Tuas View Circuit, Singapore 637599	Lead Independent Director
Mr Gopal Perumal	c/o 6 Tuas View Circuit, Singapore 637599	Independent Director
Mr Tan Teng Wee	c/o 6 Tuas View Circuit, Singapore 637599	Independent Director

2. REGISTERED OFFICE

The registered office of the Company is at 6 Tuas View Circuit, Singapore 637599.

3. PRINCIPAL ACTIVITIES

The Company is a public limited company incorporated in Singapore and is listed on the Catalist board of the Singapore Exchange Securities Trading Limited. The Group is an engineering group specialising in the design and engineering of training facilities, with an established track record and experience of more than 20 years in this niche industry. The Company is one of the few companies operating primarily in Southeast Asia and the Middle East that provides in-house integrated solutions in the design, fabrication, installation and maintenance of anti-ricochet ballistic protection systems for shooting ranges and tactical training mock-ups. These solutions are provided to law enforcement, military and security agencies as well as civil authorities in Southeast Asia and the Middle East.

The Group's key business areas include the following:

(a) Shooting Ranges

The Group designs, fabricates and installs anti-ricochet ballistic protection systems at live-firing ranges to prevent fire rounds from ricocheting. This involves the installation of proprietary "Searls" anti-ricochet panels, rubber lining panels and floor and ceiling baffles at indoor, outdoor and modular live-firing ranges, close quarter battle houses and method of entry training facilities.

(b) Tactical Training Mock-Ups

The Group designs, fabricates and installs tactical training mock-ups to suit each desired training scenario such as rescue and evacuation operations, aviation and maritime operations, sniper operations and other counter terrorism operations. Its mock-ups provide simulations which are as close to real scenarios as possible and thus each element of the desired mock-up is examined to ensure that the details are replicated. The Group installs tactical training mock-ups for live-fire-arms-training and non-live-fire-arms-training.

(c) Maintenance Services and Other Activities

The Group offers complete service and maintenance programmes for completed shooting ranges and tactical training mock-ups. As its customers' training activities typically involve live-firearms and/or the use of pyrotechnics, it is critical that the facilities are monitored continually to ensure that they are kept in optimal condition and that international safety standards are met and updated, if necessary. This ensures that customers' training facilities are maximised, downtime is minimised and safety is not compromised.

4. SHARE CAPITAL

4.1 Issued Capital

As at the Latest Practicable Date, the Company has one class of shares, being ordinary shares. As at the Latest Practicable Date, the total issued and paid-up share capital of the Company is approximately S$42,942,185 comprising 259,489,550 Shares (including treasury shares). The Company hold 11,189,500 treasury shares as at the Latest Practicable Date. The issued Shares are quoted and listed on the Catalist board of the SGX-ST.

As at the Latest Practicable Date, the Company issued 25,525 Shares since the end of FY2020 through the conversion of warrants.

4.2 Rights in Respect of Capital, Dividends and Voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution of the Company, which is available for inspection at the registered address of the Company at 6 Tuas View Circuit, Singapore 637599 during normal business hours for the period during which the Offer remains open for acceptance. For ease of reference, selected texts of the Constitution of the Company relating to the same have been extracted and reproduced in Appendix 5 to this Circular. Capitalised terms and expressions not defined in the extracts have the meaning ascribed to them in the Constitution and/or the Companies Act.

5. COMPANY CONVERTIBLE SECURITIES

As at the Latest Practicable Date, the Company does not have any outstanding Convertible Securities of the Company.

6. DISCLOSURE OF INTERESTS

6.1 Interests of the Company in Offeror Securities

As at the Latest Practicable Date, neither the Company nor its subsidiaries have any direct or indirect interests in Offeror Securities.

6.2 Dealings in Offeror Securities by the Company

Neither the Company nor its subsidiaries have dealt in Offeror Securities during the period commencing three (3) months prior to 10 November 2021, being the Offer Announcement Date, and ending on the Latest Practicable Date.

6.3 Interests of the Directors in Offeror Securities

As at the Latest Practicable Date, Mr Edward Lim Chin Wah also holds 35,000 shares in NGL.

Save as disclosed above and in this Circular, as at the Latest Practicable Date, none of the Directors have any direct or indirect interests in Offeror Securities.

6.4 Dealings in Offeror Securities by the Directors

None of the Directors have dealt in Offeror Securities during the period commencing three (3) months prior to 10 November 2021 being the Offer Announcement Date, and ending on the Latest Practicable Date.

6.5 Interests of the Directors in Shares and Convertible Securities of the Company

Save as disclosed below, none of the Directors have an interest, direct or indirect, in the Shares or Convertible Securities of the Company.

	Direct Interest as at the Latest Practicable Date		Deemed Interest as at the Latest Practicable Date	
Name	**No. of Shares**	**(%)[2]**	**No. of Shares**	**(%)**
Mr Gopal Perumal	20,000	–[1]	–	

Notes:

(1) Not meaningful.

(2) Based on the total number of 248,300,050 Shares (excluding 11,189,500 Shares held in treasury).

Mr Martin Muller is a non-independent non-executive director, who is an employee of Securitas AG which held 10,000,000 shares representing 4.0% of the total number of Shares in the Company (excluding Shares held in treasury) as at the Offer Announcement Date. As at the Latest Practicable Date, Securitas AG has accepted the Offer in respect of all the Shares it holds and as at the Latest Practicable Date, Securitas AG does not hold any Shares in the Company.

Mr Edward Lim Chin Wah and Mr Yap Tin Foo accepted the Offer in respect of the 88,931,900 Shares and 84,099,500 Shares held by each of them respectively on 24 January 2022. Accordingly, they do not hold any Shares in the Company as at the Latest Practicable Date.

Mr Gopal Perumal intends to reject the Offer in respect of the 20,000 Shares currently held by him.

6.6 Dealings in Shares and Convertible Securities of the Company by the Directors

Save for acceptances of the Offer pursuant to the Irrevocable Undertakings described in paragraph 6.5 above, none of the Directors have dealt in the Shares or Convertible Securities of the Company during the period commencing three (3) months prior to 10 November 2021, being the Offer Announcement Date, and ending on the Latest Practicable Date.

6.7 Interests of the IFA in Shares and Convertible Securities of the Company

None of the IFA, its related corporations or funds whose investments are managed by the IFA or its related corporations on a discretionary basis, own or control any Shares or Convertible Securities of the Company as at the Latest Practicable Date.

6.8 Dealings in Shares and Company Convertible Securities by the IFA

None of the IFA, its related corporations or funds whose investments are managed by the IFA or its related corporations on a discretionary basis, have dealt for value in the Shares or Convertible Securities of the Company during the period commencing three (3) months prior to 10 November 2021, being the Offer Announcement Date, and ending on the Latest Practicable Date.

6.9 Accepting or Rejecting the Offer

The following Directors who have direct or deemed interests in the Shares have informed the Company of their intentions in respect of the Offer, as follows:

(a) Mr Edward Lim Chin Wah, having given the Irrevocable Undertaking, intends to accept the Offer in respect of the 88,931,900 Shares directly held by him;

(b) Mr Yap Tin Foo, having given the Irrevocable Undertaking, intends to accept the Offer in respect of the 84,099,500 Shares directly held by him; and

(c) Mr Gopal Perumal intends to reject the Offer in respect of the 20,000 Shares directly held by him.

7. OTHER DISCLOSURES

7.1 Directors' Service Contracts

As at the Latest Practicable Date, (a) there are no service contracts between any Director or proposed director with the Company or any of its subsidiaries with more than 12 months to run, which the employing company cannot, within the next 12 months, terminate without payment of compensation; and (b) there are no such service contracts entered into or amended between any of the Directors or proposed director with the Company or any of its subsidiaries during the period between the start of six (6) months preceding the Offer Announcement Date and the Latest Practicable Date.

7.2 No Payment or Benefit to Directors

As at the Latest Practicable Date, it is not proposed, in connection with the Offer, that any payment or other benefit be made or given to any Director or to any director of any other corporation which is, by virtue of Section 6 of the Companies Act, deemed to be related to the Company as compensation for loss of office or otherwise in connection with the Offer.

7.3 No Agreement Conditional Upon Outcome of the Offer

As at the Latest Practicable Date, save for the Irrevocable Undertakings, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer.

7.4 Material Contracts Entered Into by the Offeror

As at the Latest Practicable Date, save for the Irrevocable Undertakings, there are no material contracts entered into by the Offeror in which any Director has a material personal interest, whether direct or indirect.

8. FINANCIAL INFORMATION OF THE GROUP

A summary of the financial information of the Group for FY2018, FY2019 and FY2020 (based on the audited consolidated financial statements for each of FY2018, FY2019 and FY2020) and for 1H2021 (based on the unaudited consolidated financial statements for 1H2021) is set out below.

A summary of the financial information of the Group as set out in this Paragraph 8 is extracted from, and should be read together with, the annual reports and relevant financial statements, copies of which are available on the SGX-ST website at www.sgx.com or for inspection at the registered address of the Company at 6 Tuas View Circuit, Singapore 637599 during normal business hours for the period during which the Offer remains open for acceptance.

(i) Consolidated Statements of Comprehensive Income

	Audited FY2018 S$'000	**Audited FY2019 S$'000**	**Audited FY2020 S$'000**	**Unaudited 1H2021 S$'000**
Revenue	7,151	9,244	21,772	20,492
Other operating income	177	78	151	137
Project and production costs	(4,313)	(4,942)	(9,795)	(8,139)
Employee benefits expenses	(3,237)	(3,168)	(2,479)	(1,918)
Depreciation expense	(1,494)	(1,309)	(1,065)	(418)
Other operating expenses	(2,099)	(1,875)	(1,519)	(962)
Finance costs	(412)	(390)	(331)	(179)
(Loss) Profit before income tax	(4,227)	(2,362)	6,734	9,013
Income tax (expense) credit	(17)	(22)	2,399	(1,578)
(Loss) Profit for the year	**(4,244)**	**(2,384)**	**9,133**	**7,435**
Other comprehensive income (net of tax)				
Items that may be reclassified subsequently to profit or loss				
Currency translation differences	–	1	(1)	1
Total comprehensive (loss) income for the year	**(4,244)**	**(2,383)**	**9,132**	**7,436**
(Loss) Earnings per share (cents)				
Basic	(1.74)	(0.98)	3.73	2.99
Diluted	(1.74)	(0.98)	3.48	2.99

(ii) Statements of Financial Position

	Audited FY2018 S$'000	Audited FY2019 S$'000	Audited FY2020 S$'000	Unaudited 1H2021 S$'000
ASSETS				
Current assets				
Cash and bank equivalents	7,966	4,987	9,778	10,063
Trade and other receivables	2,578	3,080	6,306	4,097
Contract assets	808	975	6,419	10,112
Inventories	2,110	1,952	3,446	2,739
Total current assets	13,462	10,994	25,949	27,011
Non-current assets				
Fixed deposits pledged	2,815	2,829	2,861	2,880
Trade and other receivables	932	887	1,794	2,907
Property, plant and equipment	24,983	23,685	22,847	22,754
Intangible assets	150	–	–	–
Deferred tax assets	–	–	2,426	856
Total non-current assets	28,880	27,401	29,928	29,397
Total assets	**42,342**	**38,395**	**55,877**	**56,408**
LIABILITIES AND EQUITY				
Current liabilities				
Bank loans	639	655	5,701	3,218
Trade and other payables	1,185	1,192	3,202	2,662
Contract liabilities	–	–	1,002	–
Current portion of lease liabilities	126	44	44	45
Income tax payable	19	22	28	15
Total current liabilities	1,969	1,913	9,977	5,940
Non-current liabilities				
Bank loans	12,099	11,446	11,060	10,705
Lease liabilities	2,851	2,807	2,705	2,669
Total non-current liabilities	14,950	14,253	13,765	13,374
Capital and reserves				
Share capital	41,028	41,055	42,936	42,942
Treasury shares	(3,513)	(3,745)	(4,244)	(4,244)
Warrant reserve	422	422	422	422
Currency translation reserve	1	2	1	2
Merger reserve	(25,438)	(25,438)	(25,438)	(25,438)
Retained earnings	12,923	9,933	18,458	23,410
Total equity	**25,423**	**22,229**	**32,135**	**37,094**
Total liabilities and equity	**42,342**	**38,395**	**55,877**	**56,408**

The above summary should be read together with the Annual Report FY2020, the audited consolidated statements of financial position of the Group for FY2020 and the related notes thereto which is set out in Appendix 4 to this Circular, and the unaudited financial statements and dividend announcement for the financial period ended 30 June 2021 ("**1H2021 Financial Statements**").

9. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in the audited consolidated financial statements of the Group for FY2020, and any other information on the Group which is publicly available (including but not limited to that contained in the Annual Report FY2020, the 1H2021 Financial Statements and the announcements released by the Group on the SGX-ST), there have been no material changes to the financial position of the Company since 31 December 2020, being the date of the last audited accounts of the Company laid before the Shareholders in general meeting.

10. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Group are disclosed in pages 73 to 92 of the audited consolidated financial statements of the Group for FY2020, which are reproduced in Appendix 4 to this Circular.

Save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in the Annual Report FY2020, the audited financial statements of the Group for FY2020, the 1H2021 Financial Statements and the announcements released by the Group on the SGX-ST), there are no significant accounting policies or any points from the notes to the financial statements which are of major relevance for the interpretation of the accounts.

11. CHANGES IN ACCOUNTING POLICIES

On January 1, 2020, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the disclosures or on the amounts reported for the current or prior years.

At the date of authorisation of the FY2020 financial statements, the following SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I)s that are relevant to the Group were issued but not yet effective. The Board is of the view that the adoption of these pronouncements will not have a material impact on the financial statements of the Group and the Company in the periods of their initial application.

Effective for annual periods beginning on or after June 1, 2020:

- Amendment to SFRS(I) 16: Covid-19-Related Rent Concessions

Effective for annual periods beginning on or after January 1, 2021:

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: Interest Rate Benchmark Reform – Phase 2

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to SFRS(I) 3: Reference to the Conceptual Framework

- Amendments to SFRS(I) 1-16: Property, Plant and Equipment – Proceeds before Intended Use

- Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract

- Annual Improvements to SFRS(I)s 2018-2020

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current

As at the Latest Practicable Date, save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in the Annual Report FY2020, the audited consolidated financial statements of the Group for FY2020, the 1H2021 Financial Statements and the announcements released by the Group on the SGX-ST), the Group has applied the same accounting policies and methods of computation as with those in the audited financial statements of the Group for FY2020 and as at the Latest Practicable Date, there are no changes in the accounting policies of the Group which will cause the financial statements of the Group not to be comparable to a material extent.

12. MATERIAL CHANGE IN INFORMATION

Save as disclosed in this Circular and save for the information relating to the Company and the Offer that is publicly available, there has been no material change in the information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

13. VALUATION

The Company has commissioned independent valuation of the Subject Property. As disclosed in the Valuation Report, the basis of valuation is fair market value. A copy of the Valuation Report is set out in Appendix 6 to this Circular. The Valuation Report in respect of the Subject Property is available for inspection at the registered address of the Company at 6 Tuas View Circuit, Singapore 637599.

Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the Subject Property, which is the subject of a valuation given in connection with the Offer, was to be sold at the amount of the valuation. Based on the Valuation Report, there are no potential tax liabilities that may be incurred by the Company on the hypothetical disposal of the Subject Property on an "as is" basis.

As at the Latest Practicable Date, the Company has no current plans to dispose of its interests in the Subject Property unless the need arises.

14. MATERIAL CONTRACTS

As at the Latest Practicable Date, there have been no material contracts (not being contracts entered into during the ordinary course of business carried on by the Company) entered into by the Company or any of its subsidiaries with Interested Persons, during the three (3) years preceding the Offer Announcement Date and ending on the Latest Practicable Date.

15. MATERIAL LITIGATION

As at the Latest Practicable Date:

(a) neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Group taken as a whole; and

(b) save as disclosed above, the Directors are not aware of any litigation, claim, arbitration or other proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially or adversely affect the financial position of the Group taken as a whole.

