

DARCO WATER TECHNOLOGIES LIMITED

(Company Registration No. 200106732C)

(Incorporated in the Republic of Singapore)

PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE

1. INTRODUCTION

The Board of Directors (the “**Board**” or “**Directors**”) of Darco Water Technologies Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company is proposing to undertake a renounceable non-underwritten rights issue (the “**Rights Issue**”) in respect of up to 387,358,736 new ordinary shares in the capital of the Company (the “**Rights Shares**”), on the basis of seven (7) Rights Shares for every five (5) ordinary shares in the capital of the Company (“**Shares**”) held by shareholders of the Company (“**Shareholders**”) at a time and date to be determined by the Board for the purposes of determining the Shareholders' entitlements under the Rights Issue (the “**Books Closure Date**”), fractional entitlements to be disregarded.

The Rights Issue is subject to, *inter alia*, the approval of the shareholders of the Company (“**Shareholders**”) at an extraordinary general meeting (the “**EGM**”) to be convened by the Company in due course.

2. PRINCIPAL TERMS OF THE RIGHTS ISSUE

2.1 Basis of Provisional Allotment

The Rights Issue is proposed to be made on a renounceable basis to Entitled Shareholders (as defined below) on the basis of seven (7) Rights Shares for every five (5) existing Shares, as at the Books Closure Date, fractional entitlements to be disregarded.

2.2 Status of the Rights Shares

The Rights Shares will be payable in full upon acceptance and/or application, and when allotted and issued, will rank *pari passu* in all respects with the then existing issued Shares, except that they will not rank for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which falls before the date of issue of the Rights Shares. For this purpose, “record date” means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered with The Central Depository (Pte) Limited (the “**CDP**”) or the Company, as the case may be, in order to participate in such dividends, rights, allotments or other distributions.

2.3 Issue Price

The issue price (“**Issue Price**”) of S\$0.021 for each Rights Share represents a discount of approximately: (i) 41.7% from the closing price of S\$0.036 per Share on 27 June 2014, being the last trading day prior to this announcement; and (ii) discount of approximately 22.9% from the theoretical ex-rights price of approximately S\$0.0273 per Share based on the closing price of S\$0.036 per Share on 27 June 2014. In the event that the Rights Issue is fully subscribed, approximately S\$8.13 million will be raised (“**Maximum Rights Issue Amount**”).

2.4 Size of the Rights Issue

As at the date of this announcement, the existing issued and paid-up share capital of the Company is 276,684,812 Shares ("**Existing Share Capital**").

The Company has in June 2014 obtained indications of intention (the "Letters of Intent") from certain Shareholders (collectively, the "**Subscribing Shareholders**") on a several and not joint basis, subject Scaling Provisions (defined later) and such approvals as may be required to subscribe for such number of the Rights Shares and apply for such additional number of Excess Rights Shares (defined later) which are not subscribed or otherwise taken up and/or applied for by the other Entitled Shareholders (defined below) as the case may be in support of the Rights Issue as follows:-

- (a) Mr Thye Kim Meng ("**TKM**"), who is the Managing Director and Chief Executive Officer of the Company, as at the date of this announcement, holds 63,795,711 Shares, or approximately 23.06% of the Existing Share Capital, has provided an indication, to subscribe for up to 69,313,995 Rights Shares for S\$1,455,594 ("**TKM's Indicated Subscribed Amount**"). This represents approximately 77.61% of his total entitlements of 89,313,995 Rights Shares. The application for TKM's Indicated Subscribed Amount will be satisfied partially via the offsetting of the outstanding amounts owed to him by the Company of approximately S\$429,076 and the balance via payment in cash. The amount owed to TKM comprises accrued bonuses owing by the Company in FY2006 and FY2007 pursuant to the terms of his service agreement. The balance of S\$1,026,518 which is not available for offsetting will be subscribed for via payment in cash;
- (b) Mr Robert Alexander Stone ("**Mr Stone**"), a substantial shareholder, who as at the date of this announcement holds 41,400,000 Shares or approximately 14.96% of the Existing Share Capital, has indicated his intention to subscribe for his full entitlements of 57,960,000 Rights Shares. In addition, Mr. Stone has also provided an indication to apply for an additional of up to 30,000,000 Excess Rights Shares (defined later) which are not subscribed or otherwise taken up and/or applied for by the other Entitled Shareholders (defined below) on the basis that he will rank last in priority in the allotment of excess Rights Shares which are not taken up by the other Entitled Shareholders;
- (c) Mr Thye Kim Loy ("**TKL**"), a brother of TKM who as at the date of this announcement holds 1,564,840 Shares or approximately 0.57% of the Existing Share Capital has provided an indication to subscribe for his full entitlements of 2,190,776 Rights Shares;
- (d) Mr Thye Kim Fah ("**TKF**"), a brother of TKM and a key executive of the Company, who as at the date of this announcement holds 4,493,140 Shares or approximately 1.62% of the Existing Share Capital, has provided an indication to subscribe for his full entitlements of 6,290,396 Rights Shares;
- (e) Mr Tan Lek Lek ("**TLL**"), who as at the date of this announcement holds an aggregate 4,212,000 Shares or approximately 1.52% of the Existing Share Capital, has provided an indication to subscribe for his full aggregate entitlements of 5,896,800 Rights Shares;

