

CIRCULAR DATED 1 JUNE 2021

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by Hoe Leong Corporation Ltd. (the “Company”). **If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

If you have sold or transferred all your shares in the capital of the Company held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Circular 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 shares represented by physical share certificate(s), you should at once hand this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

This Circular (including the Notice of EGM and the Proxy Form) may be accessed on SGXNet and the Company’s corporate website at www.hoeleong.com. A printed copy of this Circular (including the Notice of EGM and the Proxy Form) will NOT be despatched to Shareholders.

To minimise physical interactions and COVID-19 transmission risks, Shareholders will not be able to attend the extraordinary general meeting (the “EGM”) in person. Instead, alternative arrangements have been put in place to allow Shareholders to participate at the EGM by (a) watching or listening to the EGM proceedings through a “live” webcast comprising both video (audiovisual) and audio feeds, (b) submitting questions in advance of the EGM, and/or (c) voting by proxy for resolutions tabled at the EGM.

Please refer to section 17 (*Action to be taken by Shareholders*) of this Circular for further information, including the steps to be taken by Shareholders to participate at the EGM.

The Singapore Exchange Securities Trading Limited (the “SGX-ST”) assumes no responsibility for the accuracy of any of the statements made, opinions expressed or reports contained in this Circular. Approval in-principle has been granted by the SGX-ST on 21 April 2021 to the Company for the dealing in, listing and quotation for the Conversion Shares (as defined herein), Option Shares (as defined herein), Settlement Shares (as defined herein), UOB Conversion Shares (as defined herein) and Remuneration Shares (as defined herein) on the Main Board of the SGX-ST, subject to certain conditions. The approval in-principle is not to be taken as an indication of the merits of the Proposed Transactions (as defined herein), Convertible Loan Note (as defined herein), Conversion Shares, Options (as defined herein), Option Shares, Settlement Shares, UOB Convertible Bonds (as defined herein), UOB Conversion Shares and Remuneration Shares of the Company and/or its subsidiaries.



HOE LEONG CORPORATION LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199408433W)

**CIRCULAR TO SHAREHOLDERS
IN RELATION TO**

- (A) THE PROPOSED ISSUE OF A S\$3.0 MILLION CONVERTIBLE LOAN NOTE (THE “CONVERTIBLE LOAN NOTE”) TO SHING HENG HOLDING PTE. LTD. (THE “INVESTOR”), AND THE PROPOSED ALLOTMENT AND ISSUE OF 2,054,794,520 NEW SHARES (THE “CONVERSION SHARES”) AT THE CONVERSION PRICE OF S\$0.00146 PER CONVERSION SHARE UPON THE CONVERSION OF THE CONVERTIBLE LOAN NOTE (THE “PROPOSED ISSUE OF CONVERTIBLE LOAN NOTE”);**

- (B) THE PROPOSED GRANT OF 6,164,383,561 NON-LISTED AND NON-TRANSFERABLE OPTIONS TO THE INVESTOR, WITH EACH OPTION CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) NEW SHARE (AN "OPTION SHARE") AT THE EXERCISE PRICE OF S\$0.00146 PER OPTION SHARE (THE "PROPOSED GRANT OF OPTIONS");
- (C) THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 241,985,142 NEW SHARES (THE "RHB SETTLEMENT SHARES") TO RHB BANK BERHAD AT AN ISSUE PRICE OF S\$0.00175 PER RHB SETTLEMENT SHARE IN FULL AND FINAL SETTLEMENT OF THE RHB LOAN OUTSTANDING AMOUNT (AS DEFINED HEREIN) (THE "PROPOSED ISSUE OF RHB SETTLEMENT SHARES");
- (D) THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 344,226,285 NEW SHARES ("SIF SETTLEMENT SHARES") TO SING INVESTMENTS & FINANCE LIMITED AT AN ISSUE PRICE OF S\$0.00175 PER SIF SETTLEMENT SHARE IN FULL AND FINAL SETTLEMENT OF THE SIF LOAN OUTSTANDING AMOUNT (AS DEFINED HEREIN) (THE "PROPOSED ISSUE OF SIF SETTLEMENT SHARES");
- (E) THE PROPOSED ISSUE OF CONVERTIBLE BONDS CONSTITUTING S\$833,574 IN PRINCIPAL AMOUNT (THE "UOB CONVERTIBLE BONDS") TO UNITED OVERSEAS BANK LTD, AND THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 476,328,000 NEW SHARES (THE "UOB CONVERSION SHARES") AT THE CONVERSION PRICE OF S\$0.00175 PER UOB CONVERSION SHARE UPON THE CONVERSION OF THE UOB CONVERTIBLE BONDS (THE "PROPOSED ISSUE OF UOB CONVERTIBLE BONDS");
- (F) THE PROPOSED ALLOTMENT AND ISSUE OF 65,391,302 NEW SHARES (THE "REMUNERATION SHARES") TO MR. LIEW YOKE PHENG JOSEPH AT AN ISSUE PRICE OF S\$0.00175 PER REMUNERATION SHARES AS PARTIAL SATISFACTION OF MR. LIEW'S REMUNERATION FOR THE PERIOD UP TO 31 DECEMBER 2020 ("THE PROPOSED ISSUE OF REMUNERATION SHARES");
- (G) THE POTENTIAL TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO THE INVESTOR ARISING FROM THE ISSUE OF THE CONVERSION SHARES AND THE OPTION SHARES (THE "PROPOSED TRANSFER OF CONTROLLING INTEREST");
- (H) THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS (AS DEFINED HEREIN) OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM THE INVESTOR FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY THE INVESTOR AND ITS CONCERT PARTIES (THE "PROPOSED WHITEWASH RESOLUTION"); AND
- (I) THE PROPOSED APPOINTMENT OF MR. YEO PUAY HIN AS A DIRECTOR OF THE COMPANY WITH EFFECT FROM THE COMPLETION DATE (AS DEFINED HEREIN) (THE "PROPOSED APPOINTMENT OF DIRECTOR").

Independent Financial Adviser to the Independent Directors
in relation to the Proposed Whitewash Resolution



NOVUS CORPORATE FINANCE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201723484W)

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form : 14 June 2021 at 9.30 a.m.

Date and time of Extraordinary General Meeting : 17 June 2021 at 9.30 a.m.

Place of Extraordinary General Meeting : The Extraordinary General Meeting will be held by way of electronic means (via live audio-visual webcast or live audio-only stream)

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DEFINITIONS

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

- “Adjustment Event”** : Has the meaning ascribed to it in Section 6.4.3 (*Principal terms of the UOB Convertible Bonds*) of this Circular
- “Agreed Enlarged Share Capital”** : Has the meaning ascribed to it in Section 4.3 (*Other terms of the Convertible Loan Note Agreement*) of this Circular
- “AIP”** : The approval in-principle from the SGX-ST for the listing and quotation of 2,054,794,520 Conversion Shares, up to 6,164,383,561 Option Shares, up to 241,985,142 RHB Settlement Shares, up to 344,226,285 SIF Settlement Shares, up to 476,328,000 UOB Conversion Shares and 65,391,302 Remuneration Shares on the Main Board of the SGX-ST. Please note that the AIP is not an indication of the merits of the Proposed Transactions, the Convertible Loan Note, the Conversion Shares, the Options, the Option Shares, the Settlement Shares, the UOB Convertible Bonds, the UOB Conversion Shares and the Remuneration Shares of the Company and/or its subsidiaries
- “Approved Bank”** : Any independent investment bank of repute in Singapore and selected by the Directors
- “Associates”** : (a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more; and
- (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more
- “AVPL”** : Has the meaning ascribed to it in Section 6.4.3 (*Principal terms of the UOB Convertible Bonds*) of this Circular
- “Board”** : The board of Directors of the Company as at the Latest Practicable Date
- “Business Day”** : Any day (other than a Saturday, Sunday or a gazetted public holiday) on which commercial banks are generally open for business in Singapore and the SGX-ST is open for trading
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Shareholders dated 1 June 2021

DEFINITIONS

"CLN Minimum Investor Shareholding Adjustment"	:	Has the meaning ascribed to it in Section 4.3 (<i>Other terms of the Convertible Loan Note Agreement</i>) of this Circular
"CLN Minimum Investor Shareholding Percentage"	:	Has the meaning ascribed to it in Section 4.3 (<i>Other terms of the Convertible Loan Note Agreement</i>) of this Circular
"Companies Act"	:	Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
"Company"	:	Hoe Leong Corporation Ltd.
"Completion"	:	Completion of the Proposed Transactions
"Completion Date"	:	The date on which Completion takes place which shall be within seven (7) Business Days from the date on which all of the conditions precedent under the Transaction Documents have been satisfied
"Confirmation Email"	:	Has the meaning ascribed to it in Section 17.6 (<i>Key dates and times</i>) of this Circular
"Constitution"	:	The constitution of the Company, as amended from time to time
"Controlling Shareholder"	:	A person who (a) holds directly or indirectly 15.0% or more of the total number of issued shares excluding treasury shares in the company (unless the SGX-ST determines that such a person is not a controlling shareholder of the company); or (b) in fact exercises control over a company
"Conversion Price"	:	S\$0.00146 for each Conversion Share
"Conversion Right"	:	Has the meaning ascribed to it in Section 4.2 (<i>Principal terms of the Convertible Loan Note</i>) of this Circular
"Conversion Shares"	:	The 2,054,794,520 new Shares to be allotted and issued by the Company, credited as fully paid upon the conversion of the Convertible Loan Note at the Conversion Price
"Convertible Loan Note"	:	A secured, unlisted and non-transferable S\$3.0 million convertible loan note to be issued by the Company to the Investor pursuant to the Convertible Loan Note Agreement
"Convertible Loan Note Agreement"	:	A convertible loan note agreement dated 21 December 2020 and entered into between the Company and the Investor for the issue by the Company to the Investor of the Convertible Loan Note, as amended, supplemented or modified from time to time, including the supplementary agreement dated 27 May 2021
"CPF"	:	The Central Provident Fund
"CPF Agent Banks"	:	Banks approved by CPF to be the agent banks for CPF investors
"Debt Conversion"	:	The Proposed Issue of Settlement Shares and the Proposed Issue of UOB Convertible Bonds
"Dilution Protection Period"	:	Has the meaning ascribed to it in Section 4.3 (<i>Other terms of the Convertible Loan Note Agreement</i>) of this Circular
"Director"	:	A director of the Company as at the Latest Practicable Date

DEFINITIONS

“EGM”	: The extraordinary general meeting of the Company to be held by way of electronic means (via live audio-visual webcast or live audio-only stream) on 17 June 2021 at 9.30 a.m. to seek the approval of Shareholders for the Proposals, notice of which is set out on pages N-1 to N-5 of this Circular
“Enlarged Share Capital”	: The enlarged issued share capital of the Company (excluding treasury shares) on a diluted basis assuming the completion of all the Proposed Transactions on a maximum basis in each of the Proposed Transactions, being 14,966,541,389 Shares
“EPS”	: Earnings per Share
“Event of Default”	: Has the meaning ascribed to it in Section 4.3 (<i>Other terms of the Convertible Loan Note Agreement</i>) of this Circular
“Exercise Date”	: The exercise period of the Options as set out in Section 5.2 (<i>Principal terms of the Options</i>) of this Circular
“Exercise Period”	: The exercise period of the Options as set out in Section 5.2 (<i>Principal terms of the Options</i>) of this Circular
“Exercise Price”	: The exercise period of the Options as set out in Section 5.2 (<i>Principal terms of the Options</i>) of this Circular
“Existing Share Capital”	: The issued share capital of the Company (excluding treasury shares) of 5,619,432,579 Shares as at the Latest Practicable Date
“FY”	: Financial year ended or ending on 31 December, as the case may be
“Group”	: The Company and its subsidiaries (each a “Group Company”)
“IFA” or “NCF”	: Novus Corporate Finance Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the Proposed Whitewash Resolution
“IFA Letter”	: The letter dated 1 June 2021 from the IFA to the Independent Directors in relation to the Proposed Whitewash Resolution
“Independent Directors”	: The Directors who are considered independent for the purposes of making a recommendation to the Shareholders on the Proposed Whitewash Resolution, namely, all of the Directors as at the Latest Practicable Date
“Independent Shareholders”	: The Shareholders who are deemed to be independent for the purpose of the Proposed Whitewash Resolution, being the Shareholders other than (a) the Investor and parties acting in concert with it, and (b) parties not independent of the Investor and parties acting in concert with it
“Initial Announcement Date”	: 21 December 2020, being the date on which the Company announced <i>inter alia</i> its entry into the Convertible Loan Note Agreement and the Options Agreement with the Investor in respect of the Proposed Investor Transactions
“Investor”	: Shing Heng Holding Pte. Ltd.

DEFINITIONS

“Investor’s Nominee”	: Has the meaning ascribed to it in Section 11.1 (<i>Background and rationale</i>) of this Circular
“Last Dealt Price”	: In relation to a Share on a relevant Market Day, the last dealt price per Share for one or more board lots of Shares on that Market Day on which there is trading of the Shares on the SGX-ST
“Latest Practicable Date”	: 27 May 2021, being the latest practicable date prior to the issue of this Circular
“Legal Suits”	: All legal suits involving the Group as at the date of the Convertible Loan Note Agreement
“Listing Manual”	: The listing manual of the SGX-ST, as amended from time to time
“Loan”	: The S\$1.0 million bridging loan extended by the Investor to the Company pursuant to a loan agreement entered into on 21 December 2020
“Loan Security”	: Has the meaning ascribed to it in Section 4.3 (<i>Other terms of the Convertible Loan Note Agreement</i>) of this Circular
“Longstop Date”	: 30 June 2021, or such other date as may be mutually agreed between the Company and the Investor
“Mandatory Completion Conversion”	: Has the meaning ascribed to it in Section 4.3 (<i>Other terms of the Convertible Loan Note Agreement</i>) of this Circular
“Mandatory Conversion Conditions”	: Has the meaning ascribed to it in Section 4.2 (<i>Principal terms of the Convertible Loan Note</i>) of this Circular
“Market Day”	: A day on which the SGX-ST is open for securities trading
“Material Adverse Effect”	: Has the meaning ascribed to it in Section 4.3 (<i>Other terms of the Convertible Loan Note Agreement</i>) of this Circular
“Maturity Date”	: The maturity date of the Convertible Loan Note as set out in Section 4.2 (<i>Principal terms of the Convertible Loan Note</i>) of this Circular
“Mr. Lee”	: Mr. Lee Tiam Nam
“Mr. Liew”	: Mr. Liew Yoke Pheng Joseph
“Mr. Yeo”	: Mr. Yeo Puay Hin
“Newco”	: Trackspares Global Pte. Ltd., being the intermediate investment holding company (a direct and wholly-owned subsidiary of the Company) incorporated for the purposes of the Restructuring Exercise
“Nominating Committee”	: The nominating committee of the Company as at the Latest Practicable Date
“Notice of EGM”	: The notice of EGM which is on pages N-1 to N-5 of this Circular
“NTA”	: Net tangible assets
“Option Conditions”	: The conditions of the Options as set out in the Options Agreement

DEFINITIONS

“Option Exercise Undertaking”	:	Has the meaning ascribed to it in Section 5.3 (<i>Other terms of the Options Agreement</i>) of this Circular
“Option Holder”	:	The holder of any of the Options
“Option Shares”	:	New Shares to be allotted and issued by the Company, credited as fully paid upon the exercise of the Options, including, where the context admits, such new Shares arising from the exercise of the additional options as may be required or permitted to be issued in accordance with the provisions of the Options Agreement
“Optional Conversion Right”	:	Has the meaning ascribed to it in Section 4.2 (<i>Principal terms of the Convertible Loan Note</i>) of this Circular
“Options”	:	6,164,383,561 non-listed and non-transferable share options to be granted by the Company to the Investor for S\$1.00, with each share option carrying the right to subscribe for one (1) new Share at the exercise price of S\$0.00146 per new Share
“Options Agreement”	:	An options agreement dated 21 December 2020 and entered into between the Company and the Investor for grant by the Company to the Investor of S\$9.0 million in Options to subscribe for the Option Shares, as amended, supplemented or modified from time to time, including the supplementary agreement dated 27 May 2021
“Options Minimum Investor Shareholding Adjustment”	:	Has the meaning ascribed to it in Section 5.3 (<i>Other terms of the Options Agreement</i>) of this Circular
“Options Minimum Investor Shareholding Percentage”	:	Has the meaning ascribed to it in Section 5.3 (<i>Other terms of the Options Agreement</i>) of this Circular
“Partial Cash Settlement”	:	Has the meaning ascribed to it in Section 6.1 (<i>Background and rationale</i>) of this Circular
“Principal Amount”	:	The principal amount of the Convertible Loan Note being S\$3.0 million
“Proposals”	:	Has the meaning ascribed to it in Section 1.1 (<i>Purpose of this Circular</i>) of this Circular
“Proposed Appointment of Director”	:	Has the meaning ascribed to it in Section 1.7 (<i>The Proposed Appointment of Director</i>) of this Circular
“Proposed Grant of Options”	:	Has the meaning ascribed to it in Section 1.2 (<i>The Proposed Investor Transactions</i>) of this Circular
“Proposed Investor Transactions”	:	The Proposed Issue of Convertible Loan Note and the Proposed Grant of Options
“Proposed Issue of Convertible Loan Note”	:	Has the meaning ascribed to it in Section 1.2 (<i>The Proposed Investor Transactions</i>) of this Circular
“Proposed Issue of Remuneration Shares”	:	Has the meaning ascribed to it in Section 1.4 (<i>The Proposed Issue of Remuneration Shares</i>) of this Circular
“Proposed Issue of RHB Settlement Shares”	:	Has the meaning ascribed to it in Section 1.3 (<i>The Debt Conversion</i>) of this Circular

DEFINITIONS

“Proposed Issue of SIF Settlement Shares”	:	Has the meaning ascribed to it in Section 1.3 (<i>The Debt Conversion</i>) of this Circular
“Proposed Issue of Settlement Shares”	:	The Proposed Issue of RHB Settlement Shares and the Proposed Issue of SIF Settlement Shares
“Proposed Issue of UOB Convertible Bonds”	:	Has the meaning ascribed to it in Section 1.3 (<i>The Debt Conversion</i>) of this Circular
“Proposed Transactions”	:	The Proposed Investor Transactions, the Debt Conversion and the Proposed Issue of Remuneration Shares
“Proposed Transfer of Controlling Interest”	:	The potential transfer of controlling interest in the Company to the Investor arising from the the allotment and issue of the (a) Conversion Shares pursuant to the conversion of the Convertible Loan Note; and (b) Option Shares pursuant to the exercise of all Options to the Investor
“Proposed Whitewash Resolution”		The proposed ordinary resolution of the Company which if passed by the Independent Shareholders would result in a waiver by the Independent Shareholders of their right to receive a mandatory general offer from the Investor in connection with the allotment and issue of the (a) Conversion Shares pursuant to the conversion of the Convertible Loan Note; and (b) Option Shares pursuant to the exercise of all Options to the Investor, as set out in the Notice of EGM
“Register of Members”	:	Register of members of the Company
“Registration Deadline”	:	Has the meaning ascribed to it in Section 17.3 (<i>Registration to attend the live-audio visual webcast or live audio-only stream</i>) of this Circular
“Remedy Period”	:	Has the meaning ascribed to it in Section 4.3 (<i>Other terms of the Convertible Loan Note Agreement</i>) of this Circular
“Remuneration Shares”	:	Has the meaning ascribed to it in Section 1.4 (<i>The Proposed Issue of Remuneration Shares</i>) of this Circular
“Restructuring Exercise”	:	Has the meaning ascribed to it in Section 4.3 (<i>Other terms of the Convertible Loan Note Agreement</i>) of this Circular
“RHB”	:	RHB Bank Berhad
“RHB Agreement”	:	A debt settlement and subscription agreement dated 21 December 2020 and entered into between the Company and RHB for the Proposed Issue of RHB Settlement Shares, as amended, supplemented or modified from time to time, including the supplementary agreement dated 27 May 2021
“RHB Loan”	:	The vessel loan extended by RHB to Arkstar Offshore Pte Ltd
“RHB Loan Outstanding Amount”	:	Has the meaning ascribed to it in Section 6.2.1 (<i>Introduction</i>) of this Circular
“RHB Settlement Shares”	:	Has the meaning ascribed to it in Section 1.3 (<i>The Debt Conversion</i>) of this Circular
“RHB Shares Settlement Amount”	:	Has the meaning ascribed to it in Section 6.2.1 (<i>Introduction</i>) of this Circular