16. GENERAL

16.1 Costs and Expenses

All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

16.2 Consent of the IFA

RHT Capital Pte. Ltd. has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter which is set out in Appendix 1 to this Circular and all references to its name in the form and context in which they appear in this Circular.

16.3 Consent of the Registrar

Boardroom Corporate & Advisory Services Pte. Ltd. has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all the references to its name in the form and context in which they appear in this Circular.

16.4 Consent of the Auditors

Deloitte & Touche LLP has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the audited consolidated financial statements of the Group for FY2020, which are set out in Appendix 4 to this Circular and all references to its name in the form and context in which they appear in this Circular.

16.5 Consent of the Independent Valuer

PREMAS Valuers & Property Consultants Pte Ltd has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the Valuation Report which is set out in Appendix 6 to this Circular and all references to its name in the form and context in which they appear in this Circular.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered address of the Company at 6 Tuas View Circuit, Singapore 637599, during normal business hours from the date of this Circular up to and included the date of the Closing Date:

(i) the Constitution of the Company;

(ii) the Annual Report FY2020;

(iii) the annual reports of the Group for FY2018 and FY2019;

(iv) the 1H2021 Financial Statements;

(v) the Offer Announcement;

(vi) the Offer Document;

(vii) the IFA Letter, as set out in Appendix 1 to this Circular;

(viii) the audited consolidated financial statements of the Group for FY2020, as set out in Appendix 4 to this Circular;

(ix) the Valuation Report in respect of the Subject Property, as set out in Appendix 6 to this Circular; and

(x) the letters of consent referred to in Paragraph 16 above.

APPENDIX 3

INFORMATION ON THE OFFEROR AND NGL

The following information on the Offeror and NGL has been extracted from the Offer Document to Appendix 3 and set out below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

ADDITIONAL INFORMATION ON THE OFFEROR

1. DIRECTORS

The names, addresses and descriptions of the Directors of the Offeror as at the Latest Practicable Date are as follows:

Name	***Address***	***Description***
Chang Yeh Hong	*c/o 2 Tuas Avenue 10 Singapore 639126*	*Director*
Teo Ling Ling	*c/o 2 Tuas Avenue 10 Singapore 639126*	*Director*
Lin Choon Hin	*c/o 2 Tuas Avenue 10 Singapore 639126*	*Director*

2. PRINCIPAL ACTIVITIES

The Offeror is a company incorporated in Singapore on 13 November 1998 and is a direct wholly-owned subsidiary of NGL. Its principal activities comprise integration, assembly, trading, importing and exporting of hydraulic systems and marine components.

3. REGISTERED OFFICE

The registered office of the Offeror is at 2 Tuas Avenue 10, Singapore 639126.

4. SHARE CAPITAL

As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S$1,350,000 comprising 1,350,000 ordinary shares, all of which are held by NGL.

5. FINANCIAL INFORMATION

Please refer to Paragraph 4 of Appendix 4 to this Offer Document.

ADDITIONAL INFORMATION ON NGL

1. DIRECTORS

The names, addresses and descriptions of the Directors of NGL as at the Latest Practicable Date are as follows:

Name	*Address*	*Description*
Chang Yeh Hong	*c/o 2 Tuas Avenue 10 Singapore 639126*	*Executive Chairman*
Teo Ling Ling	*c/o 2 Tuas Avenue 10 Singapore 639126*	*Executive Director*
Lee Kim Lian Juliana	*c/o 2 Tuas Avenue 10 Singapore 639126*	*Independent Director*
Lee Kok Keng Andrew	*c/o 2 Tuas Avenue 10 Singapore 639126*	*Independent Director*
Siau Kai Bing	*c/o 2 Tuas Avenue 10 Singapore 639126*	*Independent Director*

2. PRINCIPAL ACTIVITIES

NGL is a company incorporated in Singapore and is listed on the Main Board of the SGX-ST. Its principal activities are those of an investment holding company and providing management and administrative support to its subsidiaries. The Nordic Group is a diversified group of companies providing solutions in areas of automation and systems integration; maintenance, repair, overhaul and trading; precision engineering; scaffolding; insulation services; petrochemical and environmental engineering services; and cleanroom, air and water engineering services.

3. REGISTERED OFFICE

The registered office of Nordic is at 2 Tuas Avenue 10, Singapore 639126.

4. SHARE CAPITAL

As at the Latest Practicable Date, NGL had an issued and paid-up ordinary share capital of approximately S$22,438,597 comprising 400,000,000 ordinary shares, of which 12,000,000 ordinary shares are held as treasury shares).

5. FINANCIAL INFORMATION

*Certain financial information extracted from the audited consolidated financial statements of the Nordic Group for FY2018, FY2019 and FY2020 and the unaudited consolidated financial statements of the Nordic Group for HY2021 (collectively, the "**Nordic Group Financial Statements**") is set out below. The financial information referred to in this Paragraph should be read in conjunction with the Nordic Group Financial Statements and the accompanying notes as set out therein (copies of which are available for inspection as set out in Paragraph 5 of Appendix 6 to this Offer Document).*

5.1 Consolidated Income Statements

A summary of the audited consolidated income statements of the Nordic Group for FY2018, FY2019 and FY2020 and the unaudited consolidated income statement of the Nordic Group for HY2021 is set out below:

	Audited	***Audited***	***Audited***	***Unaudited***
S$'000	***FY2018***	***FY2019***	***FY2020***	***HY2021***
Revenue	*91,694*	*84,627*	*80,794*	*49,172*
Exceptional items	*–*	*–*	*–*	*–*
Gross profit	*23,326*	*21,274*	*17,963*	*13,989*
Profit before tax	*12,156*	*9,180*	*5,898*	*8,169*
Net profit after tax	*11,325*	*8,480*	*5,482*	*7,797*
Profit attributable to owners of the parent, net of tax	*11,325*	*8,480*	*5,482*	*7,797*
Basic earnings per Nordic Share (cents)(1)	*2.9*	*2.2*	*1.4*	*2.0*
Gross dividend per Nordic Share (cents)(2)	*1.132*	*0.848*	*0.549*	*0.980*

Note:

(1) Computed based on weighted average number of Nordic Shares of 392,967,000, 392,145,000, 390,301,000 and 388,360,000 for FY2018, FY2019, FY2020 and HY2021, respectively.

(2) Computed based on total number of issued Nordic Shares (excluding Nordic Shares held in treasury) of 392,519,000, 391,904,000, 388,900,000, 388,000,000 as at 31 December 2018, 31 December 2019, 31 December 2020 and 30 June 2021, respectively.

5.2 Consolidated Statements of Financial Position

A summary of the audited consolidated statement of financial position of the Nordic Group as at 31 December 2020 and the unaudited consolidated statement of financial position of the Nordic Group as at 30 June 2021 is set out below:

S$'000	***Audited As at 31 December 2020***	***Unaudited As at 30 June 2021***
ASSETS		
Non-current assets		
Property, plant and equipment	*34,801*	*33,376*
Right-of-use assets	*3,281*	*3,202*
Goodwill	*29,552*	*29,552*
Intangible assets	*360*	*194*
Deferred tax assets	*–*	*200*
Total non-current assets	*67,994*	*66,524*
Current assets		
Inventories	*11,195*	*12,602*
Trade and other receivables	*21,364*	*21,610*
Other assets	*9,984*	*12,398*
Cash and cash equivalents	*57,512*	*56,194*
Total current assets	*100,055*	*102,804*
Total assets	*168,049*	*169,328*
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	*22,439*	*22,439*
Treasury shares	*(2,374)*	*(2,614)*
Retained earnings	*68,326*	*74,718*
Other reserves	*445*	*643*
Total equity	*88,836*	*95,186*
Non-current liabilities		
Provisions	*123*	*7*
Deferred tax liabilities	*2,859*	*2,780*
Loans and borrowings	*5,836*	*3,575*
Financial liabilities – lease liabilities	*3,369*	*3,256*
Total non-current liabilities	*12,187*	*9,618*
Current liabilities		
Provisions	*1,831*	*2,022*
Income tax payable	*948*	*923*
Loans and borrowings	*40,037*	*40,072*
Financial liabilities – lease liabilities	*319*	*266*
Trade and other payables	*22,987*	*20,833*
Other non-financial liabilities	*904*	*408*
Total current liabilities	*67,026*	*64,524*
Total liabilities	*79,213*	*74,142*
Total equity and liabilities	*168,049*	*169,328*

6. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save as disclosed in this Offer Document and save for:

(a) information on the Nordic Group which is publicly available (including without limitation, the announcements released by NGL on SGXNet); and

(b) the making and financing of the Offer,

there have been no known material changes in the financial position of the Nordic Group since 31 December 2020, being the date of the last audited financial statements of the Nordic Group laid before the shareholders of NGL in general meeting.

7. SIGNIFICANT ACCOUNTING POLICIES

Save as disclosed in the notes to the audited consolidated financial statements of the Nordic Group for FY2018, FY2019 and FY2020 and the notes to the unaudited consolidated financial statements of the Nordic Group for HY2021 (copies of which are available for inspection as mentioned in Paragraph 4 (Documents for Inspection) of Appendix 6 to this Offer Document), (a) there were no significant accounting policies or any points from the notes of the financial statements of the Nordic Group which are of any major relevance for the interpretation of the financial statements of the Nordic Group and (b) there is no change in the accounting policies of the Nordic Group which will cause the figures set out in Paragraph 5 above to be not comparable to a material extent.

APPENDIX 4

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2020

The audited consolidated financial statements of the Group for FY2020 which are set out herein have been reproduced from the Company's Annual Report FY2020 and were not specifically prepared for inclusion in this Circular.

All capitalised terms used in the notes to the audited consolidated financial statements of the Group for FY2020 set out herein shall have the same meanings given to them in the Annual Report FY2020.

A copy of the Annual Report FY2020 is available for inspection at the registered address of the Company at 6 Tuas View Circuit, Singapore 637599 during normal business hours for the period during which the Offer remains open for acceptance.

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2020.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 67 to 123 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2020, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Edward Lim Chin Wah
Yap Tin Foo
Martin Muller
Lai Keng Wei
Gopal Perumal
Tan Teng Wee

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

DIRECTORS' STATEMENT

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and Company in which interests are held	Shareholdings registered in name of directors	
	At beginning of year	At end of year
	Ordinary shares	
The Company		
Edward Lim Chin Wah	90,113,800	88,931,900
Yap Tin Foo	85,180,000	84,099,500
Gopal Perumal	20,000	20,000

The directors' interests in the shares of the Company at January 21, 2021 were the same at December 31, 2020.

4 WARRANTS

On June 15, 2016, the Company issued 62,500,000 warrants pursuant to a renounceable non-underwritten rights issue on the basis of one warrant for every four (4) existing ordinary shares held in the capital of the Company. On June 17, 2016, the warrants were listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Each warrant entitles the warrant holder to subscribe for one (1) new ordinary share in the Company at the exercise price of S$0.25 for each new share.

At the end of the financial year, details of the unissued ordinary shares of the Company under warrants are as follows:

Date of issue	Warrants issued	Warrants exercised	Warrants outstanding	Date of expiry
June 15, 2016	62,500,000	9,464,025	53,035,975	June 14, 2021

Name of directors in which interests are held	Warrant holdings registered in name of directors	
	At beginning of year	At end of year
Edward Lim Chin Wah	13,019,750	11,019,750
Yap Tin Foo	11,020,000	9,020,000

The directors' interests in the warrants of the Company at January 21, 2021 were the same at December 31, 2020.

5 OPTIONS AND SHARE AWARDS

(a) Options to take up unissued shares

During the financial year, no share awards were granted and no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option or vesting of a share award to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options or share awards.

6 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all independent directors, is chaired by Mr. Lai Keng Wei, a lead independent director, and includes Mr. Gopal Perumal, an independent director and Mr. Tan Teng Wee, an independent director. The Audit Committee has met four (4) times since the last Annual General Meeting ("AGM"), and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

a) The audit plan and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

b) The Group's financial and operating results and accounting policies;

c) The audit plan of the external auditors;

d) The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the directors of the Company and the external auditor's report on those financial statements;

e) The half yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

f) The co-operation and assistance given by the management to the Group's external and internal auditors; and

g) The re-appointment of the external and internal auditors of the Group.

DIRECTORS' STATEMENT

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

7 AUDITORS

The auditors, Messrs. Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Edward Lim Chin Wah
Chairman and Executive Director

Yap Tin Foo
Managing Director

Singapore
March 31, 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STARBURST HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Starburst Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 123.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 to the financial statements, which discloses that in November 2020 the Corrupt Practices Investigation Bureau ("CPIB") had, pursuant to Section 6(b) of the Prevention of Corruption Act (Chapter 241) of Singapore, commenced an investigation on two directors of the Company and an employee of a subsidiary in connection with the affairs of Starburst Engineering Pte Ltd ("SBEL"), a wholly-owned subsidiary of the Company. The Board of Directors (with the two directors under investigation recusing themselves) ("Board") have indicated that the investigation is not related to the current projects of the Group and accordingly does not affect the business and operations of the Group. Our Opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STARBURST HOLDINGS LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition of construction contracts

The Group recognises contract revenue and costs using the input method to measure the Group's progress towards complete satisfaction of a performance obligation and recognise revenue over time in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*.

Significant judgement is required to estimate the projected total costs to completion which include estimation for variation works and any other claims from contractors. When it is probable that total costs exceed total contract revenue, management records the expected loss as an expense in the period in which they are incurred. Any changes to the projected total costs to completion may result in a significant impact to the revenue recognised during the year.

The accounting policy for revenue recognition for construction contracts is disclosed in Note 2 and the amount of revenue recognised based on input method is disclosed in Note 21.

Our audit performed and responses thereon

We obtained an understanding and evaluated the design and implementation of the relevant controls put in place by management in respect of revenue recognition, including obtaining an understanding of the cost budgeting process by management.

We reviewed the projected total costs to completion and assessed the reasonableness of the estimates used by management, including on a sampling basis, agreed the estimates to the supporting documents and performed retrospective review on completed projects. We performed substantive tests of details on a sampling basis for the costs incurred during the reporting period and checked that costs incurred were recorded in the correct accounting period.

We also agreed the contract sum or any variation orders to the signed agreements and re-computed the percentage of progress of the contracts based on input method to test the accuracy of the percentage of progress used to recognise revenue.

Valuation of inventories

The Group has inventories of $3,446,000 as at December 31, 2020. The Group purchases inventory customised for use on certain projects. As a result, the valuation of any excess or obsolete inventory is subject to valuation estimation which requires significant management judgement as such inventories may not be suitable for use on other projects. Management evaluates the valuation of inventory based on ageing analysis, the type and condition of the inventory, and taking into consideration similar projects in which the inventory can be or are being utilised.

Details of inventories are disclosed in Note 10.

Our audit performed and responses thereon

We performed procedures to understand management's process over the monitoring and review of inventory obsolescence to determine the level of allowance required.

We have discussed with management to obtain an understanding on the nature and intended usage of materials procured for the different type of projects and checked against the profitability of each project to assess if any allowance is required. We had checked to the usage of these materials, if any, during the year and also obtained information with regards to past projects to assess the type of inventories required for future similar projects to assess that the relevant materials can be utilised.