- (f) Ms Hoe Hock Hing (“**HHH**”), the spouse of Mr Tan Lek Lek, who as at the date of this announcement holds an aggregate 1,100,000 Shares or approximately 0.40% of the Existing Share Capital, has provided an indication to subscribe for her full aggregate entitlements of 1,540,000 Rights Shares;;
- (g) The estate of Mr Teh Swee Heng, deceased (“**TSH Estate**”), who as at the date of this announcement, holds 6,994,820 Shares or approximately 2.53% of the Existing Share Capital, has provided an indication to subscribe for the estate’s full entitlements of 9,792,748 Rights Shares. In addition, TSH Estate indicated its intention to subscribe for an additional 3,770,537 Excess Rights Shares which are not subscribed or otherwise taken up and/or applied for by the other Entitled Shareholders on the basis that he will rank last in priority in the allotment of excess Rights Shares which are not taken up by the other Entitled Shareholders. The aggregate payment for TSH indicated subscription of the Rights Shares and application for the Excess Rights Shares are to be fully offset (where applicable) from the outstanding amounts owed to him by the Company of up to approximately S\$284,829 as at the date of this announcement. The amounts owed to TSH Estate comprises accrued bonuses owing by the Company pursuant to the terms of his service agreement and/or past services for FY2006 and FY2007; and
- (h) Mr Lee Sue Lin (“**LSL**”), an ex-Director who as at the date of this announcement holds 4,678,800 Shares or approximately 1.69% of the Existing Share Capital, intends to subscribe for his full entitlements of 6,550,320 Rights Shares. In addition, LSL has also indicated intention to subscribe for an additional 7,012,965 Excess Rights Shares which are not subscribed or otherwise taken up and/or applied for by the other Entitled Shareholders on the basis that he will rank last in priority in the allotment of Excess Rights Shares which are not taken up by the other Entitled Shareholders. The payment for LSL aggregate indicated subscription of the Rights Shares and the application for the Excess Rights Shares are to be partially offset (where applicable) from the outstanding amounts owed to him by the Company of up to approximately S\$284,829 as at the date of this announcement. The amounts owed to LSL comprises accrued bonuses owing by the Company pursuant to the terms of his service agreement and/or past services for FY2006 and FY2007.
- (i) Ms Heather Tan Chern Ling, an executive Director who as at the date of this announcement holds 68,000 Shares or approximately 0.02% of the Existing Share Capital, has provided an indication to subscribe for his full entitlements of 95,200 Rights Shares.

Pursuant to the Letters of Intents from the aforementioned Subscribing Shareholders, the aggregate number of Rights Shares and Excess Rights Shares indicated in the Letters of Intent are 159,630,235 Rights Shares and up to 40,783,502 Excess Rights Shares respectively, which is more than the aggregate number of Rights Shares for which the Subscribing Shareholders are entitled to, being 179,630,035 Rights Shares. This translates to approximately S\$3.35 million for the Rights Shares and approximately S\$0.86 million for Excess Rights Shares, or in aggregate of approximately S\$4.21 million or 51.74% of the Maximum Rights Issue Amount. For avoidance of doubt, such indications to subscribe for their entitlements of the Rights Shares as well as apply for the excess Rights Shares are, *inter-alia* not legally binding.