DEFINITIONS

“Resumption Proposal”	:	Has the meaning ascribed to it in Section 4.2 (<i>Principal terms of the Convertible Loan Note</i>) of this Circular
“Settlement Shares”	:	The RHB Settlement Shares and the SIF Settlement Shares
“SFA”	:	Securities and Futures Act (Chapter 289) of Singapore, as amended, supplemented or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“SGXNet”	:	A broadcast network utilised by companies listed on the SGX-ST for the purposes of sending information (including announcements) to the SGX-ST (or any other broadcast or system networks prescribed by the SGX-ST)
“Shareholders”	:	The registered holders of Shares of the Company, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with those Shares
“Shares”	:	Ordinary shares in the capital of the Company
“SIC”	:	Securities Industry Council of Singapore
“SIC Conditions”	:	The conditions imposed by the SIC in its grant of the Whitewash Waiver, details of which are set out in Section 9.2 (<i>Whitewash Waiver</i>) of this Circular
“SIF”	:	Sing Investments & Finance Limited
“SIF Agreement”	:	A debt settlement and subscription agreement dated 21 December 2020 and entered into between the Company and SIF for the Proposed Issue of SIF Settlement Shares, as amended, supplemented or modified from time to time, including the supplementary agreement dated 14 May 2021
“SIF Loan”	:	The vessel loan extended by SIF to Arkstar Eagle 3 Pte Ltd
“SIF Loan Outstanding Amount”	:	Has the meaning ascribed to it in Section 6.3.1 (<i>Introduction</i>) of this Circular
“SIF Settlement Shares”	:	Has the meaning ascribed to it in Section 1.3 (<i>The Debt Conversion</i>) of this Circular
“SIF Shares Settlement Amount”	:	Has the meaning ascribed to it in Section 6.3.1 (<i>Introduction</i>) of this Circular
“SRS”	:	Supplementary Retirement Scheme
“SRS Operators”	:	Agent banks approved by CPF under the SRS
“Substantial Shareholder”	:	A person who has an interest or interests in voting Shares in the Company representing not less than 5.0% of all the voting Shares of the Company, as defined under Section 81 of the Companies Act

DEFINITIONS

“Takeover Code”	: Singapore Code on Take-overs and Mergers, as amended, supplemented or modified from time to time
“Transaction Documents”	: The Convertible Loan Note Agreement, the Options Agreement, the RHB Agreement, the SIF Agreement and the UOB Agreement.
“UOB”	: United Overseas Bank Ltd
“UOB Agreement”	: A debt settlement and subscription agreement dated 21 December 2020 and entered into between the Company and UOB for the Proposed Issue of UOB Convertible Bonds, as amended, supplemented or modified from time to time, including the supplementary agreement dated 12 May 2021
“UOB CB Settlement Amount”	: Has the meaning ascribed to it in Section 6.4.1 (<i>Introduction</i>) of this Circular
“UOB Conversion Price”	: S\$0.00175 for each UOB Conversion Share
“UOB Conversion Shares”	: Has the meaning ascribed to it in Section 1.3 (<i>The Debt Conversion</i>) of this Circular
“UOB Convertible Bonds”	: Has the meaning ascribed to it in Section 1.3 (<i>The Debt Conversion</i>) of this Circular
“UOB Expiry Date”	: The expiry date of the UOB Convertible Bonds, being three (3) years from the Completion Date
“UOB Loan”	: The vessel loan extended by UOB to Arkstar Voyager Pte Ltd
“UOB Loan Outstanding Amount”	: Has the meaning ascribed to it in Section 6.4.1 (<i>Introduction</i>) of this Circular
“UOB Optional Conversion Right”	: Has the meaning ascribed to it in Section 6.4.3 (<i>Principal terms of the UOB Convertible Bonds</i>) of this Circular
“Vessel Charter Receivables”	: Has the meaning ascribed to it in Section 6.4.3 (<i>Principal terms of the UOB Convertible Bonds</i>) of this Circular
“Vessel Chartering Companies”	: (1) Arkstar Offshore Pte Ltd; (2) Arkstar Voyager Pte Ltd; (3) Arkstar Energy Pte Ltd; (4) Arkstar Unicorn Pte Ltd; (5) Arkstar Eagle 3 Pte Ltd; (6) Markstar Marine Sdn. Bhd.; and (7) Polaris Ship Management Pte. Ltd.
“Vessel Lenders”	: The lenders of the Group in respect of the Vessel Loans, namely, RHB, SIF and UOB
“Vessel Loans”	: The RHB Loan, the SIF Loan and the UOB Loan
“Vessel Loans Settlement”	: Has the meaning ascribed to it in Section 6.1 (<i>Background and rationale</i>) of this Circular
“VWAP”	: Volume weighted average price
“Whitewash Waiver”	: The waiver granted by the SIC on 11 May 2021 (and not having revoked or repealed such grant) of the obligations of the Investor to make a mandatory general offer for the Shares pursuant to Rule 14 of the Takeover Code by reason of the allotment and issuance of the Conversion Shares (assuming the conversion of the Convertible

DEFINITIONS

Loan Note by the Investor) and Option Shares (assuming the exercise of all the Options by the Investor), subject to the satisfaction of the SIC Conditions, details of which are set out in Section 9.2 (*Whitewash Waiver*) of this Circular

Currencies, Units and Others

"%" or "per cent." : Per centum or percentage

"S\$" and "cents" : Singapore dollars and cents, respectively, the lawful currency of the Republic of Singapore

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

The terms "**subsidiaries**" and "**related corporations**" shall have the meanings ascribed to them respectively in the Companies Act.

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

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

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

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

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

The legal advisers appointed by the Company for the purpose of the corporate actions set out in this Circular is Morgan Lewis Stamford LLC.

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 "expect", "anticipate", "believe", "estimate", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "if", "will", "would", "should", "could", "may" and "might". These statements reflect the Company's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company does not undertake any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the Listing Manual and/or any other regulatory or supervisory body or agency.

LETTER TO SHAREHOLDERS

HOE LEONG CORPORATION LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199408433W)

Directors:

Liew Yoke Pheng Joseph (Executive Chairman and Chief Executive Officer)
Choy Bing Choong (Lead Independent Director)
Lee Chin Chai (Independent Director)
Wee Sung Leng (Independent Director)

Registered Office:

6 Clementi Loop
EAC Building
Singapore 129814

1 June 2021

To: The Shareholders of Hoe Leong Corporation Ltd.

Dear Sir/Madam,

- (A) THE PROPOSED ISSUE OF CONVERTIBLE LOAN NOTE;
 - (B) THE PROPOSED GRANT OF OPTIONS;
 - (C) THE PROPOSED ISSUE OF RHB SETTLEMENT SHARES;
 - (D) THE PROPOSED ISSUE OF SIF SETTLEMENT SHARES;
 - (E) THE PROPOSED ISSUE OF UOB CONVERTIBLE BONDS;
 - (F) THE PROPOSED ISSUE OF REMUNERATION SHARES;
 - (G) THE PROPOSED TRANSFER OF CONTROLLING INTEREST;
 - (H) THE PROPOSED WHITEWASH RESOLUTION; AND
 - (I) THE PROPOSED APPOINTMENT OF DIRECTOR.
-

1. INTRODUCTION

1.1 Purpose of this Circular

The Directors are convening an EGM to be held by way of electronic means (via live audio-visual webcast or live audio-only stream) on 17 June 2021 at 9.30 a.m. to seek Shareholders' approval for the following (collectively, the "**Proposals**"):

- (a) the Proposed Issue of Convertible Loan Note (Ordinary Resolution 1);
- (b) the Proposed Grant of Options (Ordinary Resolution 2);
- (c) the Proposed Issue of RHB Settlement Shares (Ordinary Resolution 3);
- (d) the Proposed Issue of SIF Settlement Shares (Ordinary Resolution 4);
- (e) the Proposed Issue of UOB Convertible Bonds (Ordinary Resolution 5);
- (f) the Proposed Issue of Remuneration Shares (Ordinary Resolution 6);
- (g) the Proposed Transfer of Controlling Interest (Ordinary Resolution 7);

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- (h) the Proposed Whitewash Resolution (Ordinary Resolution 8); and
- (i) the Proposed Appointment of Director (Ordinary Resolution 9).

The purpose of this Circular is to provide Shareholders with information relating to the Proposals, and to seek Shareholders' approval in relation thereto at the EGM. The Notice of EGM is set out on pages N-1 to N-5 of this Circular.

1.2 The Proposed Investor Transactions

On 21 December 2020, the Company announced *inter alia* that it had entered into the following definitive agreements in respect of the Proposed Investor Transactions:

- (a) a convertible loan note agreement with the Investor for the issue by the Company to the Investor of a secured, unlisted and non-transferable S\$3.0 million convertible loan note (the "**Convertible Loan Note**") convertible in whole (and not in part) into 2,054,794,520 new Shares (the "**Conversion Shares**") at the conversion price of S\$0.00146 for each Conversion Share, on the terms and conditions of the Convertible Loan Note Agreement (the "**Proposed Issue of Convertible Loan Note**"); and
- (b) an options agreement with the Investor for the grant by the Company to the Investor of 6,164,383,561 unlisted, non-transferable options (the "**Options**") for an aggregate consideration of S\$1.00, with each Option carrying the right to subscribe for one (1) new Share (an "**Option Share**") at the exercise price of S\$0.00146 for each Option Share, on the terms and conditions of the Options Agreement (the "**Proposed Grant of Options**").

To proceed with the Proposed Investor Transactions, specific approval from Shareholders is being sought at the EGM. Please refer to Sections 4 (*The Proposed Issue of Convertible Loan Note*) and 5 (*The Proposed Grant of Options*) of this Circular for further information on the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options, respectively.

1.3 The Debt Conversion

On 21 December 2020, the Company also announced that it had agreed on debt settlement arrangements with the Vessel Lenders in respect of the Vessel Loans, pursuant to which the Company had on 21 December 2020 entered into the following agreements as part of the Debt Conversion:

- (a) a debt settlement and subscription agreement with RHB (the "**RHB Agreement**") for (i) partial cash payment; and (ii) the allotment and issue of up to 241,985,142 new Shares (the "**RHB Settlement Shares**") to RHB at the issue price of S\$0.00175 for each RHB Settlement Share, in full and final settlement of the remaining amount outstanding under the RHB Loan, on the terms and conditions of the RHB Agreement (the "**Proposed Issue of RHB Settlement Shares**");
- (b) a debt settlement and subscription agreement with SIF (the "**SIF Agreement**") for (i) partial cash payment; and (ii) the allotment and issue of up to 344,226,285 new Shares (the "**SIF Settlement Shares**") to SIF at the issue price of S\$0.00175 for each SIF Settlement Share, in full and final settlement of the remaining amount outstanding under the SIF Loan, on the terms and conditions of the SIF Agreement (the "**Proposed Issue of SIF Settlement Shares**"); and
- (c) a debt settlement and subscription agreement with UOB (the "**UOB Agreement**") for (i) partial cash payment; and (ii) the issue of zero interest convertible bonds constituting S\$833,574 in principal amount (the "**UOB Convertible Bonds**") to UOB, convertible into 476,328,000 new Shares (the "**UOB Conversion Shares**") at the conversion price

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of S\$0.00175 for each UOB Conversion Share, in full and final settlement of the remaining amount outstanding under the UOB Loan, on the terms and conditions of the UOB Agreement (the **“Proposed Issue of UOB Convertible Bonds”**).

To proceed with the Debt Conversion, specific approval from Shareholders is being sought at the EGM. Please refer to Section 6 (*The Debt Conversion*) of this Circular for further information on the Debt Conversion.

1.4 The Proposed Issue of Remuneration Shares

As further announced by the Company on 21 December 2020, the Company intends to issue 65,391,302 new Shares (the **“Remuneration Shares”**) at an issue price of S\$0.00175 for each Remuneration Share to Mr. Liew Yoke Pheng Joseph (**“Mr. Liew”**) in part satisfaction of Mr. Liew’s remuneration for the period from 23 October 2019 to 31 December 2020 (the **“Proposed Issue of Remuneration Shares”**).

To proceed with the Proposed Issue of Remuneration Shares, specific approval from Shareholders is being sought at the EGM. Please refer to Section 7 (*The Proposed Issue of Remuneration Shares*) of this Circular for further information on the Proposed Issue of Remuneration Shares.

1.5 The Proposed Transfer of Controlling Interest

As a result of the Proposed Investor Transactions, the Investor will become a Controlling Shareholder upon the conversion of the Convertible Loan Note and/or exercise of all of the Options. Please refer to Section 8 (*The Proposed Transfer of Controlling Interest*) of this Circular for more information on the Proposed Transfer of Controlling Interest. Pursuant to Rule 803 of the Listing Manual, an issuer must not issue securities to transfer a controlling interest without prior approval of shareholders in a general meeting. Accordingly, the Company is seeking specific Shareholders’ approval at the EGM for the transfer of controlling interest in the Company to the Investor pursuant to the Proposed Transactions.

1.6 The Proposed Whitewash Resolution

Upon the allotment and issuance of the Conversion Shares (assuming the conversion of the Convertible Loan Note by the Investor) and Option Shares (assuming the exercise of all the Options by the Investor), the Investor will incur an obligation to make a mandatory general offer for the Shares under Rule 14 of the Takeover Code unless such obligation is waived by the SIC. The Whitewash Waiver was obtained from the SIC on 11 May 2021 and is subject to, amongst others, the Proposed Whitewash Resolution being approved by the Independent Shareholders at the EGM. Accordingly, the Company is seeking the approval of Independent Shareholders for the Proposed Whitewash Resolution at the EGM.

1.7 The Proposed Appointment of Director

Pursuant to the Convertible Loan Note Agreement, the Investor has nominated Mr. Yeo to be appointed to the Board with effect from the Completion Date. Accordingly, the Company is seeking specific Shareholders’ approval at the EGM for the proposed appointment of Mr. Yeo to the Board (the **“Proposed Appointment of Director”**). Please refer to Section 11 (*The Proposed Appointment of Director*) of this Circular for further information on the Proposed Appointment of Director.

1.8 Listing and quotation

In connection with the Proposed Transactions, the Company had submitted an application to the SGX-ST for the listing and quotation of the Conversion Shares (assuming the conversion of the Convertible Loan Note by the Investor), Option Shares (assuming the exercise of all the Options by the Investor), the RHB Settlement Shares, the SIF Settlement Shares, the UOB

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Conversion Shares (assuming the conversion of the full principal amount of the UOB Convertible Bonds by UOB) and the Remuneration Shares on the Main Board of the SGX-ST.

On 21 April 2021, the SGX had granted the approval-in-principle for the listing of and quotation for (a) 2,054,794,520 Conversion Shares; (b) up to 6,164,383,561 Option Shares; (c) up to 241,985,142 RHB Settlement Shares; (d) up to 344,226,285 SIF Settlement Shares; (e) up to 476,328,000 UOB Conversion Shares; and (f) 65,391,302 Remuneration Shares subject to, *inter alia*, the following conditions:

- (a) Shareholders' approval for the Proposed Transactions;
- (b) a written undertaking from the Company that it will comply with Rule 704(30) and Rule 1207(20) of the Listing Manual in relation to the use of the proceeds from the proposed placement of Convertible Loan Note and exercise of the Options; and where 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 annual report;
- (c) a written undertaking from the Company that it will comply with Rule 803 of the Listing Manual;
- (d) a written confirmation from the Company that it will not issue the Convertible Loan Note and Options to persons prohibited under Rule 812(1) of the Listing Manual;
- (e) a written undertaking from the Company to announce any adjustment made to the Convertible Loan Note and Options pursuant to Rule 829(1) of the Listing Manual; and
- (f) the Company's obligations under Rule 864(4) of the Listing Manual to notify the SGX-ST immediately upon any significant changes affecting any matter contained in the application, or which would be required to be included in the application if it had arisen before the application was submitted.

Shareholders are advised that the AIP is not to be taken as an indication of the merits of the Proposed Transactions, the Convertible Loan Note, the Conversion Shares, the Options, the Option Shares, the Settlement Shares, the UOB Convertible Bonds, the UOB Conversion Shares, the Remuneration Shares, the Company and/or its subsidiaries.

1.9 Conditionality of resolutions

Shareholders should note that Ordinary Resolutions 1 to 5 and 7 to 9 are inter-conditional upon the passing of one another. This means that if any of Ordinary Resolutions 1 to 5 and 7 to 9 is not approved by Shareholders at the EGM, none of Ordinary Resolutions 1 to 5 and 7 to 9 would be passed.

Ordinary Resolutions 1 to 5 and 7 to 9 are inter-conditional for the following reasons:

- (a) as the Proposed Investor Transactions will result in the Investor holding more than 30.0% of the voting rights of the Company, approval of the ordinary resolutions in respect of the Proposed Transfer of Controlling Interest and Proposed Whitewash Resolution are required for the Proposed Investor Transactions to proceed;
- (b) as the Proposed Issue of Convertible Loan Note is conditional upon the Proposed Grant of Options (and vice versa) and the completion of both shall take place simultaneously, approval of the ordinary resolution in respect of the Proposed Grant of Options is required for the Proposed Issue of Convertible Loan Note to proceed (and vice versa);

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- (c) as the completion of each of the Proposed Investor Transactions and the Debt Conversion is conditional upon Shareholders' approval being obtained for the Proposed Investor Transactions and the Debt Conversion, approval of the ordinary resolutions in respect of the Proposed Investor Transactions and the Debt Conversion is required for each of the Proposed Investor Transactions and the Debt Conversion to proceed; and
- (d) as the completion of each of the Proposed Investor Transactions is also conditional upon Shareholders' approval being obtained for the proposed appointment of the Investor's nominee as a Director, approval of the ordinary resolution in respect of the Proposed Appointment of Director is required for each of the Proposed Investor Transactions to proceed.

2. INFORMATION ON THE INVESTOR

As at the Latest Practicable Date, the Investor is an investment holding company owned by Mr. Lew Chee Beng ("**Mr. Lew**"), Mdm Lew Puay Ling (daughter) and Mr. Yeo (son-in-law). A well-regarded Singapore-based philanthropist, businessman and investor of commercial properties, Mr Lew is the founder and owner of Shing Heng Pawnshop Pte Ltd chain of pawnbroking shops in Singapore and Soon Huat Goldsmith Pte Ltd, which was founded in 1986. Mr Lew is also the founder of the Lew Foundation, a Singapore-based foundation which supports local institutions, non-profit organisations and charities in providing for elderly and youth in need. He also invests in commercial properties in Singapore. Since 1983, Mr Lew has held, and continues to hold several key leadership positions in various local clan and community associations. In August 2020, Mr Lew was conferred the Public Service Medal (Pingat Bakti Masyarakat) (Silver) for his commendable public service and contributions in Singapore.