We had discussed and evaluated the basis used by management in the assessment of allowance for inventories, including testing the accuracy of the aging data used on a sampling basis. We also assessed the adequacy of disclosures made by management in respect of allowance for inventories.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the other sections of the annual report ("Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections which are expected to be made available to us after the date of this auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STARBURST HOLDINGS LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Hoe Chi-Hsien.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants

Singapore
March 31, 2021

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020

	Note	Group		Company	
		2020	2019	**2020**	2019
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and cash equivalents	7	**9,778**	4,987	**156**	67
Trade and other receivables	8	**6,306**	3,080	**5,619**	2,142
Contract assets	9	**6,419**	975	**–**	–
Inventories	10	**3,446**	1,952	**–**	–
Total current assets		**25,949**	10,994	**5,775**	2,209
Non-current assets					
Fixed deposits pledged	7	**2,861**	2,829	**–**	–
Trade and other receivables	8	**1,794**	887	**–**	–
Investment in subsidiaries	11	**–**	–	**36,238**	36,438
Property, plant and equipment	12	**22,847**	23,685	**–**	–
Intangible assets	13	**–**	–	**–**	–
Deferred tax assets	14	**2,426**	–	**–**	–
Total non-current assets		**29,928**	27,401	**36,238**	36,438
Total assets		**55,877**	38,395	**42,013**	38,647
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	15	**5,701**	655	**–**	–
Trade and other payables	16	**3,202**	1,192	**124**	75
Contract liabilities	9	**1,002**	–	**–**	
Current portion of lease liabilities	17	**44**	44	**–**	–
Income tax payable		**28**	22	**28**	22
Total current liabilities		**9,977**	1,913	**152**	97
Non-current liabilities					
Bank loans	15	**11,060**	11,446	**–**	–
Lease liabilities	17	**2,705**	2,807	**–**	–
Total non-current liabilities		**13,765**	14,253	**–**	–
Capital and reserves					
Share capital	18	**42,936**	41,055	**42,936**	41,055
Treasury shares	19	**(4,244)**	(3,745)	**(4,244)**	(3,745)
Warrant reserve	20	**422**	422	**422**	422
Currency translation reserve	20	**1**	2	**–**	–
Merger reserve	20	**(25,438)**	(25,438)	**–**	–
Retained earnings		**18,458**	9,933	**2,747**	818
Total equity		**32,135**	22,229	**41,861**	38,550
Total liabilities and equity		**55,877**	38,395	**42,013**	38,647

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2020

	Note	Group	
		2020	2019
		$'000	$'000
Revenue	21	**21,772**	9,244
Other operating income	22	**151**	78
Project and production costs	23	**(9,795)**	(4,942)
Employee benefits expenses		**(2,479)**	(3,168)
Depreciation expense	12	**(1,065)**	(1,309)
Other operating expenses	24	**(1,519)**	(1,875)
Finance costs	25	**(331)**	(390)
Profit (Loss) before income tax		**6,734**	(2,362)
Income tax credit (expense)	26	**2,399**	(22)
Profit (Loss) for the year	27	**9,133**	(2,384)
Other comprehensive income (net of tax):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operation		**(1)**	1
Other comprehensive income for the year, net of tax		**(1)**	1
Total comprehensive income (loss) for the year		**9,132**	(2,383)
Basic earnings (loss) per share (cents)	29	**3.73**	(0.98)
Diluted earnings (loss) per share (cents)		**3.48**	(0.98)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2020

	Share capital $'000	Treasury shares $'000	Warrant reserve $'000	Currency translation reserve $'000	Merger reserve $'000	Retained earnings $'000	Total $'000
Group							
At January 1, 2019	41,028	(3,513)	422	1	(25,438)	12,923	25,423
Transactions with owners, recognised directly in equity:							
Repurchase of shares (Note 19)	–	(232)	–	–	–	–	(232)
Exercise of warrants (Note 18)	27	–	–	–	–	–	27
Dividends (Note 28)	–	–	–	–	–	(606)	(606)
Total	27	(232)	–	–	–	(606)	(811)
Total comprehensive loss for the year:							
Loss for the year	–	–	–	–	–	(2,384)	(2,384)
Other comprehensive income	–	–	–	1	–	–	1
	–	–	–	1	–	(2,384)	(2,383)
Balance at December 31, 2019	41,055	(3,745)	422	2	(25,438)	9,933	22,229
At January 1, 2020	**41,055**	**(3,745)**	**422**	**2**	**(25,438)**	**9,933**	**22,229**
Transactions with owners, recognised directly in equity:							
Repurchase of shares (Note 19)	**–**	**(499)**	**–**	**–**	**–**	**–**	**(499)**
Exercise of warrants (Note 18)	**1,881**	**–**	**–**	**–**	**–**	**–**	**1,881**
Dividends (Note 28)	**–**	**–**	**–**	**–**	**–**	**(608)**	**(608)**
Total	**1,881**	**(499)**	**–**	**–**	**–**	**(608)**	**774**
Total comprehensive income for the year:							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**9,133**	**9,133**
Other comprehensive income	**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**
	–	**–**	**–**	**(1)**	**–**	**9,133**	**9,132**
Balance at December 31, 2020	**42,936**	**(4,244)**	**422**	**1**	**(25,438)**	**18,458**	**32,135**

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2020

	Share capital $'000	Treasury shares $'000	Warrant reserve $'000	Retained earnings $'000	Total $'000
Company					
Balance at January 1, 2019	41,028	(3,513)	422	775	38,712
Transactions with owners, recognised directly in equity:					
Repurchase of shares (Note 19)	–	(232)	–	–	(232)
Exercise of warrants (Note 18)	27	–	–	–	27
Dividend (Note 28)	–	–	–	(606)	(606)
Total	27	(232)	–	(606)	(811)
Profit for the year, representing total comprehensive income for the year	–	–	–	649	649
Balance at December 31, 2019	41,055	(3,745)	422	818	38,550
Balance at January 1, 2020	**41,055**	**(3,745)**	**422**	**818**	**38,550**
Transactions with owners, recognised directly in equity:					
Repurchase of shares (Note 19)	**–**	**(499)**	**–**	**–**	**(499)**
Exercise of warrants (Note 18)	**1,881**	**–**	**–**	**–**	**1,881**
Dividend (Note 28)	**–**	**–**	**–**	**(608)**	**(608)**
Total	**1,881**	**(499)**	**–**	**(608)**	**774**
Profit for the year, representing total comprehensive income for the year	**–**	**–**	**–**	**2,537**	**2,537**
Balance at December 31, 2020	**42,936**	**(4,244)**	**422**	**2,747**	**41,861**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

	Group	
	2020	2019
	$'000	$'000
Operating activities		
Profit (Loss) before income tax	**6,734**	(2,362)
Adjustments for:		
Allowance for doubtful debts	**7**	–
Depreciation expense	**1,065**	1,309
Interest expense	**331**	390
Interest income	**(32)**	(24)
Amortisation of prepaid insurance	**45**	45
Gain on disposal of property, plant and equipment	**–**	(3)
Amortisation of intangible assets	**–**	150
Operating cash flows before working capital changes	**8,150**	(495)
Trade and other receivables	**(4,185)**	(492)
Inventories	**(1,494)**	158
Contract assets	**(5,444)**	(167)
Trade and other payables	**2,010**	7
Contract liabilities	**1,002**	–
Cash generated from (used in) operations	**39**	(989)
Income tax paid	**(22)**	(19)
Interest paid	**(331)**	(390)
Interest received	**32**	14
Net cash used in operating activities	**(282)**	(1,384)
Investing activities		
Increase in fixed deposits (Note 7)	**(32)**	(14)
Purchase of property, plant and equipment	**(284)**	(11)
Proceeds from disposal of property, plant and equipment	**–**	3
Net cash used in investing activities	**(316)**	(22)
Financing activities		
Proceeds from bank loan	**5,000**	–
Repayment of lease liabilities	**(44)**	(126)
Purchase of treasury shares	**(499)**	(232)
Proceeds from exercise of warrants	**1,881**	27
Repayment of bank loans	**(340)**	(637)
Dividend paid	**(608)**	(606)
Net cash from (used in) financing activities	**5,390**	(1,574)
Net increase (decrease) in cash and cash equivalents	**4,792**	(2,980)
Cash and cash equivalents at beginning of year	**4,987**	7,966
Effect of foreign exchange rate charges on the balance of cash held in foreign currencies	**(1)**	1
Cash and cash equivalents at end of year (Note 7)	**9,778**	4,987

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

1 GENERAL

The Company (Registration Number 201329079E) was incorporated in Singapore with its principal place of business and registered office at 6 Tuas View Circuit, Singapore 637599. The Company is listed on the Catalist Board of Singapore Exchange Securities Trading Limited. The consolidated financial statements are expressed in Singapore dollars, which is also the functional currency of the Company.

The principal activities of the Company are those of investment holding and provision of management services.

The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

As announced by the Company in November 2020, the Corrupt Practices Investigation Bureau ("CPIB") had on November 12, 2020, pursuant to Section 6(b) of the Prevention of Corruption Act (Chapter 241) of Singapore, commenced an investigation on two directors of the Company and an employee of a subsidiary in connection with the affairs of Starburst Engineering Pte Ltd ("SBEL"), a wholly-owned subsidiary of the Company. The Company's Board of Directors (with the two directors under investigation recusing themselves) ("Board") are of the view that the directors of the Company and an employee of a subsidiary should continue with their respective responsibilities and duties in the operation of the Group's businesses to ensure business continuity and the Board will reassess its position where appropriate in due course. The Board will continue to monitor the progress of the ongoing investigation and will continue to re-assess the suitability of the directors of the Company and an employee of a subsidiary in their respective roles in the Company as and when there are developments to the investigation. In addition, the Board indicated that the investigation is not related to the current projects of the Group and accordingly does not affect the business and operations of the Group. The Board has assessed that there is no impact to the liquidity risk of the Group as the existing contracts with customers are still on-going and subsequent to the end of the reporting period, the Group had announced that it had clinched two projects.

At the date of authorisation of these financial statements, the CPIB's investigation is ongoing. The Board of Directors and management have assessed that this matter is not expected to have a significant impact to the financial statements for the year.

1 GENERAL (CONTINUED)

COVID-19 pandemic and the aftermath

The COVID-19 pandemic and the aftermath of the pandemic globally had forced to suspend or limit business operations during the reporting year and the aftermath is expected for the unforeseeable period ahead. Measures were taken by the governments to contain the spread of COVID-19, including travels, social distancing and closure of non-essential services. This resulted in an economic slowdown. However, there was no significant impact on the business of the Group, given the nature of the Group's operations and that the industry it operates in is of an essential nature. Notwithstanding this, the economic uncertainties have also created some uncertainties relating to the impairment or recoverability of certain assets (including impairment allowances for receivables and valuation of inventories) (see Note 3).

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2020 were authorised for issue by the Board of Directors on March 31, 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payments*, leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2020, the Company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRSs") that are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;

- Is exposed, or has rights, to variable returns from its involvement with the investee; and

- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- Potential voting rights held by the Company, other vote holders or other parties;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION (Continued)

- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Investments in subsidiaries are stated at cost less any impairment in net recoverable value that has been recognised in profit or loss.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Classification of financial assets (Continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised in profit or loss using effective interest method and is included in the "Other operating income" line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Exchange differences are recognised in profit or loss in either the "other operating income" or "other operating expenses" line items.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI, contract assets, as well as on loan commitments and financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment if whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date if initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtor operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks or other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely the defense industry.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of expected credit losses (Continued)

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a Group entity are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (Continued)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a Group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other operating income" and "other operating expense" line item in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

CONTRACT ASSETS AND LIABILITIES – A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables at the point at which it is invoiced to the customer. Contract liabilities are recognised as revenue as the Group performs under the contract.

LEASES

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expenses on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate. The rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the fund necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (Continued)

The Group as lessee (Continued)

Lease payments included in the measurement of the lease liability comprise of variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs obligation for costs to dismantle and removed a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (Continued)

The Group as lessee (Continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as part of Property, plant and equipment in the consolidated statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use assets is impaired and accounts for any identified impairment loss as described in the 'Impairment of tangible and intangible assets policy.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

INTANGIBLE ASSETS – Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT – Building held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is charged so as to write off the cost over their estimated useful lives using the straight-line method, on the following bases:

Office equipment	–	3 years
Plant and machinery	–	5 years
Motor vehicles	–	5 years
Furniture and fittings	–	3 years
Computers	–	3 years
Renovation	–	5 years
Building	–	Over the remaining lease period of 38 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS – At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS (Continued)

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event where, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

GOVERNMENT GRANTS – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

REVENUE RECOGNITION – Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Contract revenue

The Group constructs facilities that are stated in the contract and it is common to have a deferred liability period included in the contract, spanning for 1 or 2 years subsequent to the completion of the construction of the facility. The Group's performance creates an asset with no alternative use to the Group, as each construction project is customised to the customer's needs and is physically built at the customer's premises or at a location that the customer controls, hence the asset cannot be resold to another customer. The Group has an enforceable right to payment for work done. Contract revenue is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15 *Revenue from Contracts with Customers*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (Continued)

Contract revenue (Continued)

The Group becomes entitled to invoice customers for construction of facilities based on achieving a series of performance-related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method, then the Group recognises a contract liability for the difference. This is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and payment from customer is generally less than one year.

Maintenance service revenue

The Group provides maintenance services to customers throughout the contract or defect liability period. Revenue relating to the maintenance services is recognised over time when the customer simultaneously receives and consumes the benefits as the Group performs the services (i.e. the monthly maintenance services performed).

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSACTIONS – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying the entity's accounting policies

Management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements apart from those involving estimates which are dealt with below.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Key sources of estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition of construction contracts

The Group recognises contract revenue during the course of project construction by reference to the progress towards complete satisfaction of a performance obligation at the end of the reporting period. Progress towards complete satisfaction of a performance obligation is measured based on input method.

Significant judgement is required to estimate the total cost on completion which include estimation for variation works and other claims from contractors. The subjectivity involved in determining the total cost on completion may result in a significant impact to the revenue recognised during the year.

The amount of contract revenue recognised based on input method is disclosed in Note 21. The carrying amounts of contract assets and current liabilities arising from construction contracts are disclosed in Note 9.

Valuation of inventories

The Group purchases inventory customised for use on certain projects. As a result, the valuation of any excess inventory is subject to valuation estimation which requires significant management judgement since these inventories may not be suitable for use on other projects. Management evaluates the valuation of inventory based on ageing analysis, condition of the inventory, taking into consideration similar projects in which the inventory can be or are being utilised. The carrying amount of the Group's inventories is disclosed in Note 10 to the consolidated financial statements.

Recoverable amounts of trade and other receivables

When measuring ECL, a considerable amount of judgement and accounting estimates such as supportable forward-looking information relating to forecast of future economic conditions (including the impact of Covid-19 pandemic) is required in assessing the ultimate realisation of trade and other receivables (Note 8).

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Key sources of estimation uncertainties (Continued)

Recoverable amounts of trade and other receivables (Continued)

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Deferred tax assets

As at December 31, 2020, deferred tax assets of $2.4 million (2019: $ Nil), mainly arising from unused tax losses and capital allowances, have been recognised in the Group's statement of financial position. The realisability of the deferred tax assets is subject to management estimation and mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the future profits generated are less than expected, a reversal of the deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place.

As explained in Note 1, two directors of the Company are being investigated by CPIB and the Board has evaluated that the operations of the Group and the Company has not been significantly impacted by this matter. The Group continues to provide its services on the existing projects and has secured two new projects subsequent to end of the reporting period, and management has assessed that there are sufficient future profits to utilise the deferred tax assets recognised at the end of the reporting period.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Financial assets				
Financial assets at amortised costs	**19,125**	9,842	**5,752**	2,186
Financial liabilities				
Financial liabilities at amortised cost	**19,963**	13,293	**124**	75
Lease liabilities	**2,749**	2,851	**–**	–

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting arrangements.

(c) Financial risk management policies and objectives

The Group is exposed to various financial risks arising in the normal course of business. It has adopted risk management policies and utilises a variety of techniques to manage its exposure to these risks.

There has been no change to the Group's exposure to these financial risks or the manners in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign exchange risk management

The Group transacts business in various foreign currencies, including United States dollar and United Arab Emirates dirhams and therefore is exposed to foreign exchange risk.

At the end of the reporting period, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Group			
	Assets		Liabilities	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
United States dollar	**237**	402	**–**	–
United Arab Emirates dirham	**29**	16	**–**	–

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(i) Foreign exchange risk management (Continued)

If the relevant foreign currency strengthens by 5% against the functional currency of each Group entity, profit (loss) for the year will increase (decrease) (2019: decrease (increase)) by approximately:

	Group	
	2020	2019
	$'000	$'000
United States dollar	**12**	20
United Arab Emirates dirham	**2**	1

The impact will be vice-versa if the relevant foreign currencies weaken by 5% against the functional currency of each Group entity.