For illustration purposes only:

Scenario 1

Based on the Existing Share Capital, subject to Scaling Provisions and approvals as may be required as well as assuming that all Subscribing Shareholders subscribe for the Rights Shares and/or apply for Excess Rights Shares in accordance to their respective Letters of Intent, and all other existing Shareholders (being Shareholders other than Directors or Subscribing Shareholders) subscribe for their entitlements of Rights Shares and apply for such number of Excess Rights Shares being more or equal to 20,000,00 Excess Rights Shares, being the difference (“**Subscribing Shareholders Subscription Shortfall**”) between the aggregate number of Rights Shares which the Subscribing Shareholders and Directors are entitled to and the number of Rights Shares for which they have indicated they would subscribe for. An aggregate of 387,358,736 new Shares will be issued pursuant to the Rights Issue under this scenario. The table below illustrates the potential changes in shareholdings pursuant to Scenario 1 as described herein:

Existing Shareholdings (before Rights Issue)			Rights Shares Entitlement	Intended Subscription for Entitled Rights Shares from Subscribing Shareholders	Application for Excess Rights Shares from Subscribing Shareholders and other Shareholders	Scenario 1: Enlarged Shareholdings (After Rights Issue)	
No. of Shares	(%)	No. of Rights Shares	No. of Rights Shares	No. of Excess Rights Shares	Shares	(%)	
Subscribing Shareholders							
Thye Kim Meng	63,795,711 23.06%	89,313,995	69,313,995	-	133,109,706	20.05%	
Stone Robert Alexander	41,400,000 14.96%	57,960,000	57,960,000	30,000,000	99,360,000	14.96%	
Thye Kim Loy	1,564,840 0.57%	2,190,776	2,190,776	-	3,755,616	0.57%	
Thye Kim Fah	4,493,140 1.62%	6,290,396	6,290,396	-	10,783,536	1.62%	
Tan Lek Lek	4,212,000 1.52%	5,896,800	5,896,800	-	10,108,800	1.52%	
Hoe Hock Hing	1,100,000 0.40%	1,540,000	1,540,000	-	2,640,000	0.40%	
Teh Swee Heng Estate	6,994,820 2.53%	9,792,748	9,792,748	3,770,537	16,787,568	2.53%	
Lee Sue Lin	4,678,800 1.69%	6,550,320	6,550,320	7,012,965	11,229,120	1.69%	
Heather Tan Chern Ling	68,000 0.02%	95,200	95,200	-	163,200	0.02%	
Directors (other than TKM and Heather)							
Ross Yu Limjoco	- 0.00%	-	-	-	-	0.00%	
Tang Kai Meng	- 0.00%	-	-	-	-	0.00%	
Ang Kheng Hui	- 0.00%	-	-	-	-	0.00%	
Other public Shareholders	148,377,501 53.63%	207,728,501	-	>20,000,000 ⁽¹⁾	376,106,002 ⁽²⁾	56.64%	
Total	276,684,812 100.00%	387,358,736	159,630,235	60,783,502⁽²⁾	664,043,548	100.00%	

Note:

- (1) Assuming other existing Shareholders (being Shareholders other than Directors or Subscribing Shareholders as the case may be) subscribe for their entitlements of Rights Shares and apply for such Excess Rights Shares in excess of the Subscribing Shareholders Subscription Shortfall of 20,000,000 Rights Shares. All Subscribing Shareholders Subscription Shortfall will be allotted and issued to such other existing Shareholders
- (2) Subscribing Shareholders will not be allocated or allotted any Excess Rights Shares

As the number of Excess Rights Shares applied for by Shareholders (other than the Subscribing Shareholders) exceed the Subscribing Shareholders Subscription Shortfall, no Excess Rights Shares may be allotted or issued to any of the Subscribing Shareholders who have indicated their intention to apply for Excess Rights Shares. Based on the assumptions for this scenario, the amount of proceeds raised will be equivalent to the Maximum Rights Issue Amount.

Scenario 2

Based on the Existing Share Capital, subject to Scaling Provisions and approvals as may be required as well as assuming that all Subscribing Shareholders subscribe for Rights Shares and/or apply for Excess Rights Shares in accordance to their respective Letters of Intent, and all other existing Shareholders (being Shareholders other than Directors or Subscribing Shareholders) subscribe for their entitlements of Rights Shares and do not apply for any Excess Rights Shares, an aggregate of 387,358,736 new Shares will be issued pursuant to the Rights Issue. The table below illustrates the potential changes in shareholdings pursuant to Scenario 2 described herein:

	Existing Shareholdings (before Rights Issue)		Rights Shares Entitlement	Intended Subscription for Entitled Rights Shares from Subscribing Shareholders	Application for Excess Rights Shares from Subscribing Shareholders and other Shareholders	Scenario 2: Enlarged Shareholdings (After Rights Issue)	
	No. of Shares	(%)	No. of Rights Shares	No. of Rights Shares	No. of Excess Rights Shares	Shares	(%)
Subscribing Shareholders							
Thye Kim Meng	63,795,711	23.06%	89,313,995	69,313,995	-	133,109,706	20.05%
Stone Robert Alexander	41,400,000	14.96%	57,960,000	57,960,000	30,000,000	114,071,831	17.18%
Thye Kim Loy	1,564,840	0.57%	2,190,776	2,190,776	-	3,755,616	0.57%
Thye Kim Fah	4,493,140	1.62%	6,290,396	6,290,396	-	10,783,536	1.62%
Tan Lek Lek	4,212,000	1.52%	5,896,800	5,896,800	-	10,108,800	1.52%
Hoe Hock Hing	1,100,000	0.40%	1,540,000	1,540,000	-	2,640,000	0.40%
Teh Swee Heng Estate	6,994,820	2.53%	9,792,748	9,792,748	3,770,537	18,636,618	2.81%
Lee Sue Lin	4,678,800	1.69%	6,550,320	6,550,320	7,012,965	14,668,239	2.21%
Heather Tan Chern Ling	68,000	0.02%	95,200	95,200	-	163,200	0.02%
Directors (other than TKM and Heather)							
Ross Yu Limjoco	-	0.00%	-	-	-	-	0.00%
Tang Kai Meng	-	0.00%	-	-	-	-	0.00%
Ang Kheng Hui	-	0.00%	-	-	-	-	0.00%
Other public Shareholders	148,377,501	53.63%	207,728,501	-	-	356,106,002	53.63%
Total	276,684,812	100.00%	387,358,736	159,630,235	40,783,502	664,043,548	100.00%

In this scenario, subject to Scaling Provisions and approvals as may be required, the number of Rights Shares not subscribed for by the Subscribing Shareholders or the Subscribing Shareholders Subscription Shortfall of 20,000,000 Rights Shares will be used to satisfy applications from the Subscribing Shareholders for the Excess Rights Shares. No Excess Rights Shares are applied for by Shareholders other than Mr. Stone, TSH Estate and LSL. The allotment of the Excess Rights Shares are pro-rated amongst the three Subscribing Shareholders with intention to apply for Excess Rights Shares in accordance to their stated intention and the number of Excess Rights Shares for which they have each indicated they would be applying for. Based on the assumptions for this scenario, the amount of proceeds raised will be equivalent to the Maximum Rights Issue Amount.

Scenario 3

Based on the Existing Share Capital, subject to Scaling Provisions and assuming that all Subscribing Shareholders subscribe for their Rights Shares as well as the Excess Rights Shares in accordance to their respective Letters of Intent, and none of the other existing Shareholders (being Shareholders other than Directors or Subscribing Shareholders) subscribe for any Rights Shares or apply for Excess Rights, an aggregate of 200,413,737 new Rights Shares will be issued pursuant to the Rights Issue. Table below illustrates the potential changes in shareholdings pursuant to Scenario 3 described herein:

	Existing Shareholdings (before Rights Issue)		Rights Shares Entitlement	Intended Subscription for Entitled Rights Shares from Subscribing Shareholders	Application for Excess Rights Shares from Subscribing Shareholders and other Shareholders	Scenario 3: Enlarged Shareholdings (After Rights Issue)	
	No. of Shares	(%)	No. of Rights Shares	No. of Rights Shares	No. of Excess Rights Shares	Shares	(%)
Subscribing Shareholders							
Thye Kim Meng	63,795,711	23.06%	89,313,995	69,313,995	-	133,109,706	27.90%
Stone Robert Alexander	41,400,000	14.96%	57,960,000	57,960,000	30,000,000	129,360,000	27.11%
Thye Kim Loy	1,564,840	0.57%	2,190,776	2,190,776	-	3,755,616	0.79%
Thye Kim Fah	4,493,140	1.62%	6,290,396	6,290,396	-	10,783,536	2.26%
Tan Lek Lek	4,212,000	1.52%	5,896,800	5,896,800	-	10,108,800	2.12%
Hoe Hock Hing	1,100,000	0.40%	1,540,000	1,540,000	-	2,640,000	0.55%
Teh Swee Heng Estate	6,994,820	2.53%	9,792,748	9,792,748	3,770,537	20,558,105	4.31%
Lee Sue Lin	4,678,800	1.69%	6,550,320	6,550,320	7,012,965	18,242,085	3.82%
Heather Tan Chern Ling	68,000	0.02%	95,200	95,200	-	163,200	0.03%
Directors (other than TKM and Heather)							
Ross Yu Limjoco	-	0.00%	-	-	-	-	0.00%
Tang Kai Meng	-	0.00%	-	-	-	-	0.00%
Ang Kheng Hui	-	0.00%	-	-	-	-	0.00%
Other public Shareholders	148,377,501	53.63%	207,728,501	-	-	148,377,501	31.10%
Total	276,684,812	100.00%	387,358,736	159,630,235	40,783,502	477,098,549	100.00%