As at the Latest Practicable Date, each of the Investor and its shareholders (a) does not hold any Shares; and (b) is not related to any of the Directors, Substantial Shareholders, or their respective associates. There is also no connection (including business relationship) between the Investor and its shareholders and the Directors or Substantial Shareholders, save that Mr. Lew, Mr. Yeo and Mr. Liew are directors of the Lew Foundation.

The Investor has also confirmed with the Company that it and its ultimate beneficial shareholders do not fall within the categories of persons set out in Rules 804 or 812(1) of the Listing Manual.

3. BACKGROUND AND RATIONALE FOR THE PROPOSED INVESTOR TRANSACTIONS

Since the Company's Shares have been suspended from trading on 2 September 2019 pursuant to Rule 1303(3) of the Listing Manual, the Company has been actively taking steps to streamline its cost structure with a view to improving profitability for its equipment segment and have also engaged an adviser to assist the Group in its strategic review of the Group's existing business and in the formulation of plans to improve the financial position and/or performance of the Group. The Company has also assessed various options and investment proposals, resulting in the decision to proceed with the Proposed Investor Transactions.

The Company is of the view that the investment by the Investor through the Proposed Investor Transactions is beneficial to the Company and the Group as the Proposed Investor Transactions, if completed, will allow for certainty of funding resulting in the Company being able to strengthen its financial position, which is vital for the continuity of the Company as it will allow the Group to access funds to improve its cashflows, reduce its outstanding debt obligations and continue as a going concern.

Specifically, (a) the Loan will allow for the Group to have access to interim funding required for its working capital, pending the completion of the Proposed Investor Transactions; (b) the Convertible Loan Note when issued to the Investor upon completion of the Proposed Investor Transactions will provide the Group with the necessary funds to restructure its existing

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equipment business and fund its operations; and (c) the Options will allow the Group to have access to additional funds as and when the Investor exercises its Options in accordance with the terms of the Options Agreement.

The Directors are of the opinion that, as of the Latest Practicable Date, after taking into consideration the Proposed Investor Transactions and the proceeds therefrom, the Debt Conversion and its present banking facilities, the working capital available to the Group is sufficient to meet its present requirements and that the Company will be able to operate on a going concern and therefore, have a viable proposal for the resumption of trading of its Shares.

In connection with the Proposed Transactions, the Company had also submitted an application to the SGX-ST for the resumption of trading of its Shares. On 11 May 2021, the SGX-ST confirmed that it had no objection to the resumption of trading by the Company subject to the completion of the Proposed Transactions and the satisfaction of all conditions as set out in the AIP.

4. THE PROPOSED ISSUE OF CONVERTIBLE LOAN NOTE

4.1 Introduction

Pursuant to the Convertible Loan Note Agreement, the Company agrees to issue and the Investor agrees to subscribe for a secured, non-listed and non-transferable Convertible Loan Note in aggregate principal amount of S\$3.0 million, which can be converted into Conversion Shares at the Conversion Price of S\$0.00146 per Conversion Share upon the exercise by the Investor of a Conversion Right under the Convertible Loan Note Agreement.

4.2 Principal terms of the Convertible Loan Note

The principal terms of the Convertible Loan Note are set out below:

Principal amount:	S\$3.0 million
Maturity date:	Three (3) years from the Completion Date (or such other date as agreed between the Company and the Investor).
Interest rate:	2.0% per annum on the Principal Amount for the period commencing from the second (2 nd) anniversary of the Completion Date until the earlier of the date falling on which (a) the full Principal Amount is repaid by the Company; or (b) the Convertible Loan Note is converted pursuant to a Conversion Right (both dates inclusive).
Status and transferability of the Convertible Loan Note:	The Convertible Loan Note constitutes a valid and legally binding and enforceable obligation of the Company. The Convertible Loan Note is unlisted and non-transferable.
Conversion Price:	S\$0.00146 for each Conversion Share, subject to any adjustments required as summarised below in <i>Adjustments</i> pursuant to the Convertible Loan Note Agreement.
Conversion Right:	<u>Optional conversion</u> The Investor shall have the option to convert the whole (and not part) of the Principal Amount, at any time prior to the Mandatory Conversion Right being effective or the Maturity Date, into Conversion Shares (the “Optional Conversion Right”).

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Mandatory conversion

Upon satisfaction of the Mandatory Conversion Conditions below, the whole (and not part) of the Principal Amount shall be mandatorily converted, and the Investor shall be deemed to have converted the whole of the Principal Amount into Conversion Shares, with the conversion date being five (5) Business Days after the date on which the last of the Mandatory Conversion Conditions has been satisfied (the “**Mandatory Conversion Right**”, together with the Optional Conversion Right, each a “**Conversion Right**”).

Conversion Shares:

The number of Conversion Shares to be issued upon the exercise of a Conversion Right will be determined by dividing the Principal Amount by the Conversion Price in effect on the relevant conversion date, rounded down to the nearest whole number. Fractions of Conversion Shares will not be issued.

Based on the Conversion Price of S\$0.00146, an aggregate of 2,054,794,520 Conversion Shares will be issued to the Investor.

Mandatory conversion conditions:

The Mandatory Conversion Right shall automatically become effective on upon the satisfaction of the following conditions (the “**Mandatory Conversion Conditions**”):

- (a) completion of the Restructuring Exercise;
- (b) unless otherwise waived by the Investor, the Company having obtained legal opinion(s) (in such form reasonably satisfactory to the Investor) that the Restructuring Exercise is in compliance with all applicable laws and regulations;
- (c) submission of the proposal for the resumption of trading based on the Proposed Transactions (the “**Resumption Proposal**”) to be reviewed and approved by the Investor (such approval not to be unreasonably withheld or delayed) and receipt of a no-objection letter from the SGX-ST indicating that it has no objection to the Resumption Proposal pursuant to Rule 1304(2) of the Listing Manual provided that if such approval is subject to any conditions, such conditions shall be acceptable to the Investor and shall have been fully fulfilled (unless waived by the SGX-ST) and not be amended, retracted, withdrawn or revoked as at the conversion date;
- (d) the Company obtaining approval-in-principle from the SGX-ST in respect of the resumption of trading of the Shares on the SGX-ST;
- (e) satisfactory resolution of all Legal Suits, on terms as agreed between the Company and the Investor;
- (f) completion of the Debt Conversion;
- (g) obtaining the consent of UOB, being a lender of the Company to (1) continue to extend the existing banking

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facilities as of the date of the Convertible Loan Note Agreement on substantially similar terms; and (2) waive compliance by the Company with the financial covenants under such existing banking facilities (where appropriate); and

- (h) other lenders continuing to offer the existing banking facilities provided by such lenders as of the date of the Convertible Loan Note Agreement for working capital, trade lines and capex facilities extended to the Company's overseas subsidiaries, on substantially similar terms.

As at the Latest Practicable Date, the Mandatory Conversion Conditions in sub-paragraphs (a), (d) and (h) above have been satisfied.

**Status of the
Conversion Shares:**

The Conversion Shares to be issued pursuant to the conversion of the Convertible Loan Note, when allotted and issued, are duly authorised, validly issued and credited as fully paid-up, free from any and all encumbrances, listed and tradable on the SGX-ST and rank *pari passu* with all other existing Shares of the Company, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of such Shares.

Adjustments:

The Conversion Price is subject to certain anti-dilution adjustments under circumstances provided for in the Convertible Loan Note Agreement. Such circumstances relate to, *inter alia*:

- (a) an issue by the Company of Shares to Shareholders credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature or not) to its Shareholders (other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend);
- (b) a capital distribution made by the Company to its Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);
- (c) an offer or invitation made by the Company to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights;
- (d) any share split, consolidation, reclassification or subdivision of the Shares; or
- (e) a CLN Minimum Investor Shareholding Adjustment referred to in Section 4.3 (*Other terms of the Convertible Loan Note Agreement*) of this Circular.

Please refer to **Appendix A** to this Circular for details on the anti-dilution adjustments.

Notice of expiry:

The Company shall, not later than one (1) month before the Maturity Date, announce the Maturity Date on SGXNet and take

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reasonable steps to notify the Investor in writing of the Maturity Date.

Alteration to terms:

No material alteration to the terms of the Convertible Loan Note after the issue thereof to the advantage of the Investor shall be made, unless the alterations are made pursuant to the terms of the issue of the Convertible Loan Note or the prior approval of Shareholders in general meeting has been sought.

No modification or alteration to the terms of the Convertible Loan Note shall be made, except with the written consent of the Investor.

Liquidation:

The Investor may, at its discretion, give notice to the Company that the Convertible Loan Note is, and it shall accordingly thereby become, immediately due and repayable at 100.0 per cent. of the Principal Amount (subject to the terms and conditions of the Convertible Loan Note) if any order is made by any competent court or effective resolution passed for the winding up or dissolution of the Company, except for the purposes of a reconstruction, amalgamation, merger, consolidation or reorganisation on terms approved by the Investor.

Further Issues:

Subject to the terms and conditions of the Convertible Loan Note, the Company shall be at liberty to issue Shares to Shareholders either for cash or as a bonus distribution and further subscription rights upon such terms and conditions as the Company sees fit but the Investor shall not have any participating rights in such issue unless otherwise resolved by the Company in general meeting.

Repayment:

Unless converted in accordance with the terms of the Convertible Loan Note Agreement, the Company shall on the Maturity date redeem in full the Convertible Loan Note by payment in cash of 100.0% of the Principal Amount.

Default Interest:

3.5% per annum on the Principal Amount, calculated on a daily basis from the Maturity Date until the full Principal Amount is repaid by the Company (both dates inclusive).

Governing law:

Singapore.

4.3 Other terms of the Convertible Loan Note Agreement

Conditions precedent:

Completion of the Proposed Issue of Convertible Loan Note shall be conditional upon the following:

- (a) Approval from and entry into binding agreements with the Vessel Lenders in respect of the Debt Conversion;
- (b) Consent from the Vessel Lenders to freeze the shortfall in Vessel Loans on 31 December 2020 and waive all interests and related charges after 31 December 2020 if the Debt Conversion is not completed by 31 December 2020;

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- (c) Completion of the restructuring exercise (as approved by the Investor) to be undertaken by the Company in relation to the Group's equipment business pursuant to which the Newco will acquire 100.0% of the share capital of the various companies¹ under the equipment business from the Company via a share swap (the "**Restructuring Exercise**");
- (d) Provided there is no Mandatory Completion Conversion, execution of the security documents in respect of the Loan Security in favour of the Investor;
- (e) Save as disclosed publicly by the Company on SGXNet in the 12-month period up to the date of the Convertible Loan Note Agreement and/or to the Investor in writing up to the date of the Convertible Loan Note Agreement and the liquidation plans following the sale of vessels by the Vessel Chartering Companies, no order being made, petition presented or meeting convened for the purpose of considering a resolution for the winding up of any Group Company, or for the appointment of any liquidator (provisional or otherwise), judicial manager, administrator, receiver, receiver and manager, custodian or similar official in respect of any Group Company or any part of its property, assets and/or undertaking;
- (f) No relevant authority or person taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might:
 - (i) make the transactions contemplated in the Convertible Loan Note Agreement and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, delay, restrain, prohibit or otherwise frustrate or be adverse to the same; and/or
 - (ii) render the Company unable to issue the Convertible Loan Note and/or Conversion Shares in the manner set out in the Convertible Loan Note Agreement;
- (g) No event or circumstance occurring that causes or would reasonably be expected to cause a material adverse change in the business, assets, operations, conditions (financial, trading or otherwise) of the Group (taken as a whole) having occurred between the date of the Convertible Loan Note Agreement and the Completion Date, both dates inclusive, provided that any information which has been disclosed publicly by the Company on

¹ (i) Hoe Leong Crawler Parts Pte Ltd ("**HLCP**"); (ii) Korea Crawler Track Ltd ("**KCL**"); and (iii) Trackspares (Aust) Pty. Ltd. ("**Trackspares**") (including its wholly-owned subsidiary, Trackex Pty. Ltd. ("**Trackex**").

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SGXNet in the 12-month period up to the date of the Convertible Loan Note Agreement and/or to the Investor in writing up to the date of the Convertible Loan Note Agreement shall not constitute such an event or circumstance;

- (h) The in-principle approval of the SGX-ST being obtained by the Company in relation to the listing and quotation of the Conversion Shares;
- (i) The grant by the SIC (and the SIC not having revoked or repealed such grant) of the Whitewash Waiver; and
- (j) Approval from the Shareholders of, *inter alia*, the Proposed Issue of Convertible Loan Note, the Proposed Grant of Options, the allotment and issue of the Conversion Shares, the Whitewash Waiver, the transfer of controlling interest in the Company, the Debt Conversion and the proposed appointment of a nominee of the Investor as a Director via an EGM.

If any of the above conditions are not satisfied or waived by the Longstop Date, the Convertible Loan Note Agreement shall terminate and the obligations of the parties thereunder shall cease and be of no further effect, and no party shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise in respect of the Proposed Issue of Convertible Loan Note, save for any antecedent breach of the Convertible Loan Note Agreement or the parties' respective liability for the payment of costs and expenses.

As at the Latest Practicable Date, the conditions in subparagraphs (a), (b), (c), (e), (f), (g), (h) and (i) above are satisfied.

Shareholders should note that Completion of the Proposed Issue of Convertible Loan Note is conditional upon all of the above conditions being or remaining satisfied (unless otherwise waived) as at the Completion Date.

Completion:	Completion shall take place within seven (7) Business Days from the date falling on which all of the conditions precedent have been satisfied.
Longstop date:	30 June 2021 (or such other date as may be mutually agreed between the Company and the Investor).
Use of proceeds:	Proceeds are to be used only for the following purposes: (a) payment of the costs and expenses not exceeding S\$100,000 (or such additional amount as approved by the Investor) incurred in respect of the Restructuring Exercise; (b) the working capital needs of the Company, the Newco and its subsidiaries (provided that no dividends shall be paid from the proceeds);

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- (c) settlement of pre-Completion liabilities and Legal Suits (provided that not more than S\$2,000,000 of the proceeds shall be applied to such settlement);
 - (d) any legal and professional fees, costs and expenses, incurred or to be incurred in relation to the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options, subject to a maximum of S\$300,000; and
 - (e) ongoing operating and compliance costs in relation to the listed status of the Company on the SGX-ST.
- Security:**
- (a) a first priority charge over all of the shares in capital of Newco owned by the Company;
 - (b) a first priority debenture relating to all of the assets of Newco; and
 - (c) a second priority charge over all of the shares (ordinary and preference) in the capital of Ho Leong Tractors Sdn. Bhd. owned by the Company,
- (collectively, the “**Loan Security**”).
- Nomination Right:**
- Upon Completion and subject to the terms of the Convertible Loan Note Agreement, the Investor shall have the right to nominate for appointment of one (1) executive director to the Board and one (1) director to the board of Newco.
- Termination Right:**
- (a) Each of the Company and the Investor shall be entitled to terminate the Convertible Loan Note Agreement at any time prior to or on the Completion Date in the event of any breach of the representations, warranties and undertakings which has not been remedied to the reasonable satisfaction of the non-defaulting party within 30 Business Days (or such other period to be agreed between the Company and the Investor) of the receipt of notice of breach.
 - (b) Upon termination, the parties to the Convertible Loan Note Agreement shall be released and discharged of their obligations, without prejudice to any rights in respect of any prior antecedent breach thereunder or the parties’ respective liability for the payment of costs and expenses and the Convertible Loan Note Agreement shall be of no further effect and neither party thereto shall be under any liability to other in respect of the Convertible Loan Note Agreement.
- Events of Default:**
- If any of the following events (each an “**Event of Default**”) occurs prior to the conversion of the Convertible Loan Note:
- (a) the Company fails to repay the whole (and not part) of the Principal Amount on the Maturity Date in accordance with the Convertible Loan Note Agreement, unless its failure to pay is caused by (1) administrative or technical error and payment is made within five (5) Business Days of its due date; or (2) a Disruption Event (as defined in the

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Convertible Loan Note Agreement) and payment is made within three (3) Business Days from the end of the Disruption Event;

- (b) any representations and warranties by the Company under the Convertible Loan Agreement proves to be incorrect or misleading in any material respect when made or deemed to be made;
- (c) at any time it is or becomes unlawful, or ceases to be valid or binding, for the Company to perform or comply with any or all of its payment or other material obligations under the Convertible Loan Note Agreement;
- (d) the delisting or an order for delisting or threatened delisting of the Shares from the SGX-ST;
- (e) the value of the total assets of the Group is less than its total liabilities (including actual and deferred liabilities); and
- (f) save as disclosed publicly by the Company on SGXNet in the 12-month period up to the date of the Convertible Loan Note Agreement and/or to the Investor in writing up to the date of the Convertible Loan Note Agreement and the liquidation plans following the sale of vessels by the Vessel Chartering Companies, an action has been taken in respect of a Group Company for winding up, dissolution, de-registration or reorganisation, or if a liquidator, provisional liquidator, official manager, administrator, receiver, receiver and manager, trustee, other controller or similar official has been appointed to or over a Group Company or any of the Group Company's assets, which would have a material adverse effect on the business, assets, profits, prospects, operations, conditions (financial, trading or otherwise) of the Group (taken as a whole) (a "**Material Adverse Effect**"). For the avoidance of doubt, the liquidation of HLCP, KCT, Trackspares and/or Trackex will be deemed to have a Material Adverse Effect,

the Investor may in writing, inform the Company of the occurrence of such an Event of Default, indicating whether it agrees to waive the Event of Default or otherwise giving the Company up to 30 Business Days (or such other period to be agreed between the Company and the Investor) from the receipt of the notice notifying of such occurrence to remedy such default (the "**Remedy Period**"), provided always that, if such default is not remedied to the reasonable satisfaction of the Investor within the Remedy Period, the Convertible Loan Note (if so issued) shall become immediately due and payable by the Company to the Investor upon the expiry of such Remedy Period without further demand from the Investor.

Inter-conditionality:

The Proposed Issue of the Convertible Loan Note is inter-conditional with the Proposed Grant of Options and the completion of both shall take place simultaneously.

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Minimum Investor Shareholding:

The Company and the Investor agree and acknowledge that:

- (a) the sum of (i) the total number of Conversion Shares to be issued at the Conversion Price to the Investor upon conversion of the entire Conversion Loan Note; and (ii) the total number of Option Shares to be issued at the Exercise Price to the Investor pursuant to the exercise of all the Options, shall constitute not less than 51.0% of the maximum fully-diluted enlarged share capital of the Company comprising up to 16,115,000,000 Shares (the **"Agreed Enlarged Share Capital"**);
- (b) for the period of 18 months from the date of the Convertible Loan Note Agreement (the **"Dilution Protection Period"**), the total number of Conversion Shares to be issued at the Conversion Price to the Investor upon conversion of the entire Convertible Loan Note shall constitute not less than 12.75% of the Agreed Enlarged Share Capital (the **"CLN Minimum Investor Shareholding Percentage"**);
- (c) at any time during the Dilution Protection Period, where the Conversion Shares issued to the Investor pursuant to the conversion of the Convertible Loan Note constitutes less than the CLN Minimum Investor Shareholding Percentage, the Conversion Price shall be adjusted so that the number of Conversion Shares to be issued pursuant to the conversion of the Convertible Loan Note represents exactly (or as close as mathematically possible, rounding down to the nearest whole number of Conversion Shares) the CLN Minimum Investor Shareholding Percentage (the **"CLN Minimum Investor Shareholding Adjustment"**); and
- (d) at any time during the Dilution Protection Period, where the number of Conversion Shares to be issued pursuant to the conversion of the Convertible Loan Note constitutes more than the CLN Minimum Investor Shareholding Percentage, there shall be no downward adjustment required.