(ii) Interest rate risk management

The Group is exposed to interest rate risk arising from changes in interest rates for interest-earning cash balances and fixed deposits and interest-bearing debts.

The interest rates for bank loans are disclosed in Note 15 to the consolidated financial statements. No hedging has been taken by the Group for borrowings which bear floating interest rates.

Interest rate sensitivity

The sensitivity analyses below have been determined on the exposure to interest rates for the Group's bank overdrafts and bank loans throughout the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 100 basis point increase or decrease represents management's assessment of possible change in interest rates.

If interest rates increase/decrease by 100 basis points with all other variables held constant, the Group's profit (loss) for the year would have been lower/higher by approximately $118,000 (2019: higher/lower by $121,000).

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk on cash and bank balances and derivative financial instruments is limited as these balances are placed with or transacted with institutions of repute. The Group does not expect to incur material credit losses on its financial instruments.

The Group develops and maintains its credit risk gradings to categorise exposures according to their degrees of risk of default. The Group uses its trading records to rate its major customers and other debtors. The Group does not hold any collateral to cover its credit risks associated with its financial assets.

The Group's current credit risk framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit- impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit- impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iii) Credit risk management (Continued)

The tables below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount $'000**	**Loss allowance $'000**	**Net carrying amount $'000**
Group						
2020						
Trade receivables	8	**(i)**	**Lifetime ECL (simplified approach)**	**5,089**	**(13)**	**5,076**
Contract assets	9	**(i)**	**Lifetime ECL (simplified approach)**	**6,419**	**–**	**6,419**
Other receivables	8	**Performing**	**12 month ECL**	**1,410**	**–**	**1,410**
					(13)	
Company						
2020						
Amount owing by subsidiaries	8	**Performing**	**12 month ECL**	**6,233**	**(643)**	**5,590**
Deposits	8	**Performing**	**12 month ECL**	**6**	**–**	**6**
					643	

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Group						
2019						
Trade receivables	8	(i)	Lifetime ECL (simplified approach)	1,789	(6)	1,783
Contract assets	9	(i)	Lifetime ECL (simplified approach)	975	–	975
Other receivables	8	Performing	12 month ECL	243	–	243
					(6)	
Company						
2019						
Amount owing by subsidiaries	8	Performing	12 month ECL	2,762	(643)	2,119

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iii) Credit risk management (Continued)

(i) For trade receivables and contract assets, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate reflect current conditions and estimates of future economic conditions. Note 8 includes further details on the loss allowance for trade receivables.

The carrying amount of the financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account of the value of any collateral obtained.

At the end of the reporting period, the Group has certain concentration of credit risk whereby approximately 35% (2019: 12%) of the total trade and other receivables were due from the Group's 3 (2019: 5) largest customers.

(iv) Liquidity risk management

The objective of liquidity management is to ensure that the Group has sufficient funds to meet its contractual and financial obligations. To manage this risk, the Group monitors its net operating cash flow and maintains a level of cash and cash equivalents deemed adequate by management for working capital purposes so as to mitigate the effects of fluctuations in cash flows.

The Group has uncommitted credit line of approximately $5,500,000 (2019: $6,480,000) which is unutilised as at the end of the reporting period.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statements of financial position.

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Group						
2020						
Non-interest bearing	–	3,202	–	–	–	3,202
Variable interest rate instruments	1.68	892	3,568	8,823	(1,522)	11,761
Fixed interest rate instruments	2.75	5,000	–	–	–	5,000
Lease liabilities (fixed rate)	2.48	112	448	3,673	(1,484)	2,749
		9,206	4,016	12,496	(3,006)	22,712

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

Non-derivative financial liabilities (Continued)

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Group						
2019						
Non-interest bearing	–	1,192	–	–	–	1,192
Variable interest rate instruments	2.48	945	3,781	9,768	(2,393)	12,101
Lease liabilities (fixed rate)	2.48	114	456	3,864	(1,583)	2,851
		2,251	4,237	13,632	(3,976)	16,144

All financial liabilities of the Company are on demand or due within one year.

Non-derivative financial assets

All financial assets of the Group are on demand or due within one year except for the pledged fixed deposits of $2,861,000 (2019: $2,829,000) as disclosed in Note 7.

All the financial assets and liabilities of the Company are on demand or due within one year except for amount owing by subsidiaries of $643,000.

(v) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(d) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of issued capital, retained earnings, reserves and borrowings disclosed in Note 15. The Group is required to maintain specified gearing ratios in order to comply with covenants in loan agreements with banks and is in compliance with such requirements.

The Group's overall strategy remains unchanged from the preceding year.

5 RELATED COMPANY TRANSACTIONS

Related companies in these consolidated financial statements refer to the subsidiaries of the Company. There are transactions and arrangements with the subsidiaries in the Group and the effect of these on the basis determined between the parties is reflected in these consolidated financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless stated otherwise. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are therefore not disclosed in this note.

6 OTHER RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these consolidated financial statements. Balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2020	2019
	$'000	$'000
Short-term benefits	**2,480**	2,239
Post-employment benefits	**65**	67
	2,545	2,306

The remuneration of directors and key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

7 CASH AND BANK BALANCES

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Cash on hand and at bank	**9,778**	4,987	**156**	67
Fixed deposits	**2,861**	2,829	**–**	–
	12,639	7,816	**156**	67
Less: Fixed deposits pledged (non-current)^	**(2,861)**	(2,829)		
Cash and cash equivalents in the consolidated statement of cash flows	**9,778**	4,987		

Fixed deposits bear interest at an average effective interest rate of 1.4% (2019: 0.92%) per annum and for a weighted average tenure of approximately 328 days (2019: 328 days).

^ The fixed deposits are pledged to a bank to secure banking facilities for the Group (Note 15).

8 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Unbilled revenue	**1,808**	1,167	**–**	–
Trade receivables from outside parties	**3,281**	622	**–**	–
Loss allowance for doubtful debts	**(13)**	(6)	**–**	–
	5,076	1,783	**–**	–
Prepayment^	**1,614**	1,941	**23**	23
Amount owing by subsidiaries – non-trade	**–**	–	**5,590**	2,119
Other receivables	**503**	205	**–**	–
Grant receivables	**76**	–	**–**	–
Deposits	**831**	38	**6**	–
	8,100	3,967	**5,619**	2,142
Less: Prepayment and other receivables (non-current)	**(1,794)**	(887)	**–**	–
Amount owing by subsidiaries- non-trade (non-current)	**–**	–	**(643)**	(643)
Loss allowance for doubtful debts	**–**	–	**643**	643
Trade and other receivables (current)	**6,306**	3,080	**5,619**	2,142

^ An amount of $886,000 (2019: $932,000) relates to life insurance policy premium for certain directors which are pledged to secure bank facilities (Note 15).

8 TRADE AND OTHER RECEIVABLES (CONTINUED)

In 2019, the Company had provided a loss allowance of $643,000, relating to an amount due from a subsidiary as management had assessed that the amount was not recoverable from the subsidiary.

Trade receivables

The average credit period ranges from 30 to 90 days (2019: 30 to 90 days) and the balances are non-interest bearing. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following is an aging analysis of trade receivables:

	2020	2019
	$'000	$'000
Not past due	**2,360**	1,637
Past due less than 3 months	**2,714**	146
Past due more than 3 months	**15**	6
	5,089	1,789
Loss allowance for doubtful debts	**(13)**	(6)
	5,076	1,783

8 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables (Continued)

The table below shows the lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

Group	**Lifetime ECL – credit-impaired $'000**
Balance as at January 1, 2019 and December 31, 2019	6
Charge to profit or loss	**7**
Balance as at December 31, 2020	**13**

Other receivables

For purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Management had assessed that these receivables are subject to immaterial credit losses.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

9 CONTRACT ASSETS AND CONTRACT LIABILITIES

	Group	
	2020	2019
	$'000	$'000
Contract assets		
Construction contracts	**6,419**	975
Contract liabilities		
Construction contracts	**1,002**	–

9 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

Contract assets

Contract assets relating to construction contracts are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance – related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

The changes in contract asset balances are mainly due to new projects secured during the reporting period.

Management always estimates the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry. None of the amounts due from customers at the end of the reporting period is past due.

There has been no change in the estimation techniques or significant assumptions made during the current financial period in assessing the loss allowance for the contract assets.

Contract liabilities

Contract liabilities relating to construction services are balances due to customers under construction contracts. These arise when progress billings exceeds the revenue recognised to date under the cost-to-cost method.

The changes in contract liability balances are mainly due to new projects secured during the reporting period.

10 INVENTORIES

	Group	
	2020	2019
	$'000	$'000
Materials	**3,657**	2,163
Less: allowance for inventories	**(211)**	(211)
	3,446	1,952
Movement in allowance for inventories:		
Balance at beginning and end of the year	**211**	211

11 INVESTMENT IN SUBSIDIARIES

	Company	
	2020	2019
	$'000	$'000
Unquoted equity shares, at cost	**30,638**	30,638
Deemed investment	**5,800**	5,800
Less: Impairment loss	**(200)**	–
	36,238	36,438

Deemed investment represents advances to a subsidiary which was reclassified as deemed capital investment in Starburst Engineering Pte Ltd in previous years.

Name of subsidiaries	Country of incorporation/ operation	**Proportion of Ownership interest and voting power held**		Principal activity
		2020	2019	
		%	%	
Starburst Engineering Pte Ltd[1]	Singapore	**100**	100	Manufacturing of ordinary accessories, training, protection and containment system; and building construction including major upgrading works.
Starburst Risk Consulting Pte Ltd[1]	Singapore	**100**	100	Provision of security services and installation of fire protection and security alarm systems.
Starburst Engineering (M) Sdn. Bhd.[2]	Malaysia	**100**	100	Dormant.

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited by Teh & Associates (JB) Chartered Accountants.

In 2020, management carried out a review of recoverable value of its investment in Starburst Risk Consulting Pte Ltd. Based on management's assessment and on the financials of the subsidiary, full impairment loss of $200,000 has been recorded in the profit or loss for year ended December 31, 2020.

12 PROPERTY, PLANT AND EQUIPMENT

	Office equipment $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture and fittings $'000	Computers $'000	Renovation $'000	Building $'000	Leasehold land $'000	Total $'000
Group									
Cost:									
At January 1, 2019	202	2,639	1,744	227	446	285	22,000	2,980	30,523
Additions	–	2	–	–	9	–	–	–	11
Write-off	(2)	–	–	–	(16)	–	–	–	(18)
Disposal	–	–	(24)	–	–	–	–	–	(24)
At December 31, 2019	200	2,641	1,720	227	439	285	22,000	2,980	30,492
Additions	**–**	**122**	**91**	**–**	**71**	**–**	**–**	**–**	**284**
Write-off	**–**	**(14)**	**–**	**–**	**(21)**	**–**	**–**	**–**	**(35)**
Remeasurement	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(57)**	**(57)**
At December 31, 2020	**200**	**2,749**	**1,811**	**227**	**489**	**285**	**22,000**	**2,923**	**30,684**
Accumulated depreciation:									
At January 1, 2019	169	1,958	1,438	197	408	147	1,073	150	5,540
Depreciation	32	386	166	29	29	57	537	73	1,309
Write-off	(2)	–	–	–	(16)	–	–	–	(18)
Disposal	–	–	(24)	–	–	–	–	–	(24)
At December 31, 2019	199	2,344	1,580	226	421	204	1,610	223	6,807
Depreciation	**1**	**277**	**96**	**1**	**24**	**57**	**537**	**72**	**1,065**
Write-off	**–**	**(14)**	**–**	**–**	**(21)**	**–**	**–**	**–**	**(35)**
At December 31, 2020	**200**	**2,607**	**1,676**	**227**	**424**	**261**	**2,147**	**295**	**7,837**
Carrying amount:									
At December 31, 2020	**–**	**142**	**135**	**–**	**65**	**24**	**19,853**	**2,628**	**22,847**
At December 31, 2019	1	297	140	1	18	81	20,390	2,757	23,685

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Building is located at 6 Tuas View Circuit, Singapore 637599 with an unexpired leasehold tenure of approximately 38 years (December 31, 2019: 39 years).

The building is mortgaged to a bank to secure a bank loan (Note 15).

Right-of-use assets

	Leasehold land $'000	**Motor vehicles $'000**	**Total $'000**
Net carrying amount:			
December 31, 2020	**2,628**	**–**	**2,628**
December 31, 2019	2,757	45	2,802
Depreciation expenses for the year ended:			
December 31, 2020	**72**	**–**	**72**
December 31, 2019	73	21	94

The Group leases the leasehold land for office, warehouse and factory purposes.

Amounts recognised in profit or loss

	2020 $'000	2019 $'000
Depreciation expense on right-of-use assets	**72**	94
Interest expense on lease liabilities (Note 25)	**70**	82
Expenses relating to short-term leases (Note 24)	**131**	192
Expenses relating to leases of low value assets (Note 24)	**6**	9

At December 31, 2020, the Group is committed to $166,000 (2019: $131,000) for short-term and low value leases.

The total cash outflow for leases for the year amounted to $44,000 (2019: $126,000).

13 INTANGIBLE ASSETS

	Customer list $'000
Group	
Cost:	
At January 1, December 31, 2019 and 2020	600
Amortisation:	
At January 1, 2019	(450)
Amortisation for the year	**(150)**
At December 31, 2019 and 2020	**(600)**
Carrying amount:	
At December 31, 2019 and 2020	**–**

On June 6, 2017, the Group through its wholly-owned subsidiary entered into an agreement with a company which an ex-director has significant influence, to acquire a customer list with a 2 year anti-competition clause for a consideration of $600,000. The consideration is amortised over the estimated useful life of 2 years. The intangible assets were fully amortised in 2019.

14 DEFERRED TAX ASSETS

Deferred tax assets arise from the following:

	Unused tax losses and capital allowances $'000
At January 1, 2019 and December 31, 2019	–
Credit to profit or loss (Note 26)	**2,426**
At December 31, 2020	**2,426**

14 DEFERRED TAX ASSETS (CONTINUED)

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has temporary differences arising from unabsorbed tax loss and capital allowance carry forwards as follows:

	Group	
	2020	2019
	$'000	$'000
Tax losses and capital allowance:		
At beginning of year	**13,221**	12,121
Adjustments	**301**	–
Arising during the year	**2,322**	1,100
Utilisation during the year	**(1,156)**	–
At end of year	**14,688**	13,221
Deferred tax assets recognised on above	**2,426**	–
Deferred tax assets not recognised on above	**71**	2,248

No deferred tax asset had been recognised in respect of those losses and capital allowance which are due to unpredictability of future profit streams.

The realisation of the future income tax benefits from tax losses and capital allowance carried forward are available for an unlimited period subject to the conditions imposed by law including the retention of majority shareholders as defined.

15 BANK LOANS

	Group	
	2020	2019
	$'000	$'000
Secured – at amortised cost		
Bank loans	**16,761**	12,101
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(5,701)**	(655)
Amount due for settlement after 12 months	**11,060**	11,446

15 BANK LOANS (CONTINUED)

The Group's bank loans comprises:

(a) A loan of $5,000,000 obtained during 2020 with a fixed interest rate of 2.75% per annum on monthly rests and for a tenure of 12 months. The loan is secured by a corporate guarantee from the Company.

(b) Bank loan of $11,761,000 (2019: $12,101,000) which bear floating interest of 1.68% (2019: 2.48%) per annum. They are repayable in 240 monthly instalments from May 2015.

The average effective interest rates were as follows:

	Group	
	2020	2019
	%	%
Bank loans	1.68	2.48

The bank loans are secured on:

(1) The first legal mortgage of the building at 6 Tuas View Circuit (Note 12);

(2) Fixed deposits of not less than $2,061,000 (Note 7);

(3) A first legal assignment of all the rights, title, interest and benefits under and arising out of the life insurance policy taken out on the life of certain directors (Note 8); and

(4) A corporate guarantee from the Company.