In this scenario and subject to Scaling Provisions, the number of Rights Shares not subscribed for by the Subscribing Shareholders (or the Subscribing Shareholders Subscription Shortfall of 20,000,000 Rights Shares) and the number of Rights Shares not subscribed for by Shareholders (other than the Subscribing Shareholders and Directors) will be used to fully satisfy the applications from the Subscribing Shareholder for Excess Rights Shares. Based on the assumptions for this scenario, the amount of proceeds raised will be approximately S\$4.21 million and less than the Maximum Rights Issue Amount.

2.5 Other Terms

In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots. For good order, Directors, Subscribing Shareholders and substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board or the Subscribing Shareholders, will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares.

Entitled Shareholders will be provisionally allotted the Rights Shares on the basis of their shareholdings as at the Book Closure Date. Entitled Shareholders will be at liberty to accept, decline, trade or otherwise renounce (or in the case of Entitled Depositors (as defined below) only, trade their provisional allotments of Rights Shares on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") during the provisional allotment trading period as prescribed by the SGX-ST) and will be eligible to apply for additional Rights Shares in excess of their provisional allotments of Rights Shares under the Rights Issue. Provisional allotments of Rights Shares which are not taken up or allotted for any reason, will be aggregated and used to satisfy excess applications for Rights Shares (if any) ("**Excess Rights Shares**") or allotted or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit.

The Company will not make any allotment and issue of any Excess Rights Shares that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

Depending on the level of subscription for the Rights Shares, the Company will, if necessary, scale down the subscription and/or excess applications for the Rights Shares by any of the Shareholders (if such Shareholder chooses to subscribe for its pro-rata Rights Shares entitlement and/or apply for excess Rights Shares) (the "**Scaling Provisions**"), to *inter-alia*, avoid placing the relevant Shareholder and parties acting in concert with him (as defined in the Singapore Code of Takeovers and Mergers (the "**Code**") in the position of incurring a mandatory general offer obligation under the Code, as a result of other Shareholders not taking up their Rights Shares entitlements fully. The terms and conditions for the Rights Issue (where applicable) may be subject to such waivers or consents or confirmation or approvals from such other regulatory authorities in Singapore, *inter-alia* the Securities Industry Council.

The terms and conditions of the Rights Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement ("**OIS**") to be lodged with the SGX-ST, acting as agent on behalf of the Authority and dispatched to Entitled Shareholders (defined below) in due course.

3. RATIONALE AND USE OF PROCEEDS

3.1 Rationale

The existing cash and cash equivalent balance of the Group as at 31 December 2013 was approximately S\$9.8 million, out of which approximately

- S\$1.2 million is “restricted cash”. These are cash pledged with banks such as performance bonds.
- S\$4.1 million (RMB19.5 million) cash with a subsidiary in China, but not readily available for usage outside China due to capital control.

Accordingly, the Group’s operations is limited by the amount of available or unrestricted cash for its project management and working capital. Accordingly, the Group’s ability to maintain its operations and also tender for water and/or soil remediation projects or such other projects is severely curtailed despite requests from end customers to participate for such jobs.

In view of, inter-alia the Group’s past performance and recent “up-lifting” of suspension, the Group is not in a favorable position and has difficulties in obtaining the required financing terms and conditions from financial institutions to fully meet its requirements without curtailment of its business, operations, projects and strategies.

The Rights Issue will thus strengthen the Group’s balance sheet, enhance and supplement the cash balances and limited banking facilities available to the Group, thereby providing the financial flexibility and cash buffer for the Group’s existing operations.

3.2 Use of Proceeds

The Rights Issue has been undertaken, to strengthen the financial position and capital base of the Company and to provide additional working capital for the operations of the Group. The Rights Issue will also provide Shareholders with an opportunity to further participate in the equity of the Company, allow the Group to repay existing indebtedness and be less reliant on external sources of funding.

As at the date of this announcement the Directors are of the opinion that:

- (i) after taking into consideration the present bank facilities, the working capital available of the Group is limited to meet only its current operational requirements and, hence, not sufficient to provide for tender for projects and business expansion; and
- (ii) after taking into consideration the present banking facilities, net proceeds from the Rights Issue based on a Scenario 3, subject to market and economic conditions as well as the industries for which the Group operates in and barring unforeseen circumstances, the working capital available to the Group will be sufficient to meet its requirements for tender for projects and business expansions.