Mandatory Completion Conversion:

In the event that all of the Mandatory Conversion Conditions are satisfied on or before the Completion Date, the Company shall, in lieu of the issue of the Convertible Loan Note on the Completion Date, procure on the Completion Date such number of Conversion Shares (as determined by dividing the Principal Amount by the Conversion Price in effect on the Completion Date, rounded down to the nearest whole number) to be issued to the Investor (the **"Mandatory Completion Conversion"**).

Accordingly, no Convertible Loan Note will be issued to the Investor and no Loan Security will be granted by the Company in favour of the Investor.

4.4 Issue size

Upon the exercise by the Investor of a Conversion Right under the Convertible Loan Note Agreement, the Convertible Loan Note shall be converted into 2,054,794,520 Conversion Shares (based on the Conversion Price of S\$0.00146 and assuming no adjustments to the

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Conversion Price) representing approximately 36.6% of the Existing Share Capital and 13.7% of the Enlarged Share Capital of the Company as at the Latest Practicable Date.

Please refer to Section 12 (*Indicative shareholding interests prior to and after the Proposed Transactions*) of this Circular for further details on the effect of the Proposed Transactions on the shareholding structure of the Company.

4.5 Conversion Price

The Conversion Price of S\$0.00146 per Conversion Share represents a discount of approximately 27.0% to the VWAP of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company's trading suspension on 2 September 2019.

The Conversion Price was mutually agreed between the Company and the Investor on a willing-buyer, willing-seller basis, taking into consideration the following factors:

- (a) the Group's financial performance and position for FY2019 and the then publicly available financial information of the Group;
- (b) the prolonged trading suspension since 2 September 2019;
- (c) changes in circumstances of the Group since the trading suspension, including *inter alia* the independent auditors' disclaimer of opinion in respect of the Group's financial statements for FY2019 on the Group's ability to continue as a going concern;
- (d) the Group's limited equity and/or debt fundraising options;
- (e) the Loan being interest-free for the first year of disbursement; and
- (f) the Convertible Loan Note being interest-free for the first two (2) years of disbursement.

4.6 Use of proceeds

The aggregate gross proceeds from the Proposed Issue of Convertible Loan Note will be S\$3.0 million and shall be used by the Company in the following estimated proportions:

Use of proceeds	Percentage allocation
General working capital (and any potential investments in plant and equipment for expansion and enhancement of operational capacity)	100.0%
TOTAL	100.0%

Pending the deployment for the uses identified above, the gross proceeds may be deposited with banks and/or financial institutions or invested in money market instruments and/or securities, or used for any other purpose on a short-term basis, as the Directors may in their absolute discretion deem fit.

The Company will make periodic announcements on the utilisation of the gross proceeds as and when such funds are materially disbursed and whether such use is in accordance with the stated use and percentage allocation. The Company will also provide a status report on the use of proceeds in the Company's interim and full year financial statements issued under Rule 705 of the Listing Manual and its annual reports. Where the proceeds have been used for working capital purposes, the Company will disclose a breakdown with specific details on how such proceeds have been applied in the announcements and status reports. Where there is any

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material deviation from the stated use of such proceeds, the Company will announce the reasons for such deviation.

4.7 Rule 812 of the Listing Manual

The Investor is not a person who falls within the categories set out in Rule 812(1) of the Listing Manual. Accordingly, none of the Conversion Shares will be placed by the Company to any person who is a Director or Substantial Shareholder, or any other person in the categories set out in Rule 812(1) of the Listing Manual.

4.8 Authority to issue the Convertible Loan Note and the Conversion Shares

Rules 805 and 824 of the Listing Manual provide that an issuer must obtain the prior approval of shareholders in general meeting for the issuance of shares or convertible securities, unless such shares or convertible securities are issued under a general mandate obtained from shareholders in general meeting.

Separately, Rule 811(2)(a) of the Listing Manual provides that in an issue of convertible securities (including options), if the conversion price is fixed, the price must not be more than 10.0% discount to the prevailing market price of the underlying shares prior to the signing of the relevant agreement. Rule 811(3) of the Listing Manual provides, *inter alia*, that Rule 811(2) of the Listing Manual is not applicable if specific shareholder approval is obtained for the issue of convertible securities.

Accordingly, the Company will be seeking specific Shareholders' approval at the EGM for the Proposed Issue of Convertible Loan Note and the allotment and issue of the Conversion Shares for the purposes of Rules 805, 811(3) and 824 of the Listing Manual.

4.9 No placement agent

There is no placement agent appointed for the Proposed Issue of Convertible Loan Note. The Proposed Issue of Convertible Loan Note will be by way of a private placement pursuant to an exempted offer under Section 272B of the SFA. Hence, no prospectus or offer information statement will be issued in connection with the Proposed Issue of Convertible Loan Note.

5. THE PROPOSED GRANT OF OPTIONS

5.1 Introduction

Pursuant to the Options Agreement, the Company agrees to grant and the Investor agrees to subscribe for 6,164,383,561 unlisted, non-transferrable Options for a nominal aggregate consideration of S\$1.00, with each Option carrying the right to subscribe for one (1) Option Share at the Exercise Price of S\$0.00146 per Option Share.

5.2 Principal terms of the Options

The principal terms of the Options are set out below:

Number of Options:	6,164,383,561 Options, subject to any adjustments required as summarised below in <i>Adjustments</i> pursuant to the Options Agreement.
Consideration:	S\$1.00.
Status and transferability of the Options:	The Options constitute a valid and legally binding and enforceable obligation of the Company and are unlisted and non-transferable.

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Exercise rights of the Options:	Each Option entitles the Investor to subscribe for one (1) Option Share at the Exercise Price during the Exercise Period. The Investor may only exercise the Options in tranches of 175,000,000 Options at any time during the Exercise Period, save where (a) the exercise of Options is pursuant to the Option Exercise Undertaking, in which case, the Investor may exercise such number of Options (not being in tranches of 175,000,000 Options) constituting S\$1,500,000 in principal amount at the Exercise Price; or (b) the balance of Options held by the Investor is less than 175,000,000 Options, in which case, the Investor may exercise all but not some of such balance of the Options.
Exercise Price:	S\$0.00146 for each Option Share, subject to any adjustments required as summarised below in <i>Adjustments</i> pursuant to the Options Agreement (the “Exercise Price”).
Exercise Period:	The period commencing on and including the date of issue of the Options and expiring on the earlier of (a) the date on which the Investor receives from the Company full repayment of the principal amount and any accrued interest under the Convertible Loan Note Agreement in cash upon written request by the Investor, in the event an event of default under the Convertible Loan Note Agreement occurs and such event of default is not waived or remedied within the Remedy Period (if any); or (b) the fourth (4th) anniversary of the date of issue of the Options, unless such date is a date on which the register of members is closed or is not a market day, in which event, such period shall end on the date prior to the closure of the register of members of the Company or immediate preceding market day (as the case may be) (the “Exercise Period”). At the expiry of the Exercise Period, the Options, if not exercised, shall lapse and cease to be valid for any purpose.
Exercise Date:	The exercise date, in relation to the exercise of the Options, shall be the market day (falling within the Exercise Period) on which the applicable conditions referred to in Options Agreement are fulfilled, or (if fulfilled on different days) on which the last of such conditions is fulfilled, provided that if any such day falls on a date when the register of members of the Company is closed, the option exercise date shall be the following market day on which the register of members is open (the “Exercise Date”). The Options which are exercised shall be treated as exercised on the Exercise Date and shall immediately thereafter be cancelled on the Exercise Date.
Gross proceeds to be raised from the Proposed Grant of Options:	S\$9.0 million (assuming the exercise of all Options).
Status of the Option Shares:	The Option Shares to be issued pursuant to the exercise of the Options, when allotted and issued, are duly authorised, validly issued and credited as fully paid-up, free from any and all

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encumbrances, listed and tradable on the SGX-ST and rank *pari passu* with all other existing Shares of the Company, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of such Shares.

Adjustments:

The Exercise Price and number of Options are subject to certain anti-dilution adjustments under circumstances provided for in the Options Agreement. Such circumstances relate to, *inter alia*:

- (a) an issue by the Company of Shares to Shareholders credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature or not) to its Shareholders (other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend);
- (b) a capital distribution made by the Company to its Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);
- (c) an offer or invitation made by the Company to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights;
- (d) any share split, consolidation, reclassification or subdivision of the Shares; or
- (e) an Options Minimum Investor Shareholding Adjustment.

Please refer to **Appendix B** to this Circular for details on the anti-dilution adjustments.

Notice of expiry:

The Company shall, not later than one (1) month before the expiry date of the Options (being the last day of the Exercise Period), announce the expiry date on SGXNet and take reasonable steps to notify the Investor in writing of the expiry date.

Alteration to terms:

No material alteration to the terms of the Options after the issue thereof to the advantage of the Investor shall be made, unless the alterations are made pursuant to the terms and conditions of the Options or the prior approval of Shareholders in general meeting has been sought.

No modification or alteration to the terms of the Options shall be made, except with the written consent of the Investor.

Liquidation:

If notice is given by the Company to its members to convene a general meeting for the purposes of considering a members' voluntary winding-up of the Company, the Investor shall be entitled upon and subject to the Option Conditions, at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company, by submission of an exercise notice to the Company, together with all moneys payable in respect of the Options, to elect to be treated as if it

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had immediately prior to the commencement of such winding-up exercised the Options and had on such date been the holder of the Shares to which it would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. The Company shall give notice to the Investor of the passing of any such resolution within seven (7) days after the passing thereof.

Subject to the foregoing, if an order is made for the winding up of the Company on the basis of its insolvency, all Options which have not been exercised at the date of the passing of such order shall lapse and the Options shall cease to be valid for any purpose.

Further issues: Subject to the Option Conditions, the Company shall be at liberty to issue Shares to Shareholders either for cash or as a bonus distribution and further subscription rights upon such terms and conditions as the Company sees fit but the Investor shall not have any participating rights in such issue unless otherwise resolved by the Company in general meeting.

Governing law: Singapore.

5.3 Other terms of the Options Agreement

Conditions precedent: Completion of the Proposed Grant of Options shall be conditional upon the following:

- (a) Approval from and entry into binding agreements with the Vessel Lenders in respect of the Debt Conversion;
- (b) Consent from the Vessel Lenders to freeze the shortfall in Vessel Loans on 31 December 2020 and waive all interests and related charges after 31 December 2020 if the Debt Conversion is not completed by 31 December 2020;
- (c) Completion of the Restructuring Exercise;
- (d) Save as disclosed publicly by the Company on SGXNet in the 12-month period up to the date of the Options Agreement and/or to the Investor in writing up to the date of the Options Agreement and the liquidation plans following the sale of vessels by the Vessel Chartering Companies, no order being made, petition presented or meeting convened for the purpose of considering a resolution for the winding up of any Group Company, or for the appointment of any liquidator (provisional or otherwise), judicial manager, administrator, receiver, receiver and manager, custodian or similar official in respect of any Group Company or any part of its property, assets and/or undertaking.
- (e) No relevant authority or person taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or

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taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might:

- (i) make the transactions contemplated in the Options Agreement and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, delay, restrain, prohibit or otherwise frustrate or be adverse to the same; and/or
 - (ii) render the Company unable to issue the Options and/or Option Shares in the manner set out in the Options Agreement.
- (f) No event or circumstance occurring that causes or would reasonably be expected to cause a material adverse change in the business, assets, operations, conditions (financial, trading or otherwise) of the Group (taken as a whole) having occurred between the date of the Options Agreement and the Completion Date, both dates inclusive, provided that any information which has been disclosed publicly by the Company on SGXNet in the 12-month period up to the date of the Options Agreement and/or to the Investor in writing up to the date of the Options Agreement shall not constitute such an event or circumstance.
- (g) The in-principle approval of the SGX-ST being obtained by the Company in relation to the listing and quotation of the Option Shares.
- (h) The grant by the SIC (and the SIC not having revoked or repealed such grant) of the Whitewash Waiver.
- (i) Approval from the Shareholders of, *inter alia*, the Proposed Issue of Convertible Loan Note, the Proposed Grant of Options, the allotment and issue of the Option Shares, the Whitewash Waiver, the transfer of controlling interest in the Company, the Debt Conversion and the proposed appointment of a nominee of the Investor as a Director via an EGM.

If any of the above conditions are not satisfied or waived by the Longstop Date, the Options Agreement shall terminate and the obligations of the parties thereunder shall cease and be of no further effect, and no party shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise in respect of the Proposed Grant of Options, save for any antecedent breach of the Options Agreement or the parties' respective liability for the payment of costs and expenses.

As at the Latest Practicable Date, save for the condition in subparagraph (i), all of the above conditions are satisfied.

Shareholders should note that Completion of the Proposed Grant of Options is conditional upon all of the above conditions

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being or remaining satisfied (unless otherwise waived) as at the Completion Date.

- Completion:** Completion shall take place on the Completion Date.
- Longstop date:** Same Longstop Date as under the Convertible Loan Note Agreement.
- Termination rights:**
- (a) Each of the Company and the Investor shall be entitled to terminate the Options Agreement at any time prior to or on the Completion Date in the event of any breach of the representations, warranties and undertakings which has not been remedied to the reasonable satisfaction of the non-defaulting party within 30 Business Days (or such other period to be agreed between the Company and the Investor) of the receipt of notice of breach.
 - (b) Upon termination, the parties to the Options Agreement shall be released and discharged of their obligations, without prejudice to any rights in respect of any prior antecedent breach thereunder or the parties' respective liability for the payment of costs and expenses and the Options Agreement shall be of no further effect and neither party thereto shall be under any liability to other in respect of the Options Agreement.
- Inter-conditionality:** The Proposed Grant of Options is inter-conditional with the Proposed Issue of the Convertible Loan Note and the completion of both shall take place simultaneously.
- Minimum Investor Shareholding:** The Company and the Investor agree and acknowledge that:
- (a) the sum of (i) the total number of Option Shares to be issued at the Exercise Price to the Investor pursuant to the exercise of all the Options; and (ii) the total number of Conversion Shares to be issued at the Conversion Price to the Investor upon conversion of the entire Conversion Loan Note, shall constitute not less than 51.0% of the Agreed Enlarged Share Capital;
 - (b) at any time during the Dilution Protection Period, the total number of Option Shares to be issued at the Exercise Price to the Investor upon exercise of all the Options shall constitute not less than 38.25% of the Agreed Enlarged Share Capital (the "**Options Minimum Investor Shareholding Percentage**");
 - (c) at any time during the Dilution Protection Period, where the maximum Option Shares to be issued to the Investor pursuant to the exercise of all the Options constitutes less than the Options Minimum Investor Shareholding Percentage, the number of Options and/or the Exercise Price shall be adjusted so that the number of Option Shares to be issued pursuant to the exercise of all the Options represents exactly (or as close as mathematically possible, rounding down to the nearest whole number of Option Shares) the Options Minimum Investor Shareholding

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Percentage (the “Options Minimum Investor Shareholding Adjustment”); and

- (d) at any time during the Dilution Protection Period, where the number of Option Shares to be issued pursuant to the exercise of all the Options constitutes more than the Options Minimum Investor Shareholding Percentage, there shall be no downward adjustment required.

Option Exercise Undertaking:

The Investor undertakes that it shall exercise Options constituting S\$1,500,000 in principal amount at the Exercise Price to subscribe for such number of Option Shares (as determined by dividing S\$1,500,000 by the Exercise Price) within seven (7) Business Days of the date falling on which all of the Mandatory Conversion Conditions has been satisfied or such other date, provided that the Option Shares will be issued on the same date as the Conversion Shares (the “Option Exercise Undertaking”).

5.4 Issue size

The number of Option Shares to be allotted and issued by the Company, pursuant to the full exercise of all Options, is 6,164,383,561 (based on the Exercise Price of S\$0.00146 and assuming no adjustments to the Exercise Price). The Option Shares represent approximately 109.7% of the existing share capital of the Company (excluding treasury shares) and 41.2% of the Enlarged Share Capital as at the Latest Practicable Date.

Please refer to Section 12 (*Indicative shareholding interests prior to and after the Proposed Transactions*) of this Circular for further details on the effect of the Proposed Transactions on the shareholding structure of the Company.

5.5 Exercise Price

The Exercise Price of S\$0.00146 per Option Share represents a discount of approximately 27.0% to the VWAP of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company's trading suspension on 2 September 2019.

The Exercise Price was mutually agreed between the Company and the Investor on a willing-buyer, willing-seller basis, taking into consideration the following factors:

- (a) the Group's financial performance and position for FY2019 and the then publicly available financial information of the Group;
- (b) the prolonged trading suspension since 2 September 2019;
- (c) changes in circumstances of the Group since the trading suspension, including *inter alia* the independent auditors' disclaimer of opinion in respect of the Group's financial statements for FY2019 on the Group's ability to continue as a going concern;
- (d) the Group's limited equity and/or debt fundraising options; and
- (e) the Conversion Price of the Conversion Shares.

5.6 Use of proceeds

The aggregate gross proceeds from the issuance of the Option Shares (assuming full exercise of all the Options) will be S\$9.0 million. No material expenses are expected to be incurred from

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the Proposed Grant of Options. As and when the Options are exercised, such proceeds shall be used by the Company in the following estimated proportions:

Use of proceeds	Percentage allocation
General working capital (and any potential investments in plant and equipment for expansion and enhancement of operational capacity)	100.0%
TOTAL	100.0%

Pending the deployment for the uses identified above, the gross proceeds may be deposited with banks and/or financial institutions or invested in money market instruments and/or securities, or used for any other purpose on a short-term basis, as the Directors may in their absolute discretion deem fit.

The Company will make periodic announcements on the utilisation of the gross proceeds as and when such funds are materially disbursed and whether such use is in accordance with the stated use and percentage allocation. The Company will also provide a status report on the use of proceeds in the Company's interim and full year financial statements issued under Rule 705 of the Listing Manual and its annual reports. Where the proceeds have been used for working capital purposes, the Company will disclose a breakdown with specific details on how such proceeds have been applied in the announcements and status reports. Where there is any material deviation from the stated use of such proceeds, the Company will announce the reasons for such deviation.

5.7 Rule 812 of the Listing Manual

The Investor is not a person who falls within the categories set out in Rule 812(1) of the Listing Manual. Accordingly, none of the Option Shares will be placed by the Company to any person who is a Director or substantial shareholder of the Company, or any other person in the categories set out in Rule 812(1) of the Listing Manual.

5.8 Authority to grant the Options and issue the Option Shares

Rules 805 and 824 of the Listing Manual provide that an issuer must obtain the prior approval of shareholders in general meeting for the issuance of shares or convertible securities, unless such shares or convertible securities are issued under a general mandate obtained from shareholders in general meeting.

Separately, Rule 811(2)(a) of the Listing Manual provides that in an issue of convertible securities (including options), if the conversion price is fixed, the price must not be more than 10.0% discount to the prevailing market price of the underlying shares prior to the signing of the relevant agreement. Rule 811(3) of the Listing Manual provides, *inter alia*, that Rule 811(2) of the Listing Manual is not applicable if specific shareholder approval is obtained for the issue of convertible securities.

Accordingly, the Company will be seeking specific Shareholders' approval at the EGM for the Proposed Grant of Options and the allotment and issue of the Option Shares for the purposes of Rules 805, 811(3) and 824 of the Listing Manual.