Management is of the view that the fair values of the bank loans approximate their carrying amounts.

15 BANK LOANS (CONTINUED)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	January 1, 2020 $'000	**Financing cash flows (i) $'000**	**Non-cash changes remeasurement $'000**	**December 31, 2020 $'000**
Bank loans	**12,101**	**4,660**	**–**	**16,761**
Lease liabilities (Note 17)	**2,851**	**(44)**	**(58)**	**2,749**
	14,952	**4,616**	**(58)**	**19,510**

	January 1, 2019 $'000	Financing cash flows (i) $'000	Non-cash changes remeasurement $'000	December 31, 2019 $'000
Bank loans	12,738	(637)	–	12,101
Lease liabilities (Note 17)	2,977	(126)	–	2,851
	15,715	(763)	–	14,952

(i) The cash flows make up the net amount of proceeds from borrowings and repayment of borrowings in the statement of cash flows.

16 TRADE AND OTHER PAYABLES

	Group		**Company**	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Retention payables	**184**	12	**–**	–
Trade payables due to outside parties	**950**	45	**–**	–
	1,134	57	**–**	–
Other payables	**222**	186	**46**	12
Accrued expenses	**1,846**	949	**78**	63
	3,202	1,192	**124**	75

The credit period on trade payables ranges from 30 to 60 days (2019: 30 to 60 days).

16 TRADE AND OTHER PAYABLES (CONTINUED)

Trade payables principally comprise amounts outstanding for trade purchases and ongoing project costs. Included in accrued expenses are employee benefits related expense of approximately $1,019,000 (2019: $662,000).

17 LEASE LIABILITIES

	Group	
	2020	2019
	$'000	$'000
Maturity analysis		
Year 1	**112**	114
Year 2	**112**	114
Year 3	**112**	114
Year 4	**112**	114
Year 5	**112**	114
Year 6 onwards	**3,673**	3,864
	4,233	4,434
Less: Unearned interest	**(1,484)**	(1,583)
	2,749	2,851
Analysed as:		
Current	**44**	44
Non-current	**2,705**	2,807
	2,749	2,851

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

18 SHARE CAPITAL

	Group and Company			
	2020	2019	**2020**	2019
	Number of shares ('000)		**$'000**	$'000
Issued and fully paid:				
At beginning of year	**251,941**	251,832	**41,055**	41,028
Exercise of warrants	**7,523**	109	**1,881**	27
At end of year	**259,464**	251,941	**42,936**	41,055

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends.

19 TREASURY SHARES

	Group and Company			
	2020	2019	**2020**	2019
	Number of shares ('000)		**$'000**	$'000
At the beginning of the year	**9,922**	9,311	**3,745**	3,513
Repurchased during the year	**1,267**	611	**499**	232
At the end of the year	**11,189**	9,922	**4,244**	3,745

The Company acquired 1,267,100 (2019: 611,900) of its own shares through purchases on the Singapore Exchange during the year. The amount paid to acquire the shares was $499,129 (2019: $232,078) and is presented as a deduction from shareholders' equity. The shares are held as 'treasury shares'.

The Company intends to either reissue these shares to the market at an appropriate time or to employees who exercise their options under the Starburst Employee Share Option Scheme.

20 RESERVES

Warrant reserve

In 2016, the Company issued 62,500,000 of warrants at an issue price of $0.01 for each warrant. Each warrant entitles the warrant holder to subscribe for one new ordinary share in the capital of the Company at the exercise price of $0.25 for each new share. The warrant reserve represents the gross proceeds from the issuance of warrants, net of direct issuance costs.

Merger reserve

Merger reserve represents the difference between the nominal amount of the share capital of the subsidiaries at the date when they were acquired by the Company and the nominal amount of the share capital issued as consideration for the acquisition using the principles of merger accounting applicable to entities under common control.

Currency translation reserve

Exchange differences relating to the translation from the functional currency of the Group's foreign subsidiary into Singapore dollars are accounted for as other comprehensive income and accumulated in foreign currency translation reserve, a component of equity.

21 REVENUE

The Group derives its revenue from the transfer of services over time in the following major product service lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (see Note 30).

	Group	
	2020	2019
	$'000	$'000
Contract revenue	**14,123**	1,012
Maintenance services and others	**7,649**	8,232
	21,772	9,244
Timing of revenue recognition		
Over time:		
Contract revenue	**14,123**	1,012
Maintenance services and others	**7,649**	8,232
	21,772	9,244

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	Group	
	2020	2019
	$'000	$'000
Contract revenue – projects[1]	**55,454**	2,551
Maintenance services and others[2]	**33,277**	27,202

(1) Management expects that the transaction price allocated to the unsatisfied contracts as of December 31, 2020 to be recognised as revenue during the next two financial years.

(2) Management expects that 16% (2019: 20%) of the transaction price allocated to the unsatisfied maintenance contracts as of December 31, 2020 will be recognised as revenue during the next reporting period amounting to $5,314,000 (2019: $5,440,000). Of the remaining 84%, $4,270,000 (2019: $3,277,000) will be recognised in the 2022 financial year, $4,721,000 (2019: $1,730,000) in the 2023 financial year, $3,403,000 (2019: $1,554,000) in the 2024 financial year, $3,496,000 (2019: $1,502,000) in the 2025 financial year and $12,073,000 (2019: $13,699,000) in the years thereafter.

22 OTHER OPERATING INCOME

	Group	
	2020	2019
	$'000	$'000
Interest income	**32**	24
Gain on disposal of property, plant and equipment	**–**	3
Others	**119**	51
	151	78

23 PROJECT AND PRODUCTION COSTS

	Group	
	2020	2019
	$'000	$'000
Materials costs	**3,120**	1,395
Fabrication costs	**3,120**	2,751
Sub-contracting costs	**2,652**	339
Other costs	**903**	457
	9,795	4,942

Other costs include site equipment rental charges, project expendables, freight and handling charges, project related travelling costs and project consultant fees.

24 OTHER OPERATING EXPENSES

	Group	
	2020	2019
	$'000	$'000
Allowance for doubtful debts	**7**	–
Net foreign exchange loss	**81**	29
Professional fees	**515**	565
Expenses relating to short-term leases (Note 12)	**131**	192
Expenses relating to leases of low value assets (Note 12)	**6**	9
Sales and marketing expenses	**209**	311
Amortisation of intangible asset	**–**	150
Others	**570**	619
	1,519	1,875

25 FINANCE COSTS

	Group	
	2020	2019
	$'000	$'000
Interest expense on lease liabilities (Note 17)	**70**	82
Interest on loans	**261**	308
	331	390

26 INCOME TAX CREDIT (EXPENSE)

	Group	
	2020	2019
	$'000	$'000
Current tax	**(21)**	(22)
Under provision of current tax in prior year	**(6)**	–
Deferred tax	**2,426**	–
	2,399	(22)

The income tax is calculated at 17% (2019: 17%) of the estimated assessable profit (loss) for the year. The total charge for the year can be reconciled to the accounting profit (loss) as follows:

	Group	
	2020	2019
	$'000	$'000
Profit (Loss) before income tax	**6,734**	(2,362)
Income tax expense (credit) at statutory rate of 17%	**1,145**	(402)
Effect of non-deductible expenses	**167**	274
Effect of income not taxable in determining taxable profit	**(119)**	–
Tax concession	**(25)**	(27)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	**10**	187
Effect of utilisation of tax losses not previously recognised	**(1,156)**	–
Effect of previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax assets	**(2,426)**	–
Under provision of current tax in prior year	**6**	–
Others	**(1)**	(10)
Total income tax (benefit) expense for the year	**(2,399)**	22

27 PROFIT (LOSS) FOR THE YEAR

Profit (Loss) for the year has been arrived at after charging (crediting):

	Group	
	2020	2019
	$'000	$'000
Costs of inventories recognised as expense	**3,120**	1,395
Directors' remuneration – of the Company	**1,095**	1,084
Employee benefits expense (inclusive of directors' remuneration)	**2,611**	3,361
Cost of defined contribution plans included in employee benefit expense	**290**	235
Audit fees:		
– paid to auditors of the Company	**105**	95
– paid to other auditors	**–***	–*
Non-audit fees paid to auditors of the Company	**10**	9
Depreciation expense	**1,065**	1,309
Amortisation of prepaid insurance	**45**	45
Amortisation of intangible asset	**–**	150
Government grants deducted against employee benefits expense	**(476)#**	–
Foreign worker levy waiver deducted against employee benefits expense	**(231)**	–

* This represents amount less than $1,000.

\# In 2020, the Group received wage support for local employees under the Jobs Support Scheme ("JSS") from the Singapore Government as part of the Government's measures to support businesses during the period of economic uncertainty impacted by COVID-19. The Group assessed that there is reasonable assurance that it will comply with the conditions attached to the grants and the grants will be received. Grant income is recognised in profit or loss on a systematic basis over the period of uncertainty in which the related salary costs for which the grant is intended to compensate is recognised as expenses. Management has determined the period of uncertainty to be 17 months commencing from April 2020. Government grant income of $476,000 was recognised during the year by deducting against employee benefits expense.

28 DIVIDENDS

During the financial year, the Company declared and paid a final one-tier tax exempt dividend of 0.25 cents per ordinary share amounting to $608,000 in respect of the financial year ended December 31, 2019.

In the financial year 2019, the Company declared and paid a final one-tier tax exempt dividend of 0.25 cents per ordinary share amounting to $606,000 in respect of the financial year ended December 31, 2018.

Subsequent to the financial year, the Company proposed a final one-tier tax exempt dividend of 1.00 cents per ordinary share amounting to approximately $2,483,000 in respect of the financial year ended December 31, 2020. This dividend is subject to approval by shareholders at the Annual General Meeting and it has not been included as a liability for the current financial year in accordance with SFRS(I) 1-10 – *Events After The Reporting Period*.

29 EARNINGS (LOSS) PER SHARE

The calculation of the profit (loss) per share attributable to ordinary equity holders of the Company is based on the following data:

	2020	2019
	$'000	$'000
Profit (Loss) for the purpose of basic and diluted earnings (loss) per share attributable to owners of the Company	**9,133**	(2,384)

	2020	2019
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	**245,083**	242,295

At the end of the reporting period, the 53,035,975 (2019: 60,559,075) outstanding warrants were excluded from the calculation of the diluted weighted average number of ordinary shares in issue as their effects would have been anti-dilutive.

30 SEGMENT BUSINESS INFORMATION

The Group operates in two principal geographical areas – Southeast Asia and Middle East.

The Group is organised into three principal business segments namely the firearm shooting ranges, tactical training mock-ups and maintenance services and others.

The firearm shooting ranges business segment pertains to the design, fabrication and installation of firearm shooting ranges for military and law enforcement organisations. This includes the design, fabrication and installation of indoor, outdoor and modular live-firing ranges as well as close quarters battle house and method of entry training facilities.

The tactical training mock-ups business segment pertains to design, fabrication and installation live-firearms and non-live firearm, full sized tactical training mock-ups which simulate specific training scenarios, including rescue and evacuation operations, aviation, maritime and other counter terrorism operations and sniper operations.

30 SEGMENT BUSINESS INFORMATION (CONTINUED)

The maintenance services and other business segment provide maintenance services for completed firearm shooting ranges and tactical training mock-ups; and design, supply and/or fabricate steel struts and steel beams for temporary or permanent structural and architectural steel works on an ad hoc basis. Additionally, the Group designs, constructs and installs ballistic protection and security systems for various facilities, including high-security detention facilities.

(a) Analysis by Business Segments

	Revenue		Net profit (loss)	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Firearms shooting ranges	**7,563**	–	**3,611**	–
Tactical training mock-ups	**6,560**	1,012	**3,381**	222
Maintenance services and others	**7,649**	8,232	**4,985**	4,080
Total	**21,772**	9,244	**11,977**	4,302
Other operating income			**151**	78
Other operating expenses			**(5,063)**	(6,352)
Profit (Loss) from operations			**7,065**	(1,972)
Finance costs			**(331)**	(390)
Profit (Loss) before income tax			**6,734**	(2,362)
Income tax credit (expense)			**2,399**	(22)
Profit (Loss) for the year			**9,133**	(2,384)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in 2020 and 2019.

30 SEGMENT BUSINESS INFORMATION (CONTINUED)

(b) Analysis by Geographical Segments

Segment revenue: Segment revenue is analysed based on the location of customers regardless of where the goods are produced.

Segment assets: Segment assets (non-current assets) are analysed based on the location of those assets.

	Revenue	
	2020	2019
	$'000	$'000
Southeast Asia	**19,346**	8,630
Middle East	**2,426**	614
	21,772	9,244

	Non-current assets	
	2020	2019
	$'000	$'000
Southeast Asia	**27,496**	27,400
Middle East	**6**	1
	27,502	27,401

Non-current assets presented above are non-current assets as presented in the statements of financial position excluding deferred tax assets.

Information about major customers

Included in revenues arising from the firearms shooting ranges and tactical training mock-ups segment of $14,123,000 (2019: $1,012,000) were revenue of $14,123,000 (2019: $1,012,000) which arose from services rendered to the Group's four largest customers (2019: Group's single largest customer).

31 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, management anticipates that the adoption of the following SFRS(I) pronouncements which were issued but not effective will not have a material impact on the financial statements of the Group and the Company in the periods of their initial application.

Effective for annual periods beginning on or after June 1, 2020

- Amendment to SFRS(I) 16: *Covid-19-Related Rent Concessions*

Effective for annual periods beginning on or after January 1, 2021

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: *Interest Rate Benchmark Reform – Phase 2*

Effective for annual periods beginning on or after January 1, 2022

- Amendments to SFRS(I) 3: *References to the Conceptual Framework*
- Amendments to SFRS(I) 1-16: *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to SFRS(I) 1-37: *Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to SFRS(I)s 2018-2020

Effective for annual periods beginning on or after January 1, 2023

- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*

APPENDIX 5

RELEVANT EXTRACTS FROM THE CONSTITUTION

The rights of Shareholders in respect of capital, dividends and voting as extracted and reproduced from the Constitution are reproduced below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution, a copy of which is available for inspection at the registered address of the Company at 6 Tuas View Circuit, Singapore 637599 during normal business hours for the period during which the Offer remains open for acceptance.

(a) Rights in respect of capital

ISSUE OF SHARES

3. Subject to the Statutes and the provisions of these presents, no shares may be issued by the Directors without the prior approval of the Company by Ordinary Resolution but subject thereto and to Article 7, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of shares to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions whether as regards dividend, return of capital, participation in surplus assets and profits, voting, conversion or otherwise, as the Directors may think fit. Preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, PROVIDED THAT:

   (a) (subject to any direction to the contrary that may be given by the Company in a General Meeting) any issue of shares for cash to members holding shares of any class shall be offered to such members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Article 7(A) with such adaptations as are necessary shall apply; and

   (b) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same and in the provisions of these presents.

4. (A) Preference shares may be issued subject to such limitation thereof as may be prescribed by any securities exchange upon which shares in the Company are listed. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six Months in arrears.

   (B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

VARIATION OF RIGHTS

5. (A) Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the Statutes, be varied or abrogated either with the consent in writing of holders who represent at least three-quarters of the total voting rights of all the shares of that class or by a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting, all the provisions of these presents relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the total voting rights of all the shares of that class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, PROVIDED THAT where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from holders who represent at least three-quarters of the total voting rights of all the shares of that class concerned within two Months of such General Meeting shall be as valid and effectual as a Special Resolution passed at such General Meeting. The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

   (B) The repayment of preference capital other than redeemable preference capital, or any alteration of preference shareholders' rights, may only be made pursuant to a Special Resolution of the preference shareholders concerned PROVIDED THAT where the necessary majority for such a Special Resolution is not obtained at the General Meeting, consent in writing if obtained from holders who represent at least three-quarters of the total voting rights of all the preference shares concerned within two Months of the General Meeting, shall be as valid and effectual as a Special Resolution carried at the General Meeting.