Proceeds to be raised from Rights Issue and Use of Proceeds	Scenario 1		Scenario 2		Scenario 3	
	(S\$)	%	(S\$)	%	(S\$)	%
Gross Proceeds from Rights Issue	8,134,533	100%	8,134,533	100%	4,206,689	100%
<i>Less: estimated costs and expenses relating to Rights Issue</i>	200,500	2%	200,500	2%	200,500	5%
Net Proceeds from Rights Issue	7,934,033		7,934,033		4,006,189	
<i>Less: amount offset against Company's Indebtedness⁽¹⁾</i>	722,806	9%	998,734	12%	998,734	24%
Net Cash Proceeds from Rights Issue	7,211,227		6,935,299		3,007,455	
1) Funding new projects or investments when opportunities arose	2,000,000	25%	2,000,000	25%	-	0%
2) Repayment of indebtedness when due	1,600,000	20%	1,600,000	20%	1,600,000	38%
3) Working Capital	3,611,227	44%	3,335,299	41%	1,507,455	36%

Note:

- (1) As disclosed above in Section 2.4 (a), TKM's Subscribed Amount will be partially offset by the outstanding amounts owed to him by the Company of approximately S\$429,076. As disclosed in Section 2.4 (g) and (h), for TSH Estate and LSL the payments for the indicated subscriptions of the Rights Shares and applications of the excess Rights Shares are to be offset by the outstanding amounts owed to TSH Estate and LSL by the Company of approximately S\$248,829 each (the actual amounts to be offset depends on various subscription levels and final allocation of excess Rights Shares).

The Group may when, appropriate reduce its current unsecured borrowings. The Group's gearing ratio as at 31 December 2013 is 30%. To further improve Company cash position and working capital, the Group shall, at its discretion, offer the Shareholders the Rights Shares instead of cash repayment to existing unsecured cash loans between Group and the Shareholders.

Pending the deployment of the net proceeds raised from the Rights Issue, such proceeds may be deposited with banks and/or financial institutions, used for investment in short-term money markets instruments and/or marketable securities, as the Directors may deem appropriate in the interests of the Company.

The Company undertakes that it will comply with Rules 704(30), 815 and 1207(20) of the Listing Manual of the SGX-ST in relation to the use of the proceeds from the Rights Issue. In addition, the Company undertakes that as the proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working

capital in the Company's announcements on use of proceeds and in the Company's annual report for material disbursements.

4. ELIGIBILITY TO PARTICIPATE IN THE RIGHTS ISSUE

4.1 Entitled Depositors

Shareholders whose securities accounts with the CDP are credited with Shares as at 5.00 p.m. on the Books Closure Date (the "**Depositors**") will be provisionally allotted Rights Shares on the basis of the number of Shares standing to the credit of their securities accounts with the CDP as at 5.00 p.m. on the Books Closure Date.

To be "**Entitled Depositors**", Depositors must have registered addresses with the CDP in Singapore as at the Books Closure Date or if they have registered addresses outside Singapore, must provide CDP, at 4 Shenton Way, #02-01 SGX Centre 2, Singapore 068807, with addresses in Singapore no later than 5.00 p.m. on the date being three (3) market days prior to the Books Closure Date, in order to receive their provisional allotments of Rights Shares.

4.2 Entitled Scripholders

Shareholders whose Shares are registered in their own names and whose share certificates are not deposited with the CDP (the "**Scripholders**") will have to submit duly completed and stamped transfers (in respect of Shares not registered in the name of CDP), together with all relevant documents of title, so as to be received no later than 5.00 p.m. on the Books Closure Date by the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd. (the "**Share Registrar**"), in order to be registered to determine the transferee's provisional allotments of Rights Shares.

To be "**Entitled Scripholders**", Scripholders must have registered addresses with the Company in Singapore as at the Books Closure Date or if they have registered addresses outside Singapore, must provide the Share Registrar at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 with addresses in Singapore no later than 5.00 p.m. on the date being three (3) market days prior to the Books Closure Date, in order to receive their provisional allotments of Rights Shares.