5.9 No placement agent

There is no placement agent appointed for the Proposed Grant of Options. The Proposed Grant of Options will be by way of a private placement pursuant to an exempted offer under Section 272B of the SFA. Hence, no prospectus or offer information statement will be issued in connection with the Proposed Grant of Options.

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6. THE DEBT CONVERSION

6.1 Background and rationale

In view of the Group's cashflow position which necessitates the Proposals, the Company has been in discussions with the Vessel Lenders and the Investor in relation to the Vessel Loans, and has since reached an agreement with the Vessel Lenders in respect of the settlement of the Group's outstanding debts under the Vessel Loans as at 31 December 2020 amounting to S\$2,859,444 (the "**Vessel Loans Settlement**") comprising:

- (a) a sum of S\$1.0 million in cash to be paid by the Company to the Vessel Lenders on a *pari passu* basis in partial satisfaction of the amounts owing to the Vessel Lenders under the Vessel Loans, based on the agreed forecasted amounts owing as at 31 December 2020 (the "**Partial Cash Settlement**");
- (b) the Debt Conversion which comprises the Proposed Issue of RHB Settlement Shares, the Proposed Issue of SIF Settlement Shares and the Proposed Issue of UOB Convertible Bonds; and
- (c) a freeze by the Vessel Lenders on the amounts outstanding under the Vessel Loans on 31 December 2020 and a waiver of all interests and related charges thereafter².

The Board is of the view that the Debt Conversion is beneficial to the Company and the Group as it will allow the Group to conserve cash and is part of the Vessel Loans Settlement which is vital for the Loan, the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options to be completed and implemented. This will in turn allow for certainty of funding resulting in the Company being able to strengthen its financial position, which is vital for the continuity of the Company as it will allow the Group to access funds to improve its cashflows, reduce its outstanding debt obligations and continue as a going concern.

6.2 The Proposed Issue of RHB Settlement Shares

6.2.1 Introduction

Pursuant to the Vessel Loans Settlement, the agreed outstanding amounts owing by the Group to RHB under the RHB Loan as at 31 December 2020 is S\$651,216 (the "**RHB Loan Outstanding Amount**"), and shall be satisfied in full via the Partial Cash Settlement and the Proposed Issue of RHB Settlement Shares.

In connection therewith, the Company has on 21 December 2020 entered into the RHB Agreement for (i) the allotment and issue of up to 241,985,142 RHB Settlement Shares to RHB at the issue price of S\$0.00175 for each RHB Settlement Share to capitalise the amount of S\$423,474 (the "**RHB Shares Settlement Amount**") under the RHB Loan Outstanding Amount; and (ii) a Partial Cash Settlement of S\$227,742 to be paid by the Company to RHB, as full and final settlement of the RHB Loan Outstanding Amount.

6.2.2 Information on RHB

RHB is a financial institution listed on the Main Market of Bursa Malaysia. RHB through its Singapore branch is a foreign full licensed bank in Singapore, with its core businesses in retail banking, commercial banking, corporate and investment banking and treasury.

As at the Latest Practicable Date, RHB holds 280,903,297 Shares representing approximately 4.999% of the total issued and paid-up share capital of the Company. Save as disclosed in this Circular, (i) RHB is not related to any of the Directors, Substantial Shareholders, or their

² Save for RHB, where such waiver is only applicable provided that the Debt Conversion is completed by 30 June 2021 (or such other date to be mutually agreed in writing between RHB or the Company).

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respective associates; and (ii) there is no connection (including business relationship) between RHB and the Directors or Substantial Shareholders.

6.2.3 Conditions precedent

Completion of the Proposed Issue of RHB Settlement Shares is conditional upon the following:

- (a) Shareholders' approval being obtained at an EGM to be duly convened for, *inter alia*, the Proposed Issue of Convertible Loan Note, the Proposed Grant of Options, the Proposed Issue of Settlement Shares and the Proposed Issue of UOB Convertible Bonds;
- (b) the in-principle approval of SGX-ST being obtained by the Company in relation to the listing and quotation of, *inter alia*, the RHB Settlement Shares;
- (c) the receipt of all necessary approvals, consents or waivers from any governmental body, regulatory authority or other third party for the Proposed Issue of RHB Settlement Shares (where applicable), and if such approvals, consents or waivers are granted subject to conditions, such conditions being acceptable to the relevant party, and if any conditions are required to be satisfied by completion, such conditions being so satisfied; and
- (d) the representations and warranties set out in the RHB Agreement being true and accurate in all material respects.

6.2.4 The RHB Settlement Shares

The RHB Shares Settlement Amount shall be satisfied via the allotment and issue of up to 241,985,142 RHB Settlement Shares to RHB at the issue price of S\$0.00175 per RHB Settlement Share.

The issue price of S\$0.00175 per RHB Settlement Share represents a discount of approximately 12.5% to the VWAP of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company's trading suspension on 2 September 2019. The issue price was mutually agreed between the Company and RHB on a willing-buyer, willing-seller basis, with reference to the last traded price of the Shares and the Conversion Price and the Exercise Price. The issue price is higher than the Conversion Price and the Exercise Price as the Conversion Shares and Option Shares are injections of fresh equity capital by the Investor into the Company.

The RHB Settlement Shares, when allotted and issued, are duly authorised, validly issued and credited as fully paid-up, free from any and all encumbrances, listed and tradable on the SGX-ST and rank *pari passu* with all other existing Shares of the Company, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of such Shares.

6.2.5 Issue size

The number of RHB Settlement Shares to be allotted and issued by the Company to RHB is up to 241,985,142, representing approximately 4.3% of the Existing Share Capital of the Company and 1.6% of the Enlarged Share Capital of the Company as at the Latest Practicable Date. Please refer to Section 12 (*Indicative shareholding interests prior to and after the Proposed Transactions*) of this Circular for further details on the effect of the Proposed Transactions on the shareholding structure of the Company.

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6.2.6 Rule 812 of the Listing Manual

RHB is not a person who falls within the categories set out in Rule 812(1) of the Listing Manual. Accordingly, none of the RHB Settlement Shares will be placed by the Company to any person who is a Director or Substantial Shareholder, or any other person in the categories set out in Rule 812(1) of the Listing Manual.

6.2.7 Authority to issue the RHB Settlement Shares

Rule 805 of the Listing Manual provides that an issuer must obtain the prior approval of shareholders in general meeting for the issuance of shares or convertible securities, unless such shares or convertible securities are issued under a general mandate obtained from shareholders in general meeting.

Separately, Rule 811(1) of the Listing Manual provides that an issue of shares must not be more than 10.0% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement was signed. Rule 811(3) of the Listing Manual provides, *inter alia*, that Rule 811(1) of the Listing Manual is not applicable if specific shareholder approval is obtained for the issue of shares.

Accordingly, the Company will be seeking specific Shareholders' approval at the EGM for the Proposed Issue of RHB Settlement Shares for the purposes of Rules 805 and 811(3) of the Listing Manual.

6.2.8 No placement agent

There is no placement agent appointed for the Proposed Issue of RHB Settlement Shares. The Proposed Issue of RHB Settlement Shares will be by way of a private placement pursuant to an exempted offer under Section 272B of the SFA. Hence, no prospectus or offer information statement will be issued in connection with the Proposed Issue of RHB Settlement Shares.

6.2.9 Use of proceeds

There will not be any proceeds in cash from the Proposed Issue of RHB Settlement Shares as the consideration for the RHB Settlement Shares will be set-off against the RHB Shares Settlement Amount.

6.3 **The Proposed Issue of SIF Settlement Shares**

6.3.1 Introduction

Pursuant to the Vessel Loans Settlement, the agreed outstanding amounts owing by the Group to SIF under the SIF Loan as at 31 December 2020 is S\$926,362 (the "**SIF Loan Outstanding Amount**"), and shall be satisfied in full via the Partial Cash Settlement and the Proposed Issue of SIF Settlement Shares.

In connection therewith, the Company has on 21 December 2020 entered into the SIF Agreement for (i) the allotment and issue of up to 344,226,285 SIF Settlement Shares to SIF at the issue price of S\$0.00175 for each SIF Settlement Share to capitalise the amount of S\$602,396 (the "**SIF Shares Settlement Amount**") under the SIF Loan Outstanding Amount; and (ii) a Partial Cash Settlement of S\$323,966 to be paid by the Company to SIF, as full and final settlement of the SIF Loan Outstanding Amount.

6.3.2 Information on SIF

SIF is a licensed finance company in Singapore and is listed on the Mainboard of the SGX-ST. Its principal activities include the acceptance of fixed and saving deposits from the public and the provision of loans and credit facilities to individuals and corporations.

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As at the Latest Practicable Date, SIF holds 118,555,561 Shares representing approximately 2.11% of the total issued and paid-up share capital of the Company. Save as disclosed in this Circular, (i) SIF is not related to any of the Directors, Substantial Shareholders, or their respective associates; and (ii) there is no connection (including business relationship) between SIF and the Directors or Substantial Shareholders.

6.3.3 Conditions precedent

Completion of the Proposed Issue of SIF Settlement Shares is conditional upon the following:

- (e) Shareholders' approval being obtained at an EGM to be duly convened for, *inter alia*, the Proposed Issue of Convertible Loan Note, the Proposed Grant of Options, the Proposed Issue of Settlement Shares and the Proposed Issue of UOB Convertible Bonds;
- (f) the in-principle approval of SGX-ST being obtained by the Company in relation to the listing and quotation of, *inter alia*, the SIF Settlement Shares;
- (g) the receipt of all necessary approvals, consents or waivers from any governmental body, regulatory authority or other third party for the Proposed Issue of SIF Settlement Shares (where applicable), and if such approvals, consents or waivers are granted subject to conditions, such conditions being acceptable to the relevant party, and if any conditions are required to be satisfied by completion, such conditions being so satisfied; and
- (h) the representations and warranties set out in the SIF Agreement being true and accurate in all material respects.

6.3.4 The SIF Settlement Shares

The SIF Shares Settlement Amount shall be satisfied via the allotment and issue of up to 344,226,285 SIF Settlement Shares to SIF at the issue price of S\$0.00175 per SIF Settlement Share.

The issue price of S\$0.00175 per SIF Settlement Share represents a discount of approximately 12.5% to the VWAP of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company's trading suspension on 2 September 2019. The issue price was mutually agreed between the Company and SIF on a willing-buyer, willing-seller basis, with reference to the last traded price of the Shares and the Conversion Price and the Exercise Price. The issue price is higher than the Conversion Price and the Exercise Price as the Conversion Shares and Option Shares are injections of fresh equity capital by the Investor into the Company.

The SIF Settlement Shares, when allotted and issued, are duly authorised, validly issued and credited as fully paid-up, free from any and all encumbrances, listed and tradable on the SGX-ST and rank *pari passu* with all other existing Shares of the Company, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of such Shares.

6.3.5 Issue size

The number of SIF Settlement Shares to be allotted and issued by the Company to SIF is up to 344,226,285, representing approximately 6.1% of the Existing Share Capital of the Company and 2.3% of the Enlarged Share Capital of the Company as at the Latest Practicable Date. Please refer to Section 12 (*Indicative shareholding interests prior to and after the Proposed Transactions*) of this Circular for further details on the effect of the Proposed Transactions on the shareholding structure of the Company.

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6.3.6 Rule 812 of the Listing Manual

SIF is not a person who falls within the categories set out in Rule 812(1) of the Listing Manual. Accordingly, none of the SIF Settlement Shares will be placed by the Company to any person who is a Director or Substantial Shareholder, or any other person in the categories set out in Rule 812(1) of the Listing Manual.

6.3.7 Authority to issue the SIF Settlement Shares

Rule 805 of the Listing Manual provides that an issuer must obtain the prior approval of shareholders in general meeting for the issuance of shares or convertible securities, unless such shares or convertible securities are issued under a general mandate obtained from shareholders in general meeting.

Separately, Rule 811(1) of the Listing Manual provides that an issue of shares must not be more than 10.0% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement was signed. Rule 811(3) of the Listing Manual provides, *inter alia*, that Rule 811(1) of the Listing Manual is not applicable if specific shareholder approval is obtained for the issue of shares.

Accordingly, the Company will be seeking specific Shareholders' approval at the EGM for the Proposed Issue of SIF Settlement Shares for the purposes of Rules 805 and 811(3) of the Listing Manual.

6.3.8 No placement agent

There is no placement agent appointed for the Proposed Issue of SIF Settlement Shares. The Proposed Issue of SIF Settlement Shares will be by way of a private placement pursuant to an exempted offer under Section 272B of the SFA. Hence, no prospectus or offer information statement will be issued in connection with the Proposed Issue of SIF Settlement Shares.

6.3.9 Use of proceeds

There will not be any proceeds in cash from the Proposed Issue of SIF Settlement Shares as the consideration for the SIF Settlement Shares will be set-off against the SIF Shares Settlement Amount.

6.4 **The Proposed Issue of UOB Convertible Bonds**

6.4.1 Introduction

Pursuant to the Vessel Loans Settlement, the agreed outstanding amount owing by the Group to UOB under the UOB Loan as at 31 December 2020 is S\$1,281,866 (the "**UOB Loan Outstanding Amount**"), which shall be satisfied via the Partial Cash Settlement and the Proposed Issue of UOB Convertible Bonds.

In connection therewith, the Company has on 21 December 2020 entered into the UOB Agreement for (i) the issue of the UOB Convertible Bonds, which shall be reconstituted from the amount of S\$833,574 under the UOB Loan Outstanding Amount (the "**UOB CB Settlement Amount**"); and (ii) a Partial Cash Settlement of S\$448,292 to be paid by the Company to UOB, as full and final settlement of the UOB Loan Outstanding Amount.

6.4.2 Information on UOB

UOB is a financial institution headquartered in Singapore and listed on the Mainboard of the SGX-ST. UOB is a full licensed bank in Singapore providing a wide range of financial services including personal financial services, private banking, commercial and corporate banking, investment banking, corporate finance, capital market activities, treasury services, futures

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broking, asset management, venture capital management, insurance and stockbroking services.

As at the Latest Practicable Date, UOB holds 1,610,543,486 Shares representing approximately 28.66% of the total issued and paid-up share capital of the Company. Save as disclosed in this Circular, (i) UOB is not related to any of the Directors, Substantial Shareholders, or their respective associates; and (ii) there is no connection (including business relationship) between UOB and the Directors or Substantial Shareholders.

6.4.3 Principal terms of the UOB Convertible Bonds

The principal terms and conditions of the UOB Convertible Bonds are summarised as follows:

Principal amount:	S\$833,574
Expiry date:	Three (3) years from the Completion Date.
Interest rate:	Nil.
Status and transferability:	The UOB Convertible Bonds constitute senior, direct, unsubordinated, unconditional and unsecured obligations of the Company and will at all times rank <i>pari passu</i> among themselves and without any preference or priority among themselves. The UOB Convertible Bonds are unlisted and non-transferable.
Conversion Price:	S\$0.00175 for each UOB Conversion Share.
Conversion Right:	<u>Optional conversion</u> UOB shall have the option to convert the all or any part of the principal amount of the UOB Convertible Bonds, at any time after the Completion Date and prior to the UOB Expiry Date, into UOB Conversion Shares (the “UOB Optional Conversion Right”). <u>Mandatory conversion</u> Any outstanding amounts of the UOB Convertible Bonds (which has not been converted pursuant to the UOB Optional Conversion Right or cancelled pursuant to an Adjustment Event (as defined below)) as at the UOB Expiry Date shall be mandatorily converted, and UOB shall be deemed to have converted such amount of the UOB Convertible Bonds into UOB Conversion Shares, with the conversion date being the UOB Expiry Date.
Conversion Shares:	The number of UOB Conversion Shares to be issued upon the exercise of a conversion right will be determined by dividing the relevant amount of the UOB Convertible Bonds by the UOB Conversion Price, rounded down to the nearest whole number. Fractions of UOB Conversion Shares will not be issued and no cash adjustments will be made in respect thereof. Based on the UOB Conversion Price of S\$0.00175, the maximum number of UOB Conversion Shares to be issued to the UOB is 476,328,000.

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Status of the Conversion Shares:	The UOB Conversion Shares when allotted and issued, are duly authorised, validly issued and credited as fully paid-up, free from any and all encumbrances, listed and tradable on the SGX-ST and rank <i>pari passu</i> with all other existing Shares of the Company, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of such Shares.
Adjustments:	In the event (an “Adjustment Event”) that Arkstar Voyager Pte Ltd (“AVPL”) recovers any amount of the receivables under the vessel charter between AVPL and Makamin Offshore Saudi Ltd, which is outstanding and payable to AVPL (the “Vessel Charter Receivables”), the Company shall promptly reduce the amount of the outstanding UOB Convertible Bonds by the amount of recovered Vessel Charter Receivables (converted at the prevailing exchange rate of US\$:S\$, as reflected on Bloomberg L.P. on the date of such adjustment event). In the event that the Vessel Charter Receivables is equivalent to or exceeds the principal amount of the UOB Convertible Bonds (or such outstanding amount of the UOB Convertible Bonds on the date of such adjustment event), the UOB Convertible Bonds shall be fully cancelled. As at the Latest Practicable Date, pursuant to written confirmation from UOB to the Company that it no longer has any intention to recover the Vessel Charter Receivables through AVPL and the assessment by the Company that the recovery of such Vessel Charter Receivables is remote, AVPL, together with the other Vessel Chartering Companies are being liquidated, as announced by the Company on 29 and 30 December 2020 and 19 April 2021.
Cancellation of UOB Convertible Bonds:	All UOB Convertible Bonds which are converted and/or adjusted in accordance with the terms and conditions of the UOB Agreement will be cancelled forthwith.
Notice of expiry:	The Company shall, not later than one (1) month before the UOB Expiry Date, announce the UOB Expiry Date on SGXNet and take reasonable steps to notify UOB in writing of the UOB Expiry Date.
Alteration to terms:	No material alteration to the terms of the UOB Convertible Bonds after the issue thereof to the advantage of UOB shall be made, unless the alterations are made pursuant to the terms and conditions of the UOB Agreement or the prior approval of Shareholders in general meeting has been sought.
Liquidation:	If notice is given by the Company to its members to convene a general meeting for the purposes of considering a members’ voluntary winding-up of the Company, UOB shall be entitled upon and subject to the terms and conditions of the UOB Convertible Bonds, at any time within six (6) weeks after the passing of such resolution for a members’ voluntary winding-up of the Company, by submission of a conversion notice to the Company, to elect to be treated as if it had immediately prior to the commencement of such winding-up converted the

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UOB Convertible Bonds and had on such date been the holder of the Shares to which it would have become entitled pursuant to such conversion and the liquidator of the Company shall give effect to such election accordingly. The Company shall give notice to UOB of the passing of any such resolution within seven (7) days after the passing thereof.

Subject to the foregoing, if an order is made for the winding up of the Company on the basis of its insolvency, all UOB Convertible Bonds which have not been converted at the date of the passing of such order shall lapse and the UOB Convertible Bonds shall cease to be valid for any purpose.

Further issues:

Subject to the terms and conditions of the UOB Convertible Bonds, the Company shall be at liberty to issue Shares to Shareholders either for cash or as a bonus distribution and further subscription rights upon such terms and conditions as the Company sees fit but UOB shall not have any participating rights in such issue unless otherwise resolved by the Company in general meeting.

Governing law:

Singapore.