   (C) The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly provided by the terms of issue thereof, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.

ALTERATION OF SHARE CAPITAL

6. The Company in General Meeting may from time to time by Ordinary Resolution increase its capital by the allotment and issue of new shares.

7. (A) Subject to the bye-laws or listing rules of the securities exchange upon which shares in the Company are listed or to any direction to the contrary that may be given by the Company in a General Meeting, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an

intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 7(A).

(B) Except so far as otherwise provided by the conditions of issue or by the provisions of these presents, all new shares shall be subject to the Statutes and the provisions of these presents with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

8. The Company may by Ordinary Resolution:

(a) consolidate and divide all or any of its shares;

(b) cancel any shares which, at the date of the passing of the resolution, have been forfeited and diminish the amount of its capital by the number of shares so cancelled;

(c) sub-divide its shares, or any of them in accordance with the Statutes and the bye-laws or listing rules of the securities exchange upon which shares in the Company are listed, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares; or

(d) subject to the Statutes, convert any class of paid-up shares into any other class of paid-up shares.

9. (A) The Company may reduce its share capital or any reserve in any manner and with and subject to any incident authorised and consent required by law.

(B) Subject to the Statutes, the Company may purchase or otherwise acquire any of its issued shares on such terms and in such manner as the Company may from time to time think fit and in the manner prescribed by the Statutes. If required by the Statutes, any share which is so purchased or acquired by the Company, unless held as treasury shares in accordance with the Statutes, shall be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share (including treasury shares) which is so purchased or acquired by it in accordance with the Statutes.

10. Shares that the Company purchases or otherwise acquires may be held as treasury shares in accordance with the provisions of these presents and the Act.

11. Where the shares purchased or otherwise acquired are held as treasury shares by the Company, the Company shall be entered in the Register of Members as the member holding the treasury shares.

12. The Company shall not exercise any right in respect of the treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.

SHARES

13. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way (except by the Statutes or the provisions of these presents) to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or any other right in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository or its nominee, as the case may be) entered in the Register of Members as the registered holder thereof or (as the case may be) a person whose name is entered in the Depository Register in respect of that share.

14. Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions (as regards dividend, return of capital, voting or otherwise) as the Company may from time to time by Ordinary Resolution determine (or, in the absence of any such determination, as the Directors may determine) and subject to the Statutes, the Company may issue preference shares which are, or at the option of the Company, are liable to be redeemed.

15. Subject to the Statutes and the provisions of these presents relating to authority, pre-emption rights and otherwise and of any resolution of the Company in a General Meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

16. The Company may exercise the powers of paying commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly shares or partly in one way and partly in the other.

17. Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten Market Days of the closing date (or such other period as may be approved by the securities exchange upon which shares in the Company are listed) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder or (as the case may be) before that share is entered against the name of a Depositor in the Depository Register, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

SHARE CERTIFICATES

18. Every share certificate shall be issued under the Seal and shall specify the number and class of shares to which it relates and the amount paid and the amount (if any) unpaid thereon. No certificate shall be issued representing shares of more than one class.

19. (A) The Company shall not be bound to register more than three persons as the registered joint holders of a share except in the case of executors, trustees or administrators of the estate of a deceased member.

(B) In the case of a share registered jointly in the names of several persons, the Company shall not be bound to issue more than one certificate thereof and delivery of a certificate to any one of the registered joint holders shall be sufficient delivery to all.

20. Subject to the payment of all or any part of the stamp duty payable (if any) on each share certificate prior to the delivery thereof which the Directors in their absolute discretion may require, the Company shall despatch to every person whose name is entered as a member in the Register of Members and who is entitled to receive such certificate, one certificate for all his shares of any one class or several certificates in reasonable denominations each for a part of the shares so allotted or transferred, within ten Market Days of the closing date of any application for shares[1] (or such other period as may be approved by the securities exchange upon which shares in the Company are listed) or within ten Market Days after the date of lodgement of a registrable transfer[2] (or such other period as may be approved by the securities exchange upon which shares in the Company are listed). Where such a member transfers part only of the shares comprised in a certificate or where such a member requires the Company to cancel any certificate or certificates and issue new certificate or certificates for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and such member shall pay all or any part of the stamp duty payable (if any) on each share certificate prior to the delivery thereof which the Directors in their absolute discretion may require and a maximum fee of $2 for each new certificate (or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by the securities exchange upon which shares in the Company are listed).

21. (A) Any two or more certificates representing shares of any one class held by any person whose name is entered in the Register of Members may at his request be cancelled and a single new certificate for such shares issued in lieu without charge.

(B) If any person whose name is entered in the Register of Members shall surrender for cancellation a share certificate representing shares held by him and request the Company to issue in lieu two or more share certificates representing such shares in such proportions as he may specify, the Directors may, if they think fit, comply with such request. Such person shall (unless such fee is waived by the Directors) pay a maximum fee of $2 for each share certificate issued in lieu of a share certificate surrendered for cancellation or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by the securities exchange upon which shares in the Company are listed.

(C) In the case of shares registered jointly in the names of several persons, any such request may be made by any one of the registered joint holders.

22. Subject to the Statutes, if any share certificates shall be defaced, worn-out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the securities exchange upon which shares in the Company are listed or on behalf of its or their client or clients as the Directors shall require, and (in case of defacement or wearing out) on delivery up of

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[1] Rule 731 of the Catalist Rules.

[2] Rule 732(3) of the Catalist Rules.

the old certificate and in any case on payment of such sum not exceeding $2 as the Directors may from time to time require together with the amount of the proper duty with which such share certificate is chargeable under any law for the time being in force relating to stamps. In the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

CALL ON SHARES

23. The Directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.

24. Each member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company, the amount called on his shares, at the time or times and place of payment specified by the Company. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.

25. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as the Directors determine but the Directors shall be at liberty in any case or cases to waive payment of such interest wholly or in part.

26. Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of the provisions of these presents be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In case of non-payment, all the relevant provisions of these presents as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

27. The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.

28. The Directors may, if they think fit, receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish pro tanto the liability upon the shares in respect of which it is made and upon the moneys so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, while carrying interest, confer a right to participate in profits.

FORFEITURE AND LIEN

29. If a member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.

30. The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith, the shares on which the call has been made will be liable to be forfeited.

31. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.

32. A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit and at any time before a sale, re-allotment or disposition, the forfeiture or surrender may be cancelled on such terms as the Directors think fit. The Directors may, if necessary, authorise some person to transfer or effect the transfer of a forfeited or surrendered share to any such other person as aforesaid.

33. A member whose shares have been forfeited or surrendered shall cease to be a member in respect of the shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of the shares at the time of forfeiture or surrender or waive payment in whole or in part.

34. The Company shall have a first and paramount lien on every share (not being a fully paid share) and on the dividends declared or payable in respect thereof. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid and for all moneys as the Company may be called upon by law to pay in respect of the shares of the member or deceased member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article.

35. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.

36. The residue of the proceeds of such sale pursuant to Article 35 after the satisfaction of the unpaid calls and accrued interest and expenses of such sale shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assigns, or as he may direct. For the purpose of giving effect to any such sale, the Directors may authorise some person to transfer or effect the transfer of the shares sold to the purchaser.

37. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited or surrendered or sold or disposed to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together (where the same be required) with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, to the Depository or its nominee, as the case may be) or allottee thereof shall (subject to the execution of a transfer if the same is required) constitute a good title to the share and the share shall be registered in the name of the person to whom the share is sold, re-allotted or disposed of or, where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

TRANSFER OF SHARES

38. All transfers of the legal title in shares may be effected by the registered holders thereof by transfer in writing in the form for the time being approved by the securities exchange upon which shares in the Company are listed or in any other form acceptable to the Directors. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, PROVIDED THAT an instrument of transfer in respect of which the transferee is the Depository or its nominee (as the case may be) shall be effective although not signed or witnessed by or on behalf of the Depository or its nominee (as the case may be). The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.

39. The Register of Members may be closed at such times and for such period as the Directors may from time to time determine, PROVIDED THAT such Register shall not be closed for more than thirty days in any Year. The Company shall give prior notice of such closure as may be required to the securities exchange upon which shares in the Company are listed, stating the period and purpose or purposes for which the closure is made.

40. (A) Subject to the provisions of these presents, there shall be no restriction on the transfer of fully paid up shares (except where required by law, the Statutes or the bye-laws or listing rules of any securities exchange upon which shares in the Company are listed) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve (except where such refusal to register contravenes the bye-laws or listing rules of the securities exchange upon which shares in the Company are listed).

(B) The Directors may in their sole discretion refuse to register any instrument of transfer of shares unless:

(a) all or any part of the stamp duty (if any) payable on each share certificate and such fee not exceeding $2 as the Directors may from time to time require in accordance with the provisions of these presents, is paid to the Company in respect thereof;

(b) the instrument of transfer is deposited at the registered office or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do;

(c) the instrument of transfer is in respect of only one class of shares; and

(d) the amount of the proper duty with which each share certificate to be issued in consequence of the registration of such transfer is chargeable under any law for the time being in force relating to stamps is tendered.

41. If the Directors refuse to register a transfer of any shares, they shall within ten Market Days after the date on which the transfer was lodged with the Company (or such period of time as may be prescribed by the bye-laws or listing rules of the securities exchange upon which shares in the Company are listed)[3], send to the transferor and to the transferee, written notice of the refusal stating reasons for the refusal as required by the Statutes.

42. All instruments of transfer which are registered may be retained by the Company.

43. There shall be paid to the Company in respect of the registration of any instrument of transfer or probate or letters of administration or certificate of marriage or death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding $2 as the Directors may from time to time require or prescribe.

44. The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six Years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six Years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six Years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company, PROVIDED THAT:

(a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;

(b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and

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[3] See Rule 733 of the Rules of Catalist.

(c) references herein to the destruction of any document include references to the disposal thereof in any manner.

TRANSMISSION OF SHARES

45. (A) In the case of the death of a member whose name is entered in the Register of Members, the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

(B) In the case of the death of a member who is a Depositor, the survivor or survivors where the deceased is a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder and where such executors or administrators are entered in the Depository Register in respect of any shares of the deceased member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

(C) Nothing in this Article shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.

46. Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a person whose name is entered in the Register of Members may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his legal title to the share either be registered himself as holder of the share upon giving to the Company notice in writing of such desire or transfer such share to some other person. All the limitations, restrictions and provisions of these presents relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the person whose name is entered in the Register of Members had not occurred and the notice or transfer were a transfer executed by such person.

47. Save as otherwise provided by or in accordance with the provisions of these presents, a person becoming entitled to a share pursuant to Article 45(A) or (B) or Article 46 (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the member in respect of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to meetings of the Company until he shall have been registered as a member in the Register of Members or his name shall have been entered in the Depository Register in respect of the share.

STOCK

48. The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares.

49. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles and subject to which the shares from which the stock arose might previously to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.

50. The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose, but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by any number of stock units which would not, if existing in shares, have conferred such privilege or advantage; and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.

(b) Rights in respect of voting

GENERAL MEETINGS

51. Subject to the Statutes, an Annual General Meeting shall be held once in every Year and not more than fifteen Months after the holding of the last preceding Annual General Meeting, at such time and place as may be determined by the Directors. All other General Meetings shall be Extraordinary General Meetings.

52. The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.

NOTICE OF GENERAL MEETINGS

53. (A) Subject to the Statutes, any General Meeting at which it is proposed to pass a Special Resolution shall be called by twenty-one days' notice in writing at the least. Subject to the foregoing, an Annual General Meeting and any other Extraordinary General Meeting shall be called by fourteen days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in the manner hereafter mentioned to all members other than those who are not under the provisions of these presents entitled to receive such notices from the Company, PROVIDED THAT a General Meeting which has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:

(a) in the case of an Annual General Meeting, by all the members entitled to attend and vote thereat; and

(b) in the case of an Extraordinary General Meeting, by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the members having a right to vote at that meeting,

except that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting.

(B) Where special notice is required of a resolution pursuant to the Statutes, notice of the intention to move the resolution shall be given to the Company and notice of any General Meeting shall be called in accordance with the Statutes and in particular, Section 185 of the Act.

(C) Subject to the Statutes or the bye-laws or listing rules of the securities exchange on which shares in the Company are listed, for so long as the shares in the Company are listed on the Securities Exchange, notices convening any General Meeting at which it is proposed to pass a Special Resolution shall be provided to the Securities Exchange and sent to members entitled to attend and vote at the meeting at least 21 calendar days before the meeting (excluding the date of notice and the date of meeting). Notices convening any other General Meeting shall be provided to the Securities Exchange and sent to members entitled to attend and vote at the meeting at least ten Market Days before the meeting.[4] At least fourteen calendar days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to any securities exchange on which shares in the Company are listed.[5]

54. (A) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company.

(B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.

(C) In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of such business; and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

55. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:

(a) declaring dividends;

(b) receiving and adopting the accounts, the reports of the Directors and Auditors and other documents required to be attached or annexed to the accounts;

(c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;

(d) re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);

(e) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and

(f) fixing the fees of the Directors proposed to be passed under Article 81.

56. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.

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4 See Rule 704(14) of the Catalist Rules.

5 See Paragraph 7(a) of Appendix 4C of the Catalist Rules.

PROCEEDINGS AT GENERAL MEETINGS

57. The Chairman of the Board, failing whom the Deputy Chairman of the Board, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present and willing to act within five minutes after the time appointed for holding the meeting, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the members present shall choose one of their number) to be chairman of the meeting.

58. No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two or more members present in person or by proxy, PROVIDED THAT where a member is represented by more than one proxy such proxies shall count as only one member for the purpose of determining the quorum.

59. If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week (or if that day is a public holiday, then to the next Business Day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint. At the adjourned meeting, any one or more members present in person or by proxy shall be a quorum.

60. The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty days or more or sine die, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.

61. Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

62. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

63. At any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

    (a) the chairman of the meeting;

    (b) not less than five members having the right to vote at the meeting;

(c) a member having the right to vote at the meeting representing not less than ten per cent. of the total voting rights of all the members having the right to vote at the meeting; or

(d) a member having the right to vote at the meeting and holding shares on which an aggregate sum has been paid up equal to not less than ten per cent. of the total sum paid-up on all shares of the Company conferring that right (excluding treasury shares),

PROVIDED THAT no poll shall be demanded on the choice of a chairman or on a question of adjournment.

64. A demand for a poll may be withdrawn only with the approval of the meeting. Unless a poll is required, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

65. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.

66. A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the chairman may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.

VOTES OF MEMBERS

67. Each member who is a holder of ordinary shares in the capital of the Company shall be entitled to be present at any General Meeting. Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Article 12, each member entitled to vote may vote in person or by proxy. On a show of hands, every member who is present in person or by proxy shall have one vote PROVIDED THAT in the case of a member who is represented by two proxies, only one of the two proxies as determined by that member or, failing such determination, by the chairman of the meeting (or by a person authorised by him) in his sole discretion, shall be entitled to vote. On a poll, every member who is present in person or by proxy shall have one vote for every share which he holds or represents. For the purpose of determining the number of votes which a member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at forty-eight hours before the time of the relevant General Meeting as certified by the Depository to the Company.

68. In the case of joint holders of a share, any one of such person may vote, and be reckoned in quorum at any General Meeting, either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto, but if more than one of such joint holders is so present at any meeting, then the person present whose name stands first in the Register of Members or (as the case may be) the Depository Register in respect of the share shall alone be entitled to vote in respect thereof.

69. Where in Singapore or elsewhere, a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member to vote in person or by proxy at any General Meeting or to exercise any other right conferred by membership in relation to meetings of the Company.

70. Any member shall be entitled to be present and to vote either personally or by proxy, at any General Meeting of the Company, in respect of any share or shares upon which all calls due to the Company have been paid, and shall be entitled to exercise any other right conferred by membership in relation to meetings of the Company.