Entitled Depositors and Entitled Scripholders shall be collectively referred to as "**Entitled Shareholders**" in this announcement. Notwithstanding the foregoing, investors should note that the offer and sale of, exercise or acceptance of, or subscription for, provisional allotments of the Rights Shares to or by persons located or resident in jurisdictions other than Singapore, may be restricted or prohibited by the laws of the relevant jurisdiction. Crediting of provisional allotments of the Rights Shares to any securities account with the CDP, the receipt of any provisional allotments of the Rights Shares or receipt of the OIS and/or any of its accompanying documents, will not constitute an offer or sale in those jurisdictions in which it will be illegal to make such offer or sale, where such offer or sale will otherwise violate the securities laws of such jurisdictions or be prohibited. The Company reserves absolute discretion in determining whether any Shareholder located or resident outside Singapore may participate in the Rights Issue.

4.3 Foreign Shareholders

For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Rights Shares will not be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least three (3) market days prior to the Books Closure Date, provided to the Company, the CDP or the Share Registrar (as the case may be) addresses in Singapore for the service of notices and documents (the “**Foreign Shareholders**”). As such, no provisional allotments of Rights Shares will be made to, and no purported acceptance thereof and application therefore by Foreign Shareholders will be valid.

If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Rights Shares which would otherwise have been provisionally allotted to Foreign Shareholders, to be sold “nil-paid” on the Main Board of SGX-ST as soon as practicable after dealings in the provisional allotments of Rights Shares commence. The net proceeds from all such sales after deducting all expenses therefrom, will be dealt with in accordance with the terms set out in the OIS.

If such provisional allotments of Rights Shares cannot be or are not sold on the Main Board of SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares, the Rights Shares represented by such provisional allotments will be dealt with in such manner as the Directors may, in their absolute discretion, deem fit and no Foreign Shareholder shall have any claim whatsoever against the Company, CDP or the Share Registrar in connection therewith.

To this end, Foreign Shareholders are encouraged to provide a registered address in Singapore to the Company, the CDP or the Share Registrar (as the case may be), at least three (3) market days prior to the Books Closure Date, in order to receive the provisional allotment of Rights Shares under the Rights Issue.

5. CHANGE IN CONTROLLING INTEREST

Mr Stone’s subscription of his rights entitlements of 57,960,000 Rights Shares as well as his intended application for 30,000,000 Excess Right Shares may increase his percentage of shareholdings from 14.96% (based on the Existing Share Capital) to more than 15% of the enlarged share capital after the Rights Issue. In the event that Mr. Stone’s shareholdings exceeds the 15% threshold, he will accordingly become a controlling shareholder of the Company pursuant to the Listing Manual of the SGX-ST.

Pursuant to Rule 803 of the Listing Manual, specific Shareholders’ approval is required for the Company to undertake the Rights Issue which may result in the change of controlling interest of the Company pursuant to the issuance of securities arising from the Rights Issue. As such, the Company will seek a specific Shareholders’ approval in relation to the change in controlling interest (“**Change in Controlling Interest Resolution**”) in the EGM to be convened.

6. APPROVALS FOR THE RIGHTS ISSUE

The Rights Issue is subject to, *inter alia*, the following conditions:

- (i) the receipt of the approval in-principle from the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Main Board of the SGX-ST;

- (ii) the Rights Issue, including the allotment and issue of the Rights Shares, being approved by Shareholders at the EGM;
- (iii) the Change in Controlling Interest Resolution being approved by the Shareholders (other than Mr Stone and his associates) at the EGM;
- (iv) such other resolutions as may be required and applicable to give effect and authority for the Rights Issue and/or the transaction(s) pursuant to the Rights Issue, being approved by the Shareholders at the EGM;
- (v) such other approvals or consents as may be required and applicable from such other regulatory authorities in Singapore; and
- (vi) lodgement of the OIS, together with all other accompanying documents (if applicable), with the SGX-ST, acting as agent on behalf of the Monetary Authority of Singapore (the “**Authority**”).

An application will be made to the SGX-ST by the Company for the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST in due course and the Company will make the relevant announcements upon receipt of the listing and quotation notice by the SGX-ST.

7. CIRCULAR AND EGM

The Company intends to convene the EGM to seek, *inter-alia*, Shareholders’ approval for the Rights Issue and the Change of Controlling Interest Resolution. The Circular containing, *inter alia*, the notice of the EGM will be despatched to Shareholders in due course.

8. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this announcement, none of the Directors and substantial Shareholders has any interest, direct or indirect, in the Rights Issue, other than through their respective shareholding interest in the Company.

The respective shareholdings of the Directors and substantial Shareholders as at the date of this announcement and upon completion of the Rights Issue are set out in Appendix 1.