6.4.4 Conditions precedent

Completion of the Proposed Issue of UOB Convertible Bonds is conditional upon the following:

- (a) Shareholders' approval being obtained at an EGM to be duly convened for, *inter alia*, the Proposed Issue of Convertible Loan Note, the Proposed Grant of Options, the Proposed Issue of Settlement Shares and the Proposed Issue of UOB Convertible Bonds;
- (b) the in-principle approval of SGX-ST being obtained by the Company in relation to the listing and quotation of, *inter alia*, the UOB Conversion Shares;
- (c) the receipt of all necessary approvals, consents or waivers from any governmental body, regulatory authority or other third party for the Proposed Issue of UOB Convertible Bonds (where applicable), and if such approvals, consents or waivers are granted subject to conditions, such conditions being acceptable to the relevant party, and if any conditions are required to be satisfied by completion, such conditions being so satisfied; and
- (d) the representations and warranties set out in the UOB Agreement being true and accurate in all material respects.

6.4.5 UOB Conversion Price

The UOB Conversion Price of S\$0.00175 per UOB Conversion Share represents a discount of approximately 12.5% to the VWAP of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company's trading suspension on 2 September 2019. The UOB Conversion Price was mutually agreed between the Company and UOB on a willing-buyer, willing-seller basis, with reference to the last traded price of the Shares and the Conversion Price and the Exercise Price. The UOB Conversion Price is higher than the Conversion Price and the Exercise Price as the Conversion Shares and Option Shares are injections of fresh equity capital by the Investor into the Company.

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6.4.6 Issue size

The maximum number of UOB Conversion Shares to be allotted and issued by the Company to UOB upon conversion of the UOB Convertible Bonds is 476,328,000, representing approximately 8.5% of the Existing Share Capital of the Company and 3.2% of the Enlarged Share Capital of the Company as at the Latest Practicable Date. Please refer to Section 12 (*Indicative shareholding interests prior to and after the Proposed Transactions*) of this Circular for further details on the effect of the Proposed Transactions on the shareholding structure of the Company.

6.4.7 Rule 812 of the Listing Manual

UOB is a Substantial Shareholder and accordingly, is person who falls within the categories set out in Rule 812(1) of the Listing Manual.

6.4.8 Authority to issue the UOB Convertible Bonds and the UOB Conversion Shares

Rule 805 of the Listing Manual provides that an issuer must obtain the prior approval of shareholders in general meeting for the issuance of shares or convertible securities, unless such shares or convertible securities are issued under a general mandate obtained from shareholders in general meeting.

Separately, Rule 811(1) of the Listing Manual provides that an issue of shares must not be more than 10.0% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement was signed. Rule 811(3) of the Listing Manual provides, *inter alia*, that Rule 811(1) of the Listing Manual is not applicable if specific shareholder approval is obtained for the issue of shares.

Rule 812(1) of the Listing Manual provides that an issue must not be placed to, *inter alia*, the Company's Directors and Substantial Shareholders. Rule 812(2) of the Listing Manual provides that Rule 812(1) of the Listing Manual will not apply if specific shareholder approval for such a placement has been obtained.

Accordingly, the Company will be seeking specific Shareholders' approval at the EGM for the Proposed Issue of UOB Convertible Bonds and the allotment and issue of the UOB Conversion Shares for the purposes of Rules 805, 811(3) and 812(2) of the Listing Manual. In accordance with Rule 812(2) of the Listing Manual, UOB and its associates shall abstain from voting on Ordinary Resolution 5 approving the Proposed Issue of UOB Convertible Bonds.

6.4.9 No placement agent

There is no placement agent appointed for the Proposed Issue of UOB Convertible Bonds. The Proposed Issue of UOB Convertible Bonds will be by way of a private placement pursuant to an exempted offer under Section 272B of the SFA. Hence, no prospectus or offer information statement will be issued in connection with the Proposed Issue of UOB Convertible Bonds.

6.4.10 Use of proceeds

There will not be any proceeds in cash from the Proposed Issue of UOB Convertible Bonds as the principal amount of the UOB Convertible Bonds will be set-off against the UOB CB Settlement Amount.

7. THE PROPOSED ISSUE OF REMUNERATION SHARES

7.1 **Background and rationale**

Pursuant to his service agreement with the Company, Mr. Liew is entitled to receive a fixed basic salary comprising a portion payable cash and a portion payable in shares. The allotment

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and issuance of Shares as part of Mr. Liew's remuneration is subject to Shareholders' approval. The Company's proposed resolution to allot and issue Shares to Mr. Liew as part of his remuneration for the period from 23 October 2019 to 31 December 2019 was not passed during the Company's annual general meeting for FY2019 held on 24 June 2020. No resolution was tabled during the Company's annual general meeting for FY2020 held on 29 April 2021 to allot and issue Shares to Mr. Liew as part of his remuneration for the period from 1 January 2020 to 31 December 2020.

Accordingly, the Company is proposing to issue 65,391,302 Remuneration Shares to Mr. Liew at an issue price of S\$0.00175 for each Remuneration Share, in satisfaction of the portion of Mr. Liew's remuneration for the period from 23 October 2019 to 31 December 2020 payable in Shares, amounting to S\$114,434.78.

7.2 Information on Mr. Liew

Mr. Liew is the Executive Chairman and Chief Executive Officer of the Company. As at the Latest Practicable Date, Mr. Liew does not hold any Shares. Save as disclosed in this Circular, (i) Mr. Liew is not related to any of the Directors, Substantial Shareholders, or their respective associates; and (ii) there is no connection (including business relationship) between Mr. Liew and the Directors or Substantial Shareholders.

7.3 The Remuneration Shares

The issue price of S\$0.00175 per Remuneration Share represents a discount of approximately 12.5% to the VWAP of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company's trading suspension on 2 September 2019. The issue price was mutually agreed between the Company and Mr. Liew on a willing-buyer, willing-seller basis, to be the same as the issue price of the Settlement Shares and the UOB Conversion Price.

The Remuneration Shares, when allotted and issued, are duly authorised, validly issued and credited as fully paid-up, free from any and all encumbrances, listed and tradable on the SGX-ST and rank *pari passu* with all other existing Shares of the Company, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of such Shares.

7.4 Issue size

The number of Remuneration Shares to be allotted and issued by the Company is 65,391,302, representing approximately 1.2% of the Existing Share Capital of the Company and 0.4% of the Enlarged Share Capital of the Company as at the Latest Practicable Date. Please refer to Section 12 (*Indicative shareholding interests prior to and after the Proposed Transactions*) of this Circular for further details on the effect of the Proposed Transactions on the shareholding structure of the Company.

7.5 Rules 804 and 812 of the Listing Manual

Mr. Liew is a Director of the Company and accordingly, is person who falls within the categories set out in Rules 804 and 812(1) of the Listing Manual.

7.6 Authority for the issue of Remuneration Shares

Rule 804 of the Listing Manual provides that except in the case of an issue made on a *pro rata* basis to shareholders or a share option or share scheme, no director of an issuer, or associate of the director, may participate directly or indirectly in an issue of equity securities or convertible securities unless shareholders in general meeting have approved the specific allotment.

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Rule 805 of the Listing Manual provides that an issuer must obtain the prior approval of shareholders in general meeting for the issuance of shares or convertible securities, unless such shares or convertible securities are issued under a general mandate obtained from shareholders in general meeting.

Separately, Rule 811(1) of the Listing Manual provides that an issue of shares must not be more than 10.0% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement was signed. Rule 811(3) of the Listing Manual provides, *inter alia*, that Rule 811(1) of the Listing Manual is not applicable if specific shareholder approval is obtained for the issue of shares.

Rule 812(1) of the Listing Manual provides that an issue must not be placed to, *inter alia*, the Company's Directors and Substantial Shareholders. Rule 812(2) of the Listing Manual provides that Rule 812(1) of the Listing Manual will not apply if specific shareholder approval for such a placement has been obtained.

Accordingly, the Company will be seeking specific Shareholders' approval at the EGM for the Proposed Issue of Remuneration Shares for the purposes of Rules 804, 805, 811(3) and 812(2) of the Listing Manual. In accordance with Rules 804 and 812(2) of the Listing Manual, Mr. Liew and his associates shall abstain from voting on Ordinary Resolution 6 approving the Proposed Issue of Remuneration Shares.

7.7 No placement agent

There is no placement agent appointed for the Proposed Issue of Remuneration Shares. The Proposed Issue of Remuneration Shares will be by way of a private placement pursuant to an exempted offer under Section 272B of the SFA. Hence, no prospectus or offer information statement will be issued in connection with the Proposed Issue of Remuneration Shares.

7.8 Use of proceeds

There will not be any proceeds in cash from the Proposed Issue of Remuneration Shares as the consideration for the Remuneration Shares will be set-off against the portion of Mr. Liew's remuneration for the period from 23 October 2019 to 31 December 2020 payable in Shares.

7.9 Sale of Remuneration Shares

In compliance with the requirement for the Company to maintain a public float of 10.0% pursuant to Rule 723 of the Listing Manual, Mr. Liew has agreed to sell, and will direct the Company to issue, the Remuneration Shares to Mr. Lee Tiam Nam ("**Mr. Lee**"). Mr. Lee is the Executive Chairman of Grand Venture Technology Limited, a Catalist-listed company, where Mr. Liew is the Lead Independent Director of. Save as disclosed in this Circular, Mr. Lee has confirmed to the Company that he is not related to the Investor, the Group, the Directors, the Substantial Shareholders or their respective associates. Mr. Lee does not belong to any of the categories of persons under Rule 812 of the Listing Manual.

8. THE PROPOSED TRANSFER OF CONTROLLING INTEREST

Rule 803 of the Listing Manual provides that an issuer must not issue securities to transfer a controlling interest without prior approval by Shareholders in a general meeting. Under the Listing Manual, a Controlling Shareholder is a person who (a) holds directly or indirectly 15.0% or more of the total number of issued Shares (excluding treasury shares) in the Company, or (b) in fact exercises control over the Company.

As at the Latest Practicable Date, the Investor does not own any Shares. Upon completion of the Proposed Issue of Convertible Loan Note (assuming the conversion of the Convertible Loan Note by the Investor) and the Proposed Grant of Options (assuming full exercise of all the

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Options by the Investor), the Investor will hold 8,219,178,081 Shares, representing 54.92% of the Enlarged Share Capital of the Company of 14,966,541,389 Shares.

The Proposed Investor Transactions will result in the Investor holding more than 15.0% of the Company's Enlarged Share Capital as at the completion of the Proposed Transactions, thereby causing a transfer in controlling interest. Accordingly, the Company is seeking the approval of Shareholders for the Proposed Transfer of Controlling Interest in accordance with Rule 803 of the Listing Manual.

Please refer to Section 12 (*Indicative shareholding interests prior to and after the Proposed Transactions*) of this Circular for further details on the effect of the Proposed Transactions on the shareholding structure of the Company.

9. THE PROPOSED WHITEWASH RESOLUTION

9.1 Mandatory offer obligation under the Takeover Code

Pursuant to Rule 14.1 of the Takeover Code, except with the SIC's consent, where any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights of a company, such person will be required to make a mandatory general offer for all the shares not already owned or controlled by them.

As at the Latest Practicable Date, the Investor and its concert parties do not own any Shares. Upon completion of the Proposed Transactions, assuming the conversion of the Convertible Loan Note by the Investor and the exercise of all the Options by the Investor (and after the issue and allotment on a maximum basis of the Settlement Shares, UOB Conversion Shares and Remuneration Shares), the Investor will hold 8,219,178,081 Shares representing 54.92% of the Enlarged Share Capital of the Company. Accordingly, the Investor will be required under the Takeover Code to make a mandatory general offer for the Shares not already owned or controlled by the Investor and its concert parties pursuant to Rule 14.1 of the Code, unless such obligation is waived by the SIC and the Proposed Whitewash Resolution is approved by the Independent Shareholders at the EGM.

As there is no intention to trigger a mandatory take-over obligation under the Takeover Code arising from the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options, an application was made to the SIC for a waiver of the obligations of the Investor to make a mandatory general offer for the Shares under Rule 14.1 of the Takeover Code as a result of the allotment and issuance of the (a) Conversion Shares pursuant to the conversion of the Convertible Loan Note and (b) Option Shares pursuant to the exercise of all Options to the Investor.

9.2 Whitewash Waiver

The SIC had on 11 May 2021 granted the Whitewash Waiver subject to, among others, the satisfaction of the following conditions (collectively, the "**SIC Conditions**"):

- (a) a majority of holders of voting rights of the Company approve at the EGM, before the issue of the Convertible Loan Note and the Options to the Investor, the Proposed Whitewash Resolution by way of a poll;
- (b) the Proposed Whitewash Resolution is separate from other resolutions to be tabled at the EGM; and
- (c) the Investor, persons acting in concert with it and parties not independent of them, abstain from voting on the Proposed Whitewash Resolution;

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- (d) the Investor and persons acting in concert with it did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in this Circular):
 - (i) during the period between the Initial Announcement Date and the date Shareholders' approval is obtained for the Proposed Whitewash Resolution; and
 - (ii) in the six (6) months prior to the Initial Announcement Date, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Investor Transactions;
- (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed Whitewash Resolution; and
- (f) the Company sets out in this Circular:
 - (i) details of the Proposed Investor Transactions;
 - (ii) the dilution effect to existing Shareholders upon the allotment and issue of (A) the Conversion Shares upon conversion of the Convertible Loan Note and (B) the Option Shares upon exercise of all the Options to the Investor;
 - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Investor and persons acting in concert with it as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be issued to the Investor as a result of (A) the conversion of the Convertible Loan Note and (B) the exercise of all the Options;
 - (v) specific and prominent reference to the fact that the issue of (A) the Conversion Shares upon conversion of the Convertible Loan Note and (B) the Option Shares upon exercise of all the Options would result in the Investor holding shares carrying over 49.0% of the voting rights of the Company, and the fact that the Investor will be free to acquire further shares in the Company without incurring any obligation under Rule 14 of the Takeover Code to make a general offer;
 - (vi) specific and prominent reference to the fact that the Independent Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from the Investor at the highest price paid by the Investor and its concert parties for the Shares in the six (6) months preceding the offer; and
 - (vii) specific and prominent reference to the fact that the Independent Shareholders, by voting for the Proposed Whitewash Resolution, could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of (A) the Convertible Loan Note and (B) the Options.

As at the Latest Practicable Date, save for the condition regarding the approval by the Independent Shareholders of the Proposed Whitewash Resolution in sub-paragraph (a) above, all of the other SIC Conditions set out above have been satisfied.

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9.3 Potential dilution

The collective shareholding interests of the Independent Shareholders due to the Proposed Transactions (assuming the conversion of the Convertible Loan Note by the Investor and the exercise of all the Options by the Investor) comprise 6,747,363,308 Shares, representing approximately 45.08% of the Enlarged Share Capital of the Company.

Please refer to Section 12 (*Indicative shareholding interests prior to and after the Proposed Transactions*) of this Circular for more details on the indicative shareholding interests of the Directors, Substantial Shareholders, the Investor, the Vessel Lenders and other Shareholders as at the Latest Practicable Date, as well as following the Proposed Transactions.

9.4 Proposed Whitewash Resolution

Independent Shareholders are requested to vote, by way of a poll, on the Proposed Whitewash Resolution set out as an ordinary resolution in the Notice of EGM, waiving their rights to receive a mandatory general offer from the Investor for the remaining Shares not already owned or controlled by the Investor or its concert parties.

9.5 Advice to Independent Shareholders

Independent Shareholders should note that:

- (a) **by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive a mandatory general offer from the Investor for the Shares at the highest price paid by the Investor and its concert parties for the Shares in the six (6) months preceding the commencement of the offer period;**
- (b) **by voting in favour of the Proposed Whitewash Resolution, they could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Convertible Loan Note and the Options;**
- (c) **approval of the Proposed Whitewash Resolution is a condition precedent to completion of the Proposed Investor Transactions. Accordingly, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Investor Transactions will not take place; and**
- (d) **the Proposed Issue of Convertible Loan Note (assuming the conversion of the Convertible Loan Note by the Investor) and the Proposed Grant of Options (assuming the exercise of all the Options by the Investor) will result in the Investor and its concert parties holding in aggregate Shares carrying over 49.0% of the voting rights of the Company, and that either of them will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a mandatory general offer.**

10. INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

10.1 Appointment of IFA

NCF has been appointed as the independent financial adviser to advise the Independent Directors on whether the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options which are, collectively the subjects of the Proposed Whitewash Resolution, are fair and reasonable.

Shareholders should consider carefully the recommendation of the Independent Directors and the opinion and advice of the IFA before deciding whether or not to vote in favour of Ordinary Resolutions 1 and 2 being the ordinary resolutions relating to the Proposed Issue of Convertible

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Loan Note and the Proposed Grant of Options, and Ordinary Resolution 8 being the Proposed Whitewash Resolution, to be tabled at the EGM. The opinion and advice of the IFA is set out in the IFA Letter as set out in **Appendix E** to this Circular.

10.2 Opinion and advice of IFA

Information relating to the advice of the IFA and the key factors it has taken into consideration have been extracted from paragraph 9 of the IFA Letter and are reproduced below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter:

"In arriving at our opinion in respect of the Proposed Whitewash Resolution, 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) the rationale for the Proposed Investor Transactions as set out in section 3 of the Circular, namely, that the completion of the Proposed Investor Transactions will allow for certainty of funding resulting in the Company being able to strengthen its financial position which is vital for the continuity of the Company;*
- (b) save for the Group's net profits attributable to owners of the Company from continuing operations of approximately S\$9.0 million and S\$0.7 million in FY2018 and 3M2020 respectively, the Group recorded net losses attributable to owners of the Company from continuing operations of approximately S\$2.5 million, S\$1.0 million and S\$0.5 million in FY2019, FY2020 and 3M2021 respectively;*
- (c) the emphasis of matter in the Independent Auditors' Report on the Group's audited financial statements for FY2020 in respect of the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as a going concern;*
- (d) the Group had recorded a net debt position of approximately S\$14.4 million as at 31 March 2021;*
- (e) the Conversion Price and the Option Price represent (i) a discount of approximately 12.6% to the NAV per Share as at 31 March 2021 and would value the Group at a P/NAV ratio of 0.87 times, (ii) a discount of approximately 20.7% to the Adjusted NAV per Share as at 31 March 2021 and would value the Group at a P/Adjusted NAV ratio of 0.79 times, and (iii) a discount of approximately 10.4% to the NAV per Share as at 30 June 2020 (based on the then latest-available NAV prior to the Term Sheet Announcement Date and as adjusted for the disposal of Arkstar Unicorn) and would value the Group at a P/NAV ratio of 0.90 times;*
- (f) the P/Adjusted NAV multiple of 0.79 times as implied by the Conversion Price and the Option Price is (i) below the average historical trailing P/NAV multiples of the Shares of 0.82 times and 0.83 times for the one-year and 6-month periods prior to and including the Last Trading Day respectively, and (ii) above the average historical trailing P/NAV multiples of the Shares of 0.74 times and 0.64 times for the 3-month and one-month periods prior to and including the Last Trading Day respectively;*
- (g) the P/NAV multiple of 0.90 times (based on the then latest-available NAV prior to the Term Sheet Announcement Date and as adjusted for the disposal of Arkstar Unicorn) as implied by the Conversion Price and the Option Price is above the average historical trailing P/NAV multiples of the Shares of 0.82 times, 0.83 times, 0.74 times and 0.64 times for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively;*