71. No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

72. On a poll, votes may be given personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

73. (A) A member may appoint not more than two proxies to attend and vote at the same General Meeting, PROVIDED THAT if the member is a Depositor, the Company shall be entitled and bound:

    (a) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at forty-eight hours before the time of the relevant General Meeting as certified by the Depository to the Company; and

    (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at forty-eight hours before the time of the relevant General Meeting as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

    (B) The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.

(C) In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(D) A proxy need not be a member of the Company.

74. (A) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and:

(a) in the case of an individual, shall be signed by the appointor or his attorney; and

(b) in the case of a corporation, shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.

(B) The signature on such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to Article 75, failing which the instrument may be treated as invalid.

75. An instrument appointing a proxy shall be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the registered office of the Company) not less than forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates, PROVIDED THAT an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.

76. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.

77. A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made PROVIDED THAT no intimation in writing of such death, insanity or revocation shall have been received by the Company at the registered office of the Company at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

77A. Subject to these presents and the Statutes, the Board may, at its sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any General Meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile[6].

CORPORATIONS ACTING BY REPRESENTATIVES

78. Any corporation which is a member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of the provisions of these presents, be deemed to be present in person at any such meeting if a person so authorised is present thereat.

(c) Rights in respect of dividends

RESERVES

122. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any part of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same, the Directors shall comply with the Statutes.

DIVIDENDS

123. The Company may by Ordinary Resolution declare dividends but no such dividends shall exceed the amount recommended by the Directors. No dividends may be paid, unless otherwise provided in the Statutes, to the Company in respect of treasury shares.

124. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

125. Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide and except as otherwise permitted under the Statutes:

(a) all dividends in respect of shares shall be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and

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[6] See Guideline 16.1 of the Code of Corporate Governance 2012.

(b) all dividends shall be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which dividend is paid.

For the purposes of this Article, no amount paid on a share in advance of calls shall be treated as paid on the share.

126. No dividend shall be paid otherwise than out of profits available for distribution under the Statutes.

127. No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.

128. (A) The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(B) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.

(C) The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends and other moneys payable on or in respect of a share that are unclaimed after first becoming payable may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend or moneys unclaimed after a period of six Years from the date they are first payable may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the moneys so forfeited to the person entitled thereto prior to the forfeiture.

(D) A payment by the Company to the Depository of any dividend or other moneys payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability in respect of that payment. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six Years has elapsed from the date on which such other moneys are first payable.

129. The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the shareholder (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

130. The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises with regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such

specific assets or any part thereof, may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

131. (A) Whenever the Directors or the Company in General Meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, the Directors may further resolve that members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:

(a) the basis of any such allotment shall be determined by the Directors;

(b) the Directors shall determine the manner in which members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to members, providing for forms of election for completion by members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked shall be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Article;

(c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded PROVIDED THAT the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and

(d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the "elected ordinary shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and notwithstanding the provisions of Article 135, the Directors shall (i) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.

(B) (a) The ordinary shares allotted pursuant to the provisions of paragraph (A) of this Article shall rank pari passu in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.

(b) The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (A) of this Article, with full power to make such provisions as they think fit in the case of shares becoming distributable in fractions (including, notwithstanding any provision to the contrary in these presents, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down or whereby the benefit of the fractional entitlements accrues to the Company rather than the members).

(C) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Article, determine that rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors may think fit, and in such event the provisions of this Article shall be read and construed subject to such determination.

(D) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Article, further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to members whose registered addresses entered in the Register or (as the case may be) the Depository Register is outside Singapore or to such other members or class of members as the Directors may in their sole discretion decide and in such event the only entitlement of the members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.

(E) Notwithstanding the foregoing provisions of this Article, if at any time after the Directors' resolution to apply the provisions of paragraph (A) of this Article in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and without assigning any reason therefor, cancel the proposed application of paragraph (A) of this Article.

132. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of a member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it

is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. Notwithstanding the foregoing provisions of this Article and the provisions of Article 135, the payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of that payment.

133. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.

134. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in a General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.

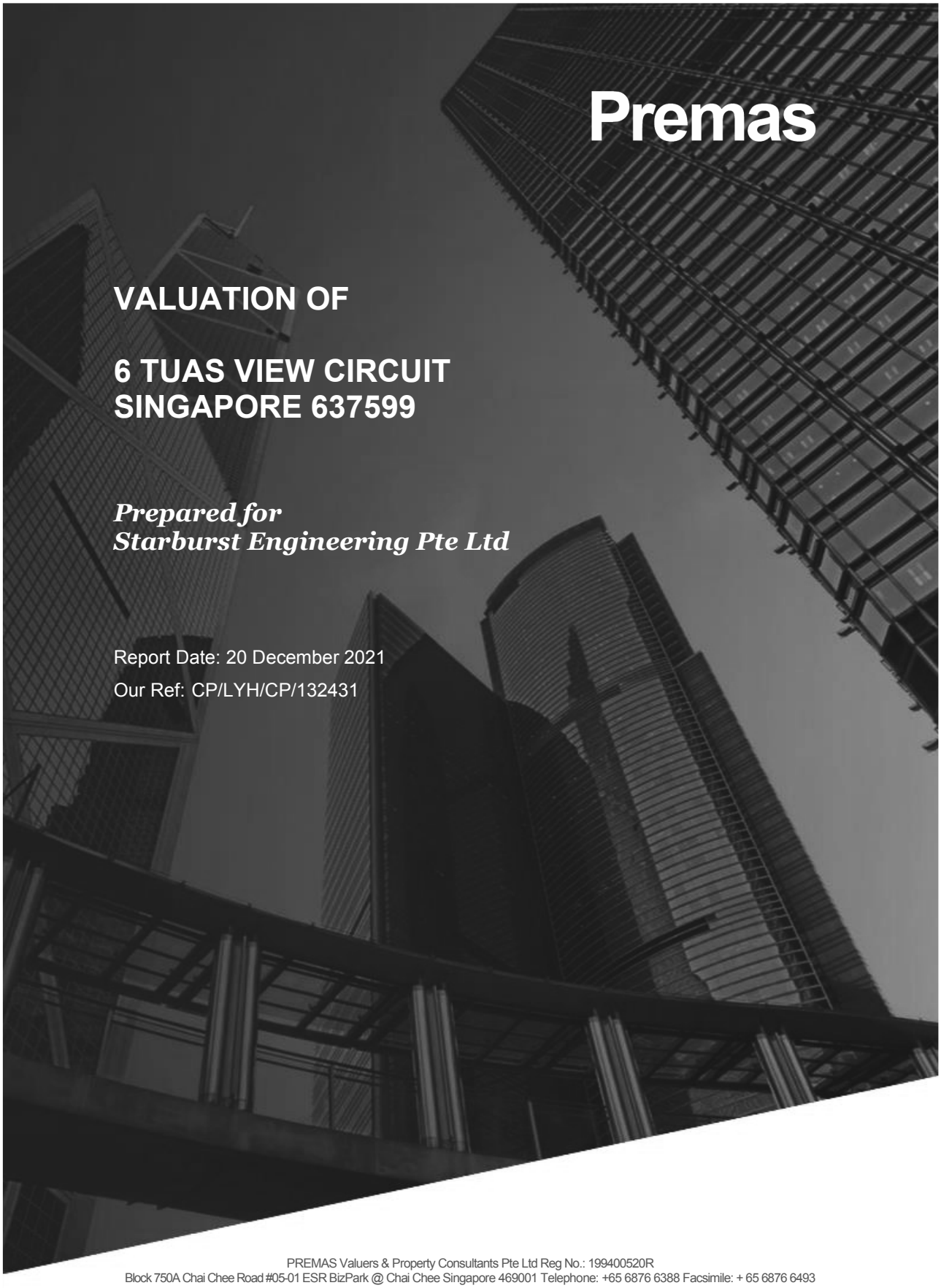
CAPITALISATION OF PROFITS AND RESERVES

135. Subject to Article 3 and Article 7, the Directors may capitalise any sum standing to the credit of any of the Company's reserve accounts (including any undistributable reserve) or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided) in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid. The Directors may do all acts and things considered necessary or expedient to give effect to any such capitalisation, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The Directors may authorise any person to enter into an agreement with the Company on behalf of all the members interested, providing for any such capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

135A. In addition and without prejudice to the power to capitalise profits and other moneys provided for by Article 135, the Directors shall have power to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full unissued shares on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting in such manner and on such terms as the Directors shall think fit.

APPENDIX 6

VALUATION REPORT



PREMAS Valuers & Property Consultants Pte Ltd Reg No.: 199400520R
Block 750A Chai Chee Road #05-01 ESR BizPark @ Chai Chee Singapore 469001 Telephone: +65 6876 6388 Facsimile: + 65 6876 6493

Executive Summary

Valuation of 6 Tuas View Circuit Singapore 637599

Valuation Date:	10 December 2021
Valuation Purpose:	To Determine "Market Value"
Location:	Subject property is located along Tuas View Circuit, off Tuas South Avenue 8 and approximately 24 km to the west of the city centre. The locality is well served by a network of roads to the Ayer Rajah Expressway (AYE), Pan-Island Expressway (PIE) and Tuas Checkpoint. There are also public bus services within the area.
Description:	A part single-storey detached factory building and a part 3-storey annex building. It is enclosed within plastered brick walls/ metal grilles and completed with metal sliding main gate and pedestrian gate.
Land Area:	8,805.6 sq m (approx. 94,783 sq ft)
Gross Floor Area:	7,115.63 sq m (approx 76,593 sq ft)
Legal Description:	MK 7 Lot 4689W (Private Lots A3003919 and A3003920)
Tenure: (According to JTC Lease Instrument No IE/243408R)	Leasehold 30+30 years with effect from 1 November 1998 subject to the following conditions: (a) At the expiry of the said term, there be no existing breach or non-observance of any of the covenants and conditions herein contained on the part of the Lessee to be observed or performed; (b) The land rent for the further term is subject to revision to market rent on 1 November 2029 and on 1 November of every year, but each increase, shall not exceed 5.5% of the yearly rent for each immediate preceding year Remarks: According to JTC's Customer Service Portal provided, we understand that the further term of 30 years from 1 November 2028 has been granted and our opinion of value is based on leasehold 30+30 years commencing from 1 November 1998
Tenancy Details:	The property is owner-occupied as at the time of inspection.



Market Value:	**S$17,000,000**

This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.

Valuation Report

To:	**Starburst Engineering Pte Ltd**
Address of Property:	**6 Tuas View Circuit Singapore 637599**
Request Date:	**6 December 2021**
Inspection Date:	**10 December 2021**
Report Date:	**20 December 2021**

1 Instructions

We have been instructed by Starburst Engineering Pte Ltd to determine the market value of the Property. This valuation report is confidential to and for use only by Starburst Engineering Pte Ltd and for specific purpose to which it refers.

2 Bases of Valuation

The valuation and report have been prepared in accordance with the Singapore Institute of Surveyors and Valuers' Valuation Standards and Practice Guidelines, 2015 Edition.

Bases

The Property has been valued on the basis of Market Value as at the Valuation Date.

3 Title *– As at 7 December 2021*

Legal Description	MK 7 Lot 4689W (Private Lots A3003919 and A3003920)	
Tenure **(According to JTC Lease Instrument No IE/243408R)**	Leasehold 30+30 years with effect from 1 November 1998 subject to the following conditions: (a) At the expiry of the said term, there be no existing breach or non-observance of any of the covenants and conditions herein contained on the part of the Lessee to be observed or performed; (b) The land rent for the further term is subject to revision to market rent on 1 November 2029 and on 1 November of every year, but each increase, shall not exceed 5.5% of the yearly rent for each immediate preceding year Remarks: According to JTC's Customer Service Portal provided, we understand that the further term of 30 years from 1 November 2028 has been granted and our opinion of value is based on leasehold 30+30 years commencing from 1 November 1998	
Registered Proprietor(s)	Lessor	JTC Corporation
	Lessee(s)	Starburst Engineering Pte Ltd

4 Encumbrances

No title searches have been conducted for the subject property. We recommend that all encumbrances be confirmed through your solicitors.

5 Land Area *– According to Certificate of Title (SUB)*

8,805.6 sq m (approx. 94,783 sq ft)

6 Gross Floor Area – *According to URA Grant of Written Permission dated 4 May 2016, subject to survey*

7,115.63 sq m (approx 76,593 sq ft)

7 Zoning – *According to Master Plan 2019 Edition*

Business 2 with gross plot ratio of 1.4

8 Land Rent

The current land rent payable as at 1 December 2021 is S$9,273.55 per month (before GST), reflecting a land rental rate of S$12.64 per square metre per annum over the total site area.

9 Authorised Use

For the purpose of engineering construction including steel fabrication only.

10 Property Description

A part single-storey detached factory building and a part 3-storey annex building. It is enclosed within plastered brick walls/ metal grilles and completed with metal sliding main gate and pedestrian gate.

11 Location

Subject property is located along Tuas View Circuit, off Tuas South Avenue 8 and approximately 24 km to the west of the city centre. The immediate vicinity is generally industrial in nature comprising mainly multiple user industrial developments, terrace and semi-detached factories as well as purpose built detached factories. The locality is well served by a network of roads to the Ayer Rajah Expressway (AYE), Pan-Island Expressway (PIE) and Tuas Checkpoint. There are also public bus services within the area.



Location Map

12 Site Description

The subject property is sited on a trapezium land plot which has a flat contour and at road access level generally.

13 Building Construction

Construction is generally of:

Structure	Reinforced concrete framed
External Walls	Brick infilled/ aluminium claddings/ glass curtain walls
Roof	Reinforced concrete flat/ low pitched metal

14 Accommodation, Finishes and Fittings



1st storey - Reception area



1st storey - Production area



1st storey - Meeting room



2nd storey - General office area



2nd storey - Production area



2nd storey - Partitioned office room



3rd storey - Meeting room



3rd storey - Partitioned room

The accommodation includes the following:

1st storey	Lift lobby, Reception area, Ancillary office comprising General office area, 3 meeting rooms, Various partitioned office rooms, Printing area, Server room, Pantries, Lunch room, Production areas, Production office, 1 store room, Shower rooms, Toilets, PG switch room, PG xfmr room, Consumer switch rooms, Xfmr room, MDF room.
2nd storey	Lift lobby, Ancillary office comprising general office area, Meeting room, Various partitioned office rooms, Pantry, Lunch room, Staff rest area, Production area, Production area used as 2 store rooms, Toilets.
3rd storey	Lift lobby, Meeting room, 1 store, Partitioned rooms, Pantry, Toilets.

The property is fitted with:

Windows	Aluminium framed, Louvred, Fixed glass panels
Doors	Timber, Aluminium framed, Glass, Metal, Roller shutters
Gates	Wrought iron

Finishes & Fittings include:

Floor	Carpet, Vinyl planks, Vinyl tiles, Cement screed, Homogeneous tiles, Granite, Timber panels
Walls	Plaster and paint, Timber panels, Internal partitions, Homogeneous tiles, Ceramic tiles, Granite
Ceiling	Plaster and paint, False ceilings, Downlights, Ceiling boards, Recessed lights, Concealed lights, Underside of metal roof insulation
Fittings	Cassette unit/ split unit air-conditioning systems, Wall fans, Ventilation fans, Reception counter, White boards, Cabinets, Shelves, Tiled concrete stove support, Pantry cabinets, Worktops, Sinks, Vanity tops.

15 Condition

Above average state of repairs and maintenance.

16 Year of Completion

Circa 1990s. We understand that the subject property has undergone additions and alterations in 2016.

17 Services & Facilities

Telecommunication and utility services are available. Other facilities include passenger lift (not in use), guard house, bin centre, reinforced concrete/ steel staircases, sheltered car park lots, sheltered motorcycle park lots, lorry park lot, loading/ unloading bays, fire engine hard standing areas, four 4-tonnes overhead cranes, two 10-tonnes overhead cranes, one 35-tonnes overhead crane, CCTV system, fire prevention and protection system and open yard.

18 Tenancy Details

The property is owner-occupied as at the time of inspection.

19 Comments on the Property

Nil.

20 Other Details

Unless otherwise instructed we do not normally carry out requisitions with various public authorities to confirm whether the property is affected by any public schemes such as road improvements. We recommend that verification be obtained from your lawyers if required.