9. RESPONSIBILITY STATEMENT

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

BY ORDER OF THE BOARD

THYE KIM MENG
Managing Director and Chief Executive Officer
30 June 2014

APPENDIX 1 – SHAREHOLDINGS AND DILUTION IMPACT

	Existing Shareholdings (before Rights Issue)		Entitlement	Intended Subscription for Entitled Rights Shares from Subscribing Shareholders	Application for Excess Rights Shares from Subscribing Shareholders and other Shareholders	Scenario 1 ⁽²⁾ (after Rights Issue)		Scenario 2 ⁽²⁾ (after Rights Issue)		Scenario 3 ⁽³⁾ (after Rights Issue)	
	Interest (Shares)	(%)				Interest (Shares)	(%)	Interest (Shares)	(%)	Interest (Shares)	(%)
Subscribing Shareholders											
Thye Kim Meng	63,795,711	23.06%	89,313,995	69,313,995	-	133,109,706	20.05%	133,109,706	20.05%	133,109,706	27.90%
Stone Robert Alexander	41,400,000	14.96%	57,960,000	57,960,000	30,000,000	99,360,000	14.96%	114,071,831	17.18%	129,360,000	27.11%
Thye Kim Loy	1,564,840	0.57%	2,190,776	2,190,776	-	3,755,616	0.57%	3,755,616	0.57%	3,755,616	0.79%
Thye Kim Fah	4,493,140	1.62%	6,290,396	6,290,396	-	10,783,536	1.62%	10,783,536	1.62%	10,783,536	2.26%
Tan Lek Lek	4,212,000	1.52%	5,896,800	5,896,800	-	10,108,800	1.52%	10,108,800	1.52%	10,108,800	2.12%
Hoe Hock Hing	1,100,000	0.40%	1,540,000	1,540,000	-	2,640,000	0.40%	2,640,000	0.40%	2,640,000	0.55%
Teh Swee Heng Estate	6,994,820	2.53%	9,792,748	9,792,748	3,770,537	16,787,568	2.53%	18,636,618	2.81%	20,558,105	4.31%
Lee Sue Lin	4,678,800	1.69%	6,550,320	6,550,320	7,012,965	11,229,120	1.69%	14,668,239	2.21%	18,242,085	3.82%
Heather Tan Chern Ling	68,000	0.02%	95,200	95,200	-	163,200	0.02%	163,200	0.02%	163,200	0.03%
Directors (other than TKM and Heather)											
Ross Yu Limjoco	-	0.00%	-	-	-	-	0.00%	-	0.00%	-	0.00%
Tang Kai Meng	-	0.00%	-	-	-	-	0.00%	-	0.00%	-	0.00%
Ang Kheng Hui	-	0.00%	-	-	-	-	0.00%	-	0.00%	-	0.00%
Other public Shareholders	148,377,501	53.63%	207,728,501	-	-	376,106,002	56.64%	356,106,002	53.63%	148,377,501	31.10%
Total number of issued shares	276,684,812	100.00%	387,358,736	159,630,235	40,783,502	664,043,548	100.00%	664,043,548	100.00%	477,098,549	100.00%

Note:

- (1) Based on the Existing Share Capital and assuming that all Subscribing Shareholders subscribe for the Rights Shares and/or apply for Excess Rights Shares in accordance to their respective Letters of Intent, and all other existing Shareholders (being Shareholders other than Directors or Subscribing Shareholders) subscribe for their entitlements of Rights Shares and apply for Subscribing Shareholders Subscription Shortfall between the aggregate number of Rights Shares which the Subscribing Shareholders are entitled to and the number of Rights Shares for which they have indicated they would subscribe for, an aggregate of 387,358,736 new Shares will be issued pursuant to the Rights Issue.
- (2) Based on the Existing Share Capital and assuming that all Subscribing Shareholders subscribe for the Rights Shares and/or apply for Excess Rights Shares in accordance to their respective Letters of Intent, and all other existing Shareholders (being Shareholders other than Directors or Subscribing Shareholders) subscribe for their entitlements of Rights Shares and do not apply for any Excess Rights Shares, an aggregate of 387,358,736 new Shares will be issued pursuant to the Rights Issue.
- (3) Based on the Existing Share Capital, subject to Scaling Provisions and assuming that all Subscribing Shareholders subscribe for their Rights Shares as well as the Excess Rights Shares in accordance to their respective Letters of Intent, and none of the other existing Shareholders (being Shareholders other than Directors or Subscribing Shareholders) subscribe for any Rights Shares or apply for Excess Rights, an aggregate of 200,413,737 new Rights Shares will be issued pursuant to the Rights Issue.
- (4) Actual changes in the shareholding may differ depending on the level of subscription and final allocation.