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- (h) *solely for illustration purposes in view of the prolonged trading suspension of the Shares since 2 September 2019 and the significant changes in the Group's operational and financial circumstances, the Conversion Price and the Option Price represent (i) a significant discount of approximately 54.4%, 54.4%, 45.9% and 41.6% to the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively, and (ii) a discount of approximately 27.0% to the closing price of the Shares of S\$0.002 on the Last Trading Day;*
- (i) *in respect of the Comparable Companies:*
- (i) *the Group had recorded a LTM net loss from continuing operations, hence the LTM P/E ratio of the Company (as implied by the Conversion Price and the Option Price) would not be applicable;*
 - (ii) *the Company had recorded a negative LTM EBITDA from continuing operations, hence the LTM EV/EBITDA ratio of the Company (as implied by the Conversion Price and the Option Price) would not be applicable; and*
 - (iii) *the P/Adjusted NAV ratio of the Company (as implied by the Conversion Price and the Option Price) of 0.79 times is within the range of P/NAV ratios of the Comparable Companies of between 0.48 times and 2.61 times, and is significantly below the mean and median P/NAV ratios of the Comparable Companies of 1.43 times and 1.19 times respectively.*

The operating and financial circumstances of the Comparable Companies appear to be more favourable than those of the Group, namely, each of the Comparable Companies is profitable with no or relatively low gearing vis-à-vis the Group's net losses and high gearing;

- (j) *in respect of the Comparable Transactions:*
- (i) *the interest-free Convertible Loan Note for the first 2 years from the Completion Date and the interest rate of 2.0% per annum of the Convertible Loan Note commencing from the second anniversary of the Completion Date (if the Convertible Loan Note has not been converted previously) are (aa) within the range of coupon/interest rates of the Comparable Transactions of between 0.0% and 15.0%, and (bb) below the mean and median corresponding coupon/interest rates of the Comparable Transactions of 6.9% and 7.0% respectively;*
 - (ii) *the discount of approximately 27.0% represented by the Conversion Price and the Option Price to the VWAP of the Shares on the Last Trading Day is (aa) within the range of the Comparable Transactions of between a discount of 89.1% and a premium of 78.1%, and (bb) below the mean and median corresponding discounts of the Comparable Transactions of 10.1% and 5.5% respectively;*
 - (iii) *the P/Adjusted NAV ratio of the Company of 0.79 times (as implied by the Conversion Price and the Option Price) is (aa) within the range of conversion price-to-NAV ratios of the Comparable Transactions of between 0.28 and 5.63 times, and (bb) significantly below the mean and median corresponding conversion price-to-NAV ratios of the Comparable Transactions of 2.25 times and 1.67 times respectively; and*
 - (iv) *as a comparison with the WR Transactions:*
 - (aa) *the interest-free Convertible Loan Note for the first 2 years from the Completion Date and the interest rate of 2.0% per annum of the Convertible Loan Note commencing from the second anniversary of the Completion Date (if the Convertible Loan Note has not been converted*

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previously) are more favourable vis-à-vis the range of coupon/interest rates of the WR Transactions of between 6.0% and 12.0% per annum; and

- (bb) the discount of approximately 27.0% represented by the Conversion Price and the Option Price to the VWAP of the Shares on the Last Trading Day is more favourable than the range of corresponding discounts of the WR Transactions of between 28.6% and 89.1%;*
- (k) in comparison with the Group's existing SGD loans, (i) the interest-free Convertible Loan Note for the first 2 years from the Completion Date and the interest rate of 2.0% per annum of the Convertible Loan Note commencing from the second anniversary of the Completion Date (if the Convertible Loan Note has not been converted previously) are more favourable vis-à-vis the interest rate of the Group's existing SGD loans of 3.0% per annum prior to the Proposed Transactions, (ii) similar to the Convertible Loan Note which is secured by certain of the Group's assets, the Group's existing SGD loans are secured by the Group's vessels (although such security would have become inapplicable pursuant to the disposal of the vessels) and such loans would be converted to the UOB Convertible Bonds and the Settlement Shares following the completion of the Debt Conversion, and (iii) the default interest rate of the Convertible Loan Note does not appear to be less favourable vis-à-vis the default interest rates present in the Group's existing SGD loans;*
- (l) the financial effects of the Proposed Transactions as set out in paragraph 8.9 of this Letter; and*
- (m) other relevant considerations as set out in paragraph 8.10 of this Letter:*
 - (i) the flexibility in obtaining additional funding to improve the Group's financial position and allow the Company to have access to readily available funds for the continuity of the Group's existing business operations;*
 - (ii) the dilution impact of the Proposed Transactions on the Independent Shareholders;*
 - (iii) the possibility of resumption of trading of the Shares after the completion of the Proposed Transactions;*
 - (iv) the Proposed Whitewash Resolution is inter-conditional with the Proposed Investor Transactions;*
 - (v) the implications of approval of the Proposed Whitewash Resolution;*
 - (vi) the business outlook of the Group, namely, that the Group shall continue to reduce risks and strengthen revenue streams, pursue cost management measures and will also explore additional means to shore up liquidity as necessary;*
 - (vii) solely for illustrative purposes in respect of the recent completed and/or proposed corporate exercises of the Company involving issuances of Shares, the Conversion Price and the Option Price would represent (aa) a significant discount of approximately 87.3% to the Scheme Price, and (bb) a discount of approximately 16.6% to the issue price of the Settlement Shares and the UOB Conversion Price;*
 - (viii) the limited viable alternative debt restructuring and fund-raising options;*
 - (ix) the support and commitment to the Group by the Investor; and*

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- (x) the voting abstention by the Investor and parties acting in concert with it, as well as parties not independent of them, on the Proposed Whitewash Resolution at the EGM.

Having regard to the considerations set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that, on balance, the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options, which collectively are the subject of the Proposed Whitewash Resolution, are **fair and reasonable**.

In determining that the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options are **fair**, we have considered the following pertinent factors:

- (a) although the Conversion Price and the Option Price represent a significant discount to the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively and a discount to the closing price of the Shares on the Last Trading Day, (i) the P/Adjusted NAV multiple as implied by the Conversion Price and the Option Price is above the average historical trailing P/NAV multiples of the Shares for the 3-month and one-month periods prior to and including the Last Trading Day, and (ii) the P/NAV multiple (based on the then latest-available NAV prior to the Term Sheet Announcement Date and as adjusted for the disposal of Arkstar Unicorn) as implied by the Conversion Price and the Option Price is above the average historical trailing P/NAV multiples of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day; and
- (b) the favourable financial effects of the Proposed Transactions on the Group's net loss per Share (based on continuing operations) and gearing ratio for FY2020.

In determining that the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options are **reasonable**, we have considered the following pertinent factors:

- (a) the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options will, together with the Proposed Issue of Settlement Shares and the issue of the UOB Convertible Bonds, enable the Group to have access to the necessary funds to restructure its existing equipment parts business and for its operations and at the same time improve the Group's financial position by reducing its borrowings, debt-to-equity ratio and debt service obligations;
- (b) the Group's historical financial performance and condition have been weak (including net losses attributable to owners of the Company from continuing operations in FY2019, FY2020 and 3M2021 and a net debt position as at 31 March 2021). In this regard, the completion of the Proposed Investor Transactions will allow for certainty of funding resulting in the Company being able to strengthen its financial position which is vital for the continuity of the Company;
- (c) the Company's ability to operate as a going concern would be subject to, inter alia, the fund-raising under the Proposed Investor Transactions and the Debt Conversion;
- (d) the trading suspension of the Shares since 2 September 2019 and the resumption of trading by the Company is subject to, inter alia, the completion of the Proposed Transactions;
- (e) in respect of the Comparable Companies, although the P/Adjusted NAV ratio of the Company (as implied by the Conversion Price and the Option Price) is significantly below the mean and median P/NAV ratios of the Comparable Companies, the operating and financial circumstances of the Comparable Companies appear to be more favourable than those of the Group, namely, each of the Comparable Companies is profitable with no or relatively low gearing vis-à-vis the Group's net losses and high gearing;

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- (f) *in respect of the Comparable Transactions, notwithstanding that the discount represented by the Conversion Price and the Option Price to the VWAP of the Shares on the Last Trading Day and the P/Adjusted NAV ratio of the Company (as implied by the Conversion Price and the Option Price) are less favourable vis-à-vis the mean and median corresponding discounts and conversion price-to-NAV ratios of the Comparable Transactions respectively:*
- (i) *the interest-free Convertible Loan Note for the first 2 years from the Completion Date and the interest rate of 2.0% per annum of the Convertible Loan Note commencing from the second anniversary of the Completion Date (if the Convertible Loan Note has not been converted previously) are more favourable vis-à-vis (aa) the mean and median corresponding coupon/interest rates of the Comparable Transactions, and (bb) the range of coupon/interest rates of the WR Transactions; and*
 - (ii) *the discount represented by the Conversion Price and the Option Price to the VWAP of the Shares on the Last Trading Day is more favourable than the range of corresponding discounts of the WR Transactions;*
- (g) *the interest-free Convertible Loan Note for the first 2 years from the Completion Date and the interest rate of 2.0% per annum of the Convertible Loan Note commencing from the second anniversary of the Completion Date (if the Convertible Loan Note has not been converted previously) are more favourable vis-à-vis the interest rate of the Group's existing SGD loans, and the default interest rate of the Convertible Loan Note does not appear to be less favourable vis-à-vis the default interest rates present in the Group's existing SGD loans; and*
- (h) *the limited viable alternative debt restructuring and fund-raising options.*

Accordingly, we advise the Independent Directors to recommend that the Independent Shareholders **vote in favour** of the Proposed Whitewash Resolution at the EGM.

The Independent Directors should note that transactions in the Shares are subject to possible market fluctuations and accordingly, our opinion and advice on the Proposed Whitewash Resolution do not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This Letter is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the Proposed Whitewash Resolution. The recommendation to be made by the Independent Directors to the Independent Shareholders in relation to the Proposed Whitewash Resolution shall remain the sole responsibility of the Independent Directors."

10.3 Recommendations of the Independent Directors

Having considered, among other things, the terms of and rationale for the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options, and the opinion and advice of the IFA in the IFA Letter in relation to the Proposed Whitewash Resolution, the Independent Directors recommend that the Independent Shareholders **vote in favour** of the Proposed Whitewash Resolution.

10.4 Consent from the IFA

NCF, the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the IFA Letter and all references thereto, in the form and context in which they appear in this Circular.

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11. THE PROPOSED APPOINTMENT OF DIRECTOR

11.1 Background and rationale

Pursuant to the terms of the Convertible Loan Note, the Investor shall have the right to nominate one (1) Executive Director (the “**Investor’s Nominee**”) to be appointed to the Board, such appointment to be effective on the Completion Date. Completion under the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options is also conditional upon, *inter alia*, Shareholders’ approval being obtained at an EGM to be duly convened for the proposed appointment of the Investor’s Nominee as a Director.

The Investor has nominated Mr. Yeo as the Investor’s Nominee to be appointed as Director. Accordingly, the Company will be seeking Shareholders’ approval at the EGM for the Proposed Appointment of Director.

11.2 Information on Mr. Yeo

With more than 20 years of experience in innovative industries, Mr. Yeo’s diverse portfolio includes heading the business programme office and delivering project transformation in the fields of technology and financial payment. Starting his career as a System Support Engineer with Sun Microsystems, he has been recognised for his skill and the impact of his contributions in leading multinational firms, rising through the ranks to take on various strategic and leadership position.

He was most recently Senior Director of the Regional Programme Management Office for Client Services at Visa Worldwide, overseeing the Asia Pacific, Central Europe, Middle East and Africa region. He currently serves on the Board of Lew Foundation, a Singapore-based foundation which supports local institutions, non-profit organisations and charities in providing for elderly and youth in need.

Mr. Yeo graduated with a Bachelor of Engineering (Electrical) from Nanyang Technological University in 1993. He is a certified Project Management Professional, a Certified ScrumMaster and has an ITIL Expert certification.

As at the Latest Practicable Date, Mr. Yeo (a) does not hold any Shares; and (b) is not related to any of the Directors, Substantial Shareholders, or their respective associates. There is also no connection (including business relationship) between Mr. Yeo and the Group, the Directors or Substantial Shareholders, save that Mr. Yeo and Mr. Liew are directors of the Lew Foundation.

11.3 Disclosure of information pursuant to Rule 720(6) of the Listing Manual

Please refer to **Appendix C** to this Circular for the disclosure of information relating to the Proposed Appointment of Director in accordance with Rule 720(6) read with Appendix 7.4.1 of the Listing Manual.

11.4 Opinion of the Nominating Committee

The Nominating Committee has reviewed the Proposed Appointment of Director and is satisfied that that Mr. Yeo meets the stipulated requirements for a director of a listed entity on the SGX-ST and has the requisite experience, expertise, knowledge and skills to contribute positively to the Group. Accordingly, the Nominating Committee recommends the appointment of Mr. Yeo as Executive Director of the Company, taking into account his qualifications and work experience.

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12. INDICATIVE SHAREHOLDING INTERESTS PRIOR TO AND AFTER THE PROPOSED TRANSACTIONS

Please refer to **Appendix D** to this Circular for indicative shareholding interests of the Directors, Substantial Shareholders, the Investor, the Vessel Lenders and other Shareholders immediately prior to and after the Proposed Transactions.

13. CONSOLIDATED FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

13.1 Bases and assumptions

The *pro forma* consolidated financial effects of the Proposed Transactions as set out below are strictly for illustrative purposes and are not indicative of the actual financial position and results of the Group following the completion of the Proposed Transactions.

The objective of presenting the *pro forma* financial effects of the Proposed Transactions as shown below is to illustrate what the historical financial information might have been had the Proposed Transactions been completed at an earlier date. However, such financial information is not necessarily indicative of the results of the operations or the related effects in the financial position that would have been attained had the Proposed Transactions been completed at the earlier date.

These illustrative *pro forma* financial effects have been computed based on the latest audited financial results of the Group for FY2020, on the following bases and assumptions:

- (a) the Convertible Loan Note is converted into Conversion Shares;
- (b) the Group raises gross proceeds of approximately S\$9.0 million from the exercise of all Options;
- (c) the Settlement Shares, UOB Conversion Shares and Remuneration Shares are issued on a maximum basis; and
- (d) the expenses incurred for the Proposed Transactions are not considered for the purposes of computing the financial effects.

13.2 Share capital

As at the Latest Practicable Date, the share capital of the Company is S\$114,461,000 and its issued share capital is 5,619,432,579 Shares, excluding 470,000 treasury shares.

	Number of Shares (excluding treasury shares)
Before the Proposed Transactions ⁽¹⁾	5,619,432,579
After completion of the Proposed Transactions ⁽²⁾	6,271,035,308
Enlarged Share Capital after completion of the Proposed Transactions and allotment and issue on a maximum basis of the (a) Conversion Shares, (b) Option Shares and (c) UOB Conversion Shares ⁽³⁾	14,966,541,389

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Notes:

- (1) Based on the Existing Share Capital of 5,619,432,579 Shares (excluding treasury shares) as at the Latest Practicable Date.
- (2) 586,211,427 Settlement Shares and 65,391,302 Remuneration Shares will be issued upon the completion of the Proposed Transactions (assuming that the Mandatory Conversion Conditions are not satisfied on or before the Completion Date).
- (3) An additional 2,054,794,520 Conversion Shares, 6,164,383,561 Option Shares and 476,328,000 UOB Conversion Shares will be issued upon the conversion of the Convertible Loan Note, full exercise of all Options and the conversion of the full principal amount of the UOB Convertible Bonds.

13.3 Earnings per Share

Assuming that the Proposed Transactions were completed on 1 January 2020, the *pro forma* financial effects on the Group's EPS would be as follows:

	Profit attributable to owners of the Company (S\$'000) ⁽⁵⁾	Weighted average number of Shares ('000)	EPS (Singapore cents)
Before the Proposed Transactions	2,086	5,619,433	0.04
After completion of the Proposed Transactions ⁽¹⁾	2,086	6,271,035	0.03
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the UOB Conversion Shares ⁽²⁾	2,086	6,747,363	0.03
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the (a) UOB Conversion Shares ⁽²⁾ and (b) Conversion Shares ⁽³⁾	2,086	8,802,158	0.02
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the (a) UOB Conversion Shares ⁽²⁾ , (b) Conversion Shares ⁽³⁾ and (c) Option Shares ⁽⁴⁾	2,086	14,966,541	0.01

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Notes:

- (1) 586,211,427 Settlement Shares and 65,391,302 Remuneration Shares will be issued upon the completion of the Proposed Transactions (assuming that the Mandatory Conversion Conditions are not satisfied on or before the Completion Date).
- (2) An additional 476,328,000 UOB Conversion Shares will be issued upon the conversion of the full principal amount of the UOB Convertible Bonds.
- (3) An additional 2,054,794,520 Conversion Shares will be issued upon the conversion of the Convertible Loan Note.
- (4) An additional 6,164,383,561 Option Shares will be issued upon the exercise of all Options.
- (5) Includes profit from discontinued operations (net of tax) of the Group (i.e. the vessel chartering segment which was divested in FY2020) amounting to S\$3,036,000.

13.4 NTA per Share

Assuming that the Proposed Transactions were completed on 31 December 2020, the *pro forma* financial effects on the Group's NTA per Share would be as follows:

	NTA (S\$'000)	Number of Shares ('000)	NTA per Share (Singapore cents)
Before the Proposed Transactions	10,011	5,619,433	0.18
After completion of the Proposed Transactions ⁽¹⁾	11,151	6,271,035	0.18
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the UOB Conversion Shares ⁽²⁾	11,985	6,747,363	0.18
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the (a) UOB Conversion Shares ⁽²⁾ and (b) Conversion Shares ⁽³⁾	14,985	8,802,158	0.17
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the (a) UOB Conversion Shares ⁽²⁾ , (b) Conversion Shares ⁽³⁾ and (c) Option Shares ⁽⁴⁾	23,985	14,966,541	0.16

Notes:

- (1) 586,211,427 Settlement Shares and 65,391,302 Remuneration Shares will be issued upon the completion of the Proposed Transactions (assuming that the Mandatory Conversion Conditions are not satisfied on or before the Completion Date).

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- (2) An additional 476,328,000 UOB Conversion Shares will be issued upon the conversion of the full principal amount of the UOB Convertible Bonds.
- (3) An additional 2,054,794,520 Conversion Shares will be issued upon the conversion of the Convertible Loan Note.
- (4) An additional 6,164,383,561 Option Shares will be issued upon the exercise of all Options.

13.5 Gearing

Assuming that the Proposed Transactions were completed on 31 December 2020, the *pro forma* financial effects on the Group's gearing would be as follows:

	Total Borrowings (S\$'000)	Equity attributable to Shareholders (S\$'000)	Gearing (times)
Before the Proposed Transactions	17,569	10,011	1.8
After completion of the Proposed Transactions ⁽¹⁾	16,543	11,151	1.5
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the UOB Conversion Shares ⁽²⁾	15,709	11,985	1.3
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the (a) UOB Conversion Shares ⁽²⁾ and (b) Conversion Shares ⁽³⁾	15,709	14,985	1.0
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the (a) UOB Conversion Shares ⁽²⁾ , (b) Conversion Shares ⁽³⁾ and (c) Option Shares ⁽⁴⁾	15,709	23,985	0.7

Notes:

- (1) 586,211,427 Settlement Shares and 65,391,302 Remuneration Shares will be issued upon the completion of the Proposed Transactions (assuming that the Mandatory Conversion Conditions are not satisfied on or before the Completion Date).
- (2) An additional 476,328,000 UOB Conversion Shares will be issued upon the conversion of the full principal amount of the UOB Convertible Bonds.
- (3) An additional 2,054,794,520 Conversion Shares will be issued upon the conversion of the Convertible Loan Note.
- (4) An additional 6,164,383,561 Option Shares will be issued upon the exercise of all Options.

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14. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this Circular, none of the Directors, the Substantial Shareholders or their respective associates has any interest, direct or indirect, in the Proposals, other than through their respective directorships and/or shareholdings in the Company.