21 Valuation Methodology

Direct Comparison Method is adopted whereby sale transactions of comparable properties have been taken into consideration with regards to their location, tenure, age, land and floor areas, property type, design, layout, condition and standard of finishes amongst other factors.

22 Valuation

Having regard to the foregoing and the present market conditions, we are of the opinion that the market value of the Property at **6 Tuas View Circuit Singapore 637599**, based on lease term of 30+30 years commencing from 1 November 1998, with vacant possession and assuming free from all encumbrances, is valued as follows: -

Valuation Date	:	**10 December 2021**
Market Value	:	**S$17,000,000/-** **(Singapore Seventeen Million Only)**

23 Confidentiality

Our valuation is restricted to the use by the client to whom this report is addressed, for the specific purpose stated therein and for the sole purpose for which it was commissioned. Any reliance on its contents shall be made within a reasonable time from the date of the valuation report. We disclaim any liability arising from any reliance on the valuation report by any other person or for any other purpose or beyond a reasonable time.

24 Limiting Conditions

This report is prepared subject to the attached Terms and Conditions.

Signed for and on behalf of PREMAS Valuers & Property Consultants Pte Ltd



Ms Chris Png, Assistant Director
Bachelor of Land Economics
Licensed Appraiser No.: AD041-2009296I
(Our Ref: CP/LYH/CP/132431)

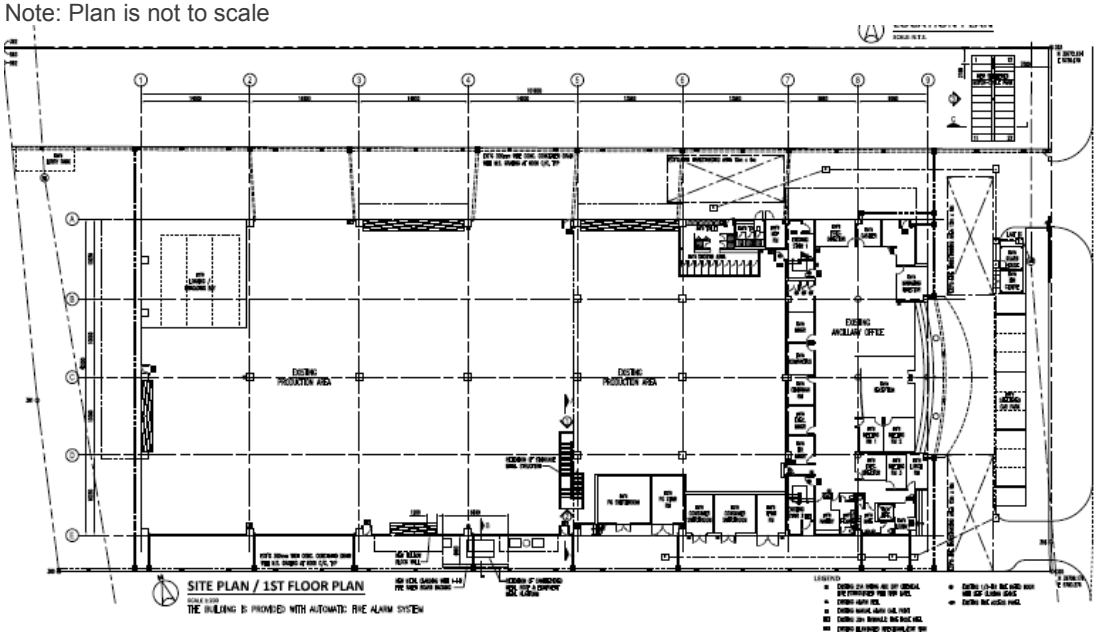
Appendix 1 Site Plan

Note: Plan is not to scale

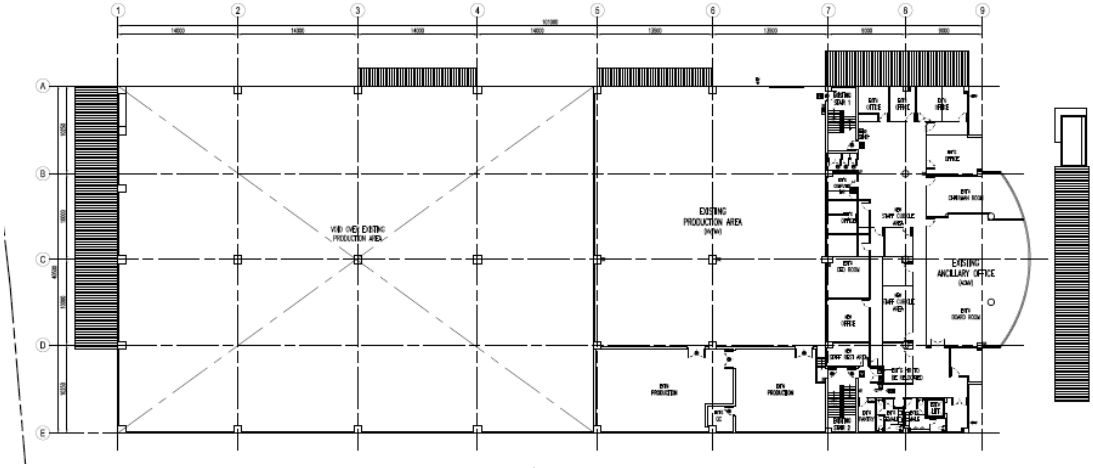


Appendix 2 Floor Plan(s)

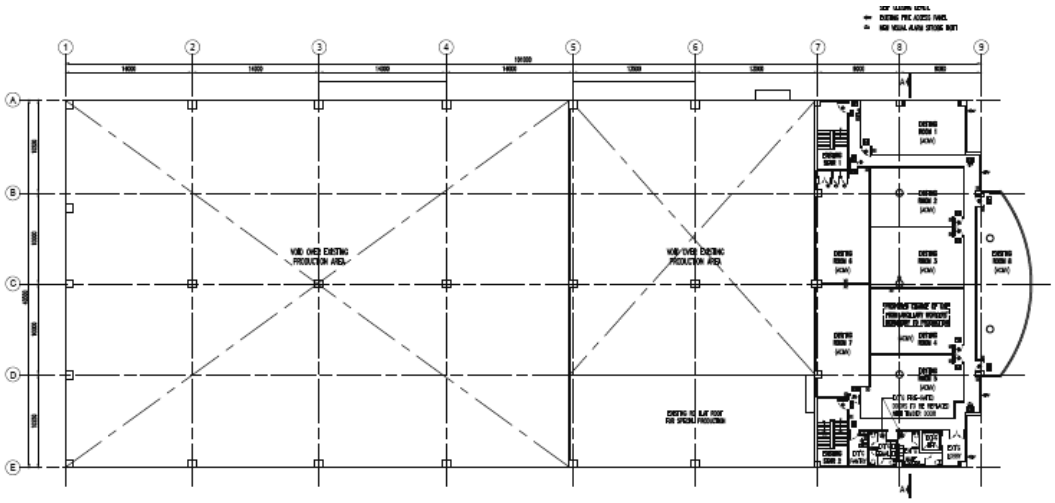
Note: Plan is not to scale



1st storey



2nd storey



3rd storey

TERMS AND CONDITIONS

The valuation report is prepared subject to the following terms and conditions: -

1. The valuation report is:

   a. restricted to the use by the client to whom this report is addressed;
   b. for the specific purpose stated therein; and
   c. for the sole purpose for which it was commissioned.

   Any reliance on its contents shall be made within a reasonable time from the date of the valuation report. We disclaim any liability arising from any reliance on the valuation report by any other person or for any other purpose or beyond a reasonable time.

2. Neither the whole nor any part of this valuation report or any reference to it may be included in any document, circular, statement, correspondence nor publication in any way without our prior written approval of the form and context in which it may appear. We bear no responsibility for any unauthorised inclusion or publication.

3. Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable and accurate and we disclaim all responsibility if this information should later prove not to be so. Where information is given without being attributed directly to another party, it shall be taken that this information has been obtained by our own search of records and examination of documents, or by our enquiry from Government or quasi-Government departments.

4. The values assessed in this report for the subject property and any allocation of values between parts of the property apply strictly on the terms of and for the purpose of this valuation. The values assessed should not be used in conjunction with any other assessment, as they may prove incorrect if so used.

5. While due care is taken in the course of inspection to note serious defects of the subject property, no structural survey has been made and no guarantee is given that the building is free from rot, termite, pest infestation or other hidden defects. We have also not made any test on the building services such as air-conditioning, fire-fighting systems, lifts, escalators, plumbing and lighting etc. and the services are presumed to be in good working order. We have not carried out any environmental study as this is outside our terms of engagement nor are we aware of any environmental study which may have been carried out on the Property. We will reserve the right to review the valuation if we are subsequently provided with any environmental study that may affect the valuation of the Property.

6. Our valuation assumes that the title(s) is (are) in good order and are marketable, free from any liens, mortgages, encumbrances, restrictions and other legal impediments. We accept no responsibility for investigations into title(s), searches, legal requisitions, legal validity of title or any charges, claims, liabilities registered against the title(s). The client is advised to consult his solicitors on any matter concerning the title(s).

7. Any plans that are included in this report are meant for identification purposes and to assist the client in visualising the subject property. The plans should not be treated as certified true copies of areas or other particulars contained therein. We have not made any survey of the property and assume no responsibility in connection with such matters.

8. We have not taken into account of any plant and machinery in our valuation.

9. We have not made any requisition for the Road Line Plan or for drainage proposal. We have also not made any application for information/document in respect of Building Control Records. Such requisitions/applications will not be made unless specifically instructed by our client.

10. As matters concerning compulsory acquisitions by the Government are confidential, we are unable to provide information relating to Government acquisitions unless the subject property has already been gazette for acquisition.

11. Our valuation assumes that the subject property, as currently used, is in compliance with the existing land use zoning and is not in contravention of any planning rules or regulations.

12. Our valuation assumes that all development charges and maintenance/ service/ conservancy charges, if any, whether outstanding or payable as at the date of valuation, have already been fully paid.

13. Our valuation further assumes that, as at the date of valuation, there are no outstanding liabilities or charges attached to the property (ies).

14. Subject at all times to the provisions in these terms and conditions and in the letter of engagement, we shall not be liable to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of our services in respect of:

    a. any direct loss of profit;
    b. any indirect, special or consequential loss whatsoever howsoever caused including without limitation (i) indirect loss of profit; (ii) loss of business; (iii) loss of goodwill; (iv) loss of use of money; (v) loss of opportunity, and the parties agree that the sub-clauses of this clause shall be severable.

15. Subject at all times to the provisions in these terms and conditions and in the letter of engagement, we shall not be liable to you in negligence for pure economic loss arising in connection with the performance or contemplated performance of our services.

16. Where a third party has contributed to the losses, damages, costs, claims or expenses, we shall not be liable to make any contribution in respect of the liability of such third party.

17. Save in respect of third parties directly instructed by us and not on your behalf, we shall not be liable for the services or products provided by other third parties, nor shall we be required to inspect or supervise such third parties, irrespective of the third party services or products being incidental to or necessary for the provision of our services to you.

18. Subject to the provisions in these terms and conditions and in the letter of engagement, our total aggregate liability (including that of our partners and employees) to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of our services shall be limited to (i) an aggregate sum not exceeding the fee paid for each instruction accepted; or (ii) S$500,000.00, whichever is lower.

19. We shall be released from our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond our reasonable control (examples being a strike, act of God or act of terrorism). On becoming aware of any circumstance which gives rise, or which is likely to give rise, to any failure or delay in the performance of our obligations, we will notify you by the most expeditious method then available.

20. Our pricing structure has been established by reference to these limitations on our liability and our level of professional indemnity insurance in respect of the services we provide. If you feel that it is necessary to discuss with us a variation in these levels, then please raise the issue with your client partner who will be able to let you have proposals for a revised pricing structure to reflect the agreed level of our liability and/or professional indemnity cover.

21. Responsibility for our valuation extends only to the party(ies) to whom it is addressed. However, in the event of us being asked by you to re-address our report to another party or other parties or permit reliance upon it by another party or other parties, we will give consideration to doing so, to named parties, subject to payment of additional fees.

    These fees are exclusive of GST & expenses (including the cost of re-addressing the report). Should additional work be involved, over and above that undertaken to provide the initial report, we may make a further charge although we will agree this with you before commencing the work.

22. Where we consent to reliance on our report by another party or other parties, we do so on the basis that these terms and conditions will apply to the new addressee(s) as if it/they had been a party to the original letter of engagement between us. Where we consent to such reliance, you agree to furnish the addressee with a copy of any reliance letter issued by us and/or a copy of these terms and conditions.

23. Where you provide a copy of and/or permit another party or parties to rely upon our valuation report without obtaining our express written consent (in accordance with clauses 21 and 22 above), you agree to indemnify and us, our affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including reasonable attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the valuation report by any such unauthorised person or entity.

24. Save where we have consented to another party or other parties relying on the valuation report in accordance with clauses 21 and 22, where a valuation report is prepared or where we consent to a valuation report being used for the purpose of a public offering in accordance with any stock exchange listing rules, you agree to indemnify us for any liability whatsoever that we have to any party or parties which exceeds our aggregate cap on liability (referred to in clause 18) which arises from their use and/or reliance on the valuation report.

25. Where reference is made to "Reinstatement Cost for Insurance Values", such insurance value is the value of property on the appropriate basis as defined in the insurance contract or policy.

26. Where reference is made to "Forced Sale Value", such value is the amount that may reasonably be received from the sale of a property under (forced sale) conditions that do not meet all the criteria of a normal market transaction. Such Forced Sale Value is not a representation of the market value.

27. The report is prepared on the basis that we are not required to give testimony or appear in court or any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we are properly reimbursed.

28.

    a. The U.S. Foreign Corrupt Practices Act (the "FCPA") and other laws make it unlawful for us or anyone acting on our behalf to offer, pay, promise or authorize to pay any money, gift or anything of value directly or indirectly to any Public Official with the intent of causing the Public Official to misuse such official's position to obtain or retain business for us or our subsidiaries or affiliates. The term Public Official is broadly defined to include not only traditional government officials and those employed by government agencies, departments, or ministries but also employees of companies which are owned or controlled by the state. The U.K. Bribery Act and other laws also prohibit commercial bribery of any kind.

    b. We comply with all applicable anti-bribery and corruption laws, rules, and regulations of the United States, European Union or any member state and any other similar laws in all applicable jurisdictions, including but not limited to the FCPA and U.K. Bribery Act ("Applicable Anti-Bribery Laws and Rules").

    c. You acknowledge and confirm your understanding of and agree to comply with all applicable Anti-Bribery Laws and Rules and agree not to take or fail to take any action that might in any way cause us to be in violation of such laws.

    d. We must at all times comply with all U.S. sanctions administered by the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury or under any statute, executive order (including, but not limited to, the September 24, 2001, Executive Order 13224 Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism) or other governmental action and any applicable international laws and regulations pertaining to the detection, prevention and reporting of potential money laundering and terrorist financing activities (collectively "Applicable Sanctions/AML Rules").

    e. You represent and warrant to us that you, and all persons and entities owning (directly or indirectly) an ownership interest in you: (i) are not, and will not become, a person or entity with whom a party is restricted from doing business under Applicable Sanctions/AML Rules; and (ii) are not knowingly engaged in, and will not knowingly engage in, any dealings or transactions or be otherwise associated with such persons or entities described in Clause 28 (e) (i) above.

    f. In the event that we believe in good faith, and whether or not we have conducted an investigation, that you have acted in a way that may subject us to liability under Applicable Anti-Bribery Laws and Rules or you (including all persons and entities owning (directly or indirectly) an ownership interest in you) become a target of Applicable Sanctions/AML Rules, we shall have the unilateral right, exercisable immediately upon written notice, to terminate this agreement and shall be entitled to receive payment of the service fees for services rendered pursuant to this agreement together with any and all reasonable additional costs incurred due to such early termination.