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Shares, as recorded in the Register of Directors' shareholdings and Register of Substantial Shareholders' shareholdings respectively, are as set out in the table at Section 12 (*Indicative shareholding interests prior to and after the Proposed Transactions*) of this Circular.

15. DIRECTORS' RECOMMENDATIONS

15.1 The Proposed Issue of Convertible Loan Note

The Directors, having considered, amongst others, the terms and conditions, rationale, intended use of proceeds and financial effects of the Proposed Issue of Convertible Loan Note, and all other relevant information set out in this Circular, are of the opinion that the Proposed Issue of Convertible Loan Note is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 1 as set out in the Notice of EGM.

15.2 The Proposed Grant of Options

The Directors, having considered, amongst others, the terms and conditions, rationale, intended use of proceeds and financial effects of the Proposed Grant of Options, and all other relevant information set out in this Circular, are of the opinion that the Proposed Grant of Options is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 2 as set out in the Notice of EGM.

15.3 The Proposed Issue of RHB Settlement Shares

The Directors, having considered, amongst others, the terms and conditions, rationale and financial effects of the Proposed Issue of RHB Settlement Shares, and all other relevant information set out in this Circular, are of the opinion that the Proposed Issue of RHB Settlement Shares is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 3 as set out in the Notice of EGM.

15.4 The Proposed Issue of SIF Settlement Shares

The Directors, having considered, amongst others, the terms and conditions, rationale and financial effects of the Proposed Issue of SIF Settlement Shares, and all other relevant information set out in this Circular, are of the opinion that the Proposed Issue of SIF Settlement Shares is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 4 as set out in the Notice of EGM.

15.5 The Proposed Issue of UOB Convertible Bonds

The Directors, having considered, amongst others, the terms and conditions, rationale and financial effects of the Proposed Issue of UOB Convertible Bonds, and all other relevant information set out in this Circular, are of the opinion that the Proposed Issue of UOB Convertible Bonds is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 5 as set out in the Notice of EGM.

15.6 The Proposed Issue of Remuneration Shares

The Directors, having considered, amongst others, the terms and conditions, rationale and financial effects of the Proposed Issue of Remuneration Shares, and all other relevant

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information set out in this Circular, are of the opinion that the Proposed Issue of Remuneration Shares is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 6 as set out in the Notice of EGM.

15.7 The Proposed Transfer of Controlling Interest

The Directors, having considered, amongst others, the terms and conditions, rationale, intended use of proceeds and financial effects of the Proposed Investor Transactions, and all other relevant information set out in this Circular, are of the opinion that the Proposed Transfer of Controlling Interest is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 7 as set out in the Notice of EGM.

15.8 The Proposed Whitewash Resolution

The Independent Directors, having considered, amongst others, the terms and conditions, rationale, intended use of proceeds and financial effects of the Proposed Investor Transactions and the opinion and advice of the IFA as set out in the IFA Letter, are of the opinion that the Proposed Whitewash Resolution is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 8 as set out in the Notice of EGM.

15.9 The Proposed Appointment of Director

The Directors, having considered, amongst others, the rationale of the Proposed Appointment of Director and the views of the Nominating Committee in relation thereto, and all other relevant information set out in this Circular, are of the opinion that the Proposed Appointment of Director is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 9 as set out in the Notice of EGM.

15.10 No regard to specific objectives

Shareholders, in deciding whether to vote in favour of the Ordinary Resolutions relating to the Proposals, should read carefully the terms, rationale for and benefits of the Proposals. In giving the above recommendations, the Directors have not had regard to the specific investment objectives, financial situation, tax position or unique needs or constraints of any individual Shareholder. As Shareholders would have different investment objectives, the Directors recommend that any Shareholder who may require specific advice in relation to his or her specific investment objectives or portfolio should consult his or her stockbroker, bank, solicitor, accountant, tax adviser or other professional advisers.

16. EXTRAORDINARY GENERAL MEETING

To minimise physical interactions and COVID-19 transmission risks, Shareholders will not be able to attend the EGM in person. Instead, the EGM will be held by way of electronic means (via live audio-visual webcast or live audio-only stream) on 17 June 2021 at 9.30 a.m. for the purpose of considering and if thought fit, passing, with or without any modification, the Ordinary Resolutions relating to the Proposals as set out in the Notice of EGM.

17. ACTION TO BE TAKEN BY SHAREHOLDERS

17.1 Circular, Notice of EGM and Proxy Form

The EGM is being convened, and will be held, by electronic means (via live audio-visual webcast or live audio-only stream) pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A member of the Company (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend

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and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM.

Printed copies of this Circular, the Notice of EGM and the Proxy Form will not be sent to Shareholders. Instead, this Circular, the Notice of EGM and the Proxy Form may be accessed at the Company's corporate website at www.hoeleong.com. The Notice of EGM, this Circular and the Proxy Form are also available on SGXNet.

17.2 Attendance at the EGM

To minimise physical interactions and COVID-19 transmission risks, Shareholders will not be able to attend the EGM in person. Instead, alternative arrangements have been put in place to allow Shareholders to participate at the EGM by (a) watching or listening to the EGM proceedings through a "live" webcast comprising both video (audiovisual) and audio feeds, (b) submitting questions in advance of the EGM, and/or (c) voting by proxy for resolutions tabled at the EGM.

17.3 Registration to attend the live audio-visual webcast or live audio-only stream

Live audio-visual webcast

Shareholders who wish to attend the EGM by viewing the proceedings of the EGM can participate via live audio-visual webcast by submitting their particulars (comprising emails, full names, NRIC/Passport No./Company Registration No. and number of shares held) by email to contact@hoeleong.com by 9.30 a.m. on 14 June 2021 (being not less than seventy-two (72) hours before the time fixed for the EGM) (the "**Registration Deadline**") to enable the Company to verify the Shareholders' status. After the verification process, a unique link will be sent to authenticated Shareholders before end-of-the-day on 16 June 2021. The link will be used by Shareholders to view the proceedings of the EGM by accessing the live audio-visual webcast. Shareholders may attend the live audio-visual webcast via smart phones, tablets or laptops/computers.

Live audio-only stream

Shareholders who wish to attend the EGM by observing the proceedings of the EGM by listening only, can participate via the live audio-only stream by submitting their particulars (comprising emails, full names, NRIC/Passport Nos./Company Registration Nos. and number of shares held) by email to contact@hoeleong.com by the Registration Deadline to enable the Company to verify the Shareholders' status. After the verification process, an email confirmation containing details of the live audio-only stream will be sent to authenticated Shareholders by 5.00 p.m. on 16 June 2021 (the "**Confirmation Email**"). The details contained in the Confirmation Email will be used by Shareholders to observe the proceedings of the EGM by listening via the live audio-only stream.

Shareholders who wish to attend the EGM via live audio-visual webcast or live audio-only stream are reminded that the EGM is private. Invitations to attend the EGM via live audio-visual webcast or live audio-only stream shall not be forwarded to anyone who is not a Shareholder of the Company or who is not authorised to attend the EGM via live audio-visual webcast or live audio-only stream. Recording of the EGM via live audio-visual webcast or live audio-only stream in whatever form is also strictly prohibited.

The Company asks for Shareholders' understanding in the event of any technical disruptions during the EGM via live audio-visual webcast or live audio-only stream.

Shareholders, who would have been able to be appointed as proxies by relevant intermediaries under Section 181(1C) of the Companies Act, such as CPF and SRS investors, should approach their respective agents, such as CPF Agent Banks and/or SRS Operators, to participate in the EGM via live audio-visual webcast or live audio-only stream.

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Shareholders who register by the Registration Deadline but do not receive the Confirmation Email by 5.00 p.m. on 16 June 2021 should contact the Company at +65 6463 8666 or contact@hoeleong.com for assistance.

17.4 Proxy voting

Voting at the EGM is by proxy ONLY. Shareholders who wish to vote on any or all of the resolutions at the EGM must appoint the Chairman of the EGM as the proxy(ies) to vote on their behalf by completing the proxy form attached to the Notice of EGM or download it from the Company's announcement on SGXNet or from the Company's corporate website at www.hoeleong.com. Shareholders should specifically indicate how they wish to vote for or vote against (or abstain from voting on) the resolutions set out in the Notice of EGM.

Shareholders must submit the completed and signed proxy form appointing the Chairman of the EGM as proxy (i) by email to contact@hoeleong.com; or (ii) by post to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814, by 9.30 a.m. on 14 June 2021 (being not less than seventy-two (72) hours before the time fixed for the EGM). Any incomplete proxy form will be rejected by the Company.

For CPF and/or SRS investors who wish to appoint the Chairman of the EGM as their proxy, they should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes by email to contact@hoeleong.com or post to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814 at least seven (7) working days before the EGM.

17.5 Shareholders' questions and answers

If Shareholders have any questions in relation to the EGM, Shareholders may send their queries in advance, by (i) by email to contact@hoeleong.com; or (ii) by post to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814, by 5.00 p.m. on 11 June 2021. Shareholders are to state the question(s), full name, NRIC/Passport No./Company Registration No. and number of shares held, and whether they are shareholder(s) or proxy(ies) or corporate representative(s) of corporate shareholder(s). Any question without these identification details will not be entertained.

Please note that the Company will provide responses to substantial questions and relevant comments from Shareholders, so submitted by Shareholders in advance, prior to the EGM by publishing the responses on the SGXNet and Company's corporate website at www.hoeleong.com. Where substantial questions and relevant comments submitted by Shareholders are unable to be addressed prior to the EGM, the Company will address them during the EGM (via live audio-visual webcast or live audio-only stream). The responses from the Board and management of the Company shall thereafter be published on SGXNet and the Company's corporate website at www.hoeleong.com, together with the minutes of the EGM, within one (1) month after the conclusion of the EGM.

Shareholders, who would have been able to be appointed as proxies by relevant intermediaries under Section 181(1C) of the Companies Act, such as CPF and/or SRS investors, should approach their respective agents, such as CPF Agent Banks and/or SRS Operators, to submit their questions in relation to any resolution set out in the Notice of EGM prior to the EGM and have their substantial queries and relevant comments answered.

17.6 Key dates and times

Key dates and times	Action to be taken by Shareholders
5.00 p.m. on 11 June 2021	Deadline for Shareholders to submit questions in relation to the EGM.

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Key dates and times	Action to be taken by Shareholders
9.30 a.m. on 14 June 2021	Deadline for Shareholders to: (a) pre-register for the live audio-visual webcast or live audio-only stream; and (b) submit Proxy Forms to appoint the Chairman of the EGM to attend, speak and vote at the EGM.
5.00 p.m. on 16 June 2021	Shareholders, who have pre-registered for the live audio-visual webcast or live audio-only stream and who have been verified by the Company will receive an email which will contain the user ID and password details as well as the URL to access the live audio-visual webcast or the toll-free telephone number to access the live audio-only stream (the “Confirmation Email”). Shareholders, who have pre-registered for the live audio-visual webcast or live audio-only stream but who have not received the Confirmation Email by the Registration Deadline, should should contact the Company at +65 6463 8666 or contact@hoeleong.com for assistance.
9.30 a.m. on 17 June 2021	Shareholders may participate at the EGM via electronic means by: (a) accessing the URL in the Confirmation Email and entering the user ID and password to access the live audio-visual webcast; or (b) calling the toll-free telephone number to access the live audio-only stream.

17.7 Important Reminder

Due to the constantly evolving COVID-19 situation in Singapore, the Company seeks Shareholders’ understanding and cooperation to adhere to the measures taken by the Company in light of the COVID-19 situation. Shareholders are advised to check on the Company’s announcement(s) on SGXNet or the Company’s corporate website at www.hoeleong.com for any changes or updates on this EGM, should there be any further measures recommended by the relevant authorities.

18. DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and confirm after making all reasonable enquires that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposals and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information 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 these sources and/or reproduced in this Circular in its proper form and context.

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19. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company located at 6 Clementi Loop, EAC Building, Singapore 129814 during normal business hours for three (3) months from the date of this Circular during normal business hours:

- (a) the existing constitution of the Company;
- (b) the annual reports of the Company for FY2018, FY2019 and FY2020;
- (c) the IFA Letter;
- (d) the consent letter referred to in Section 10.4 (*Consent from the IFA*) of this Circular; and
- (e) the Transaction Documents.

Shareholders who wish to inspect these documents at the registered office of the Company are required to send an email request to contact@hoeleong.com to make an appointment in advance. The Company will arrange a date when each shareholder can come to the registered office to inspect accordingly. The inspection of documents will be arranged with each shareholder to limit the number of people who are present at the registered office at any one point in time and such arrangements are subject to the prevailing regulations, orders, advisories and guidelines relating to safe distancing which may be implemented by the relevant authorities from time to time.

Yours faithfully

For and on behalf of the Board of Directors of
HOE LEONG CORPORATION LTD.

Liew Yoke Pheng Joseph
Executive Chairman and Chief Executive Officer

**APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE
CONVERTIBLE LOAN NOTE**

**EXTRACT OF SCHEDULE 2 (ADJUSTMENTS TO CONVERSION PRICE)
OF THE CONVERTIBLE LOAN NOTE AGREEMENT**

1. Adjustments to Conversion Price

- (a) The Conversion Price shall from time to time be adjusted by the Directors in accordance with paragraph 1(b), which adjustment shall be certified by the auditors of the Company (the “**Auditors**”). The Conversion Price shall be subject to paragraph 2 and from time to time be adjusted as provided in this **Schedule 2** in all or any of the following cases:
- (i) an issue by the Company of Shares to Shareholders credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature or not) to its Shareholders (other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend);
 - (ii) a Capital Distribution (as defined herein) made by the Company to its Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);
 - (iii) an offer or invitation made by the Company to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights; or
 - (iv) any share split, consolidation, reclassification or subdivision of the Shares.
- (b) Subject to the terms and conditions of this Agreement (and in particular paragraph 2(a) below), the Conversion Price shall from time to time be adjusted in accordance with the following provisions (but if the event giving rise to any such adjustment shall be capable of falling within any two or more of paragraphs 1(a)(i) to 1(a)(iv) or if such event is capable of giving rise to more than one adjustment, the adjustment shall be made in such manner as the Directors shall determine):
- (i) If and whenever the Company shall make any issue of Shares to its Shareholders credited as fully paid, by way of capitalisation of profits or reserves (whether of a capital or income nature, other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend), the Conversion Price shall be adjusted in the following manner:

$$\text{New Conversion Price} = \frac{A}{A + B} \times P$$

where:

A = the aggregate number of issued and fully paid-up Shares immediately before such capitalisation issue;

B = the aggregate number of Shares to be issued pursuant to any allotment to Shareholders credited as fully paid by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve fund other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend); and

P = existing Conversion Price.

Such foregoing adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the record date for such issue.

**APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE
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For the purpose of this paragraph 1(b), “**record date**” in relation to the relevant transaction means the date as at the close of business on which Shareholders must be registered as such to participate therein.

- (ii) If and whenever:
- (A) the Company shall make a Capital Distribution (as defined herein) to Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
 - (B) the Company shall make any offer or invitation to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights,

then the Conversion Price shall be adjusted in the following manner:

$$\text{New Conversion Price} = \frac{C - D}{C} \times P$$

where:

C = the average of the Last Dealt Prices on the five (5) Market Days immediately before the date on which the Capital Distribution (as defined herein), or any offer or invitation referred to in paragraph 1(b)(ii)(B) above, as the case may be, is publicly announced or (failing any such announcement), immediately preceding the date of the Capital Distribution (as defined herein) or, as the case may be, of the offer or invitation;

D = (i) in the case of an offer or invitation to acquire or subscribe for Shares by way of rights under paragraph 1(b)(ii)(B) above, the value of the rights attributable to one Share (as defined herein), or (ii) in the case of any other transaction falling within paragraph 1(b)(ii), the fair market value, as determined in good faith by a major independent merchant bank or investment adviser selected by the Company and the Subscriber, and acting as an expert (the “**Approved Bank**”) (with the concurrence of the Auditors), of that portion of the Capital Distribution (as defined herein) or of the nil paid rights attributable to one Share; and

P = as in P above.

For the purpose of definition (i) of “D” above the “value of the rights attributable to one Share” shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

where:

C = as in C above;

E = the subscription price for one additional Share under the offer or invitation to acquire or subscribe for Shares by way of rights;

F = the number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one additional Share by way of rights; and

**APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE
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1 = one.

For the purpose of paragraphs 1(a)(ii) and 1(b)(ii)(A) above, “**Capital Distribution**” shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of Shares (not falling under paragraph 1(b)(i)) or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves (including any capital redemption reserve fund other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend).

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the record date for such issue pursuant to paragraph 1(b)(ii)(A).

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the closing date for the above transactions for such issue pursuant to paragraph 1(b)(ii)(B) above.

For the purposes of this paragraph 1, “**closing date**” shall mean the date by which acceptance and payment for the Shares is to be made under the terms of such offer or invitation.

- (iii) If and whenever the Company makes any allotment to its Shareholders as provided in paragraph 1(b)(i) above and also makes any offer or invitation to its Shareholders as provided in paragraph 1(b)(ii)(B) above and the record date for the purpose of the allotment is also the record date for the purpose of the offer or invitation, the Conversion Price shall be adjusted in the following manner:

$$\text{New Conversion Price} = \frac{(G \times C) + (H \times E)}{(G + H + B) \times C} \times P$$

where:

B = as in B above;

C = as in C above;

E = as in E above;

G = the aggregate number of issued and fully paid-up Shares on the record date;

H = the aggregate number of new Shares to be issued under an offer or invitation to acquire or subscribe for Shares by way of rights; and

P = as in P above.

Such foregoing adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the closing date for the above transactions. For the purposes of this paragraph, “**closing date**” shall mean the date by which acceptance of and payment for the Shares is to be made under the terms of such offer or invitation.

APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE CONVERTIBLE LOAN NOTE

- (iv) If and whenever share split, consolidation, reclassification or subdivision of the Shares occurs, the Conversion Price shall be adjusted in the following manner:

$$\text{New Conversion Price} = \frac{Q}{R} \times P$$

where:

Q = the aggregate number of issued and fully paid-up Shares immediately before share split, consolidation, reclassification or subdivision;

R = the total Shares outstanding post share split, consolidation, reclassification or subdivision; and

P = as in P above,

such adjustments will be effective from the close of the Market Day immediately preceding the date on which the share split, consolidation, reclassification or subdivision becomes effective.

2. Other Adjustment Conditions

- (a) Notwithstanding any of the provisions hereinbefore contained, no adjustment to the Conversion Price will be required in respect of:
- (i) an issue by the Company of Shares or other securities convertible into rights to acquire or subscribe for Shares to officers, including directors, or employees of the Company or any of its subsidiaries pursuant to any purchase or option scheme approved by the Shareholders in general meeting;
 - (ii) an issue by the Company of Shares in consideration or part consideration for or in connection with the acquisition of any other securities, assets or business;
 - (iii) any purchase by the Company of Shares pursuant to any share purchase scheme approved by Shareholders in general meeting subsequent to the issue of the Convertible Loan Note, whether such Shares purchased pursuant to any such share purchase scheme are deemed cancelled or held in treasury;
 - (iv) any issue by the Company of securities convertible into Shares or rights, options, warrants or other rights to acquire or subscribe for or purchase Shares (other than arising from or by way of rights, bonus or other capitalisation issues) and the issue of Shares arising from the conversion or exercise of such securities or rights, issued subsequent to the issue of the Convertible Loan Note, whether by itself or together with any other issue, pursuant to such issue being approved by the Shareholders in general meeting; and
 - (v) any other corporate action that may directly or indirectly result in the issue of additional new Shares, provided that such corporate action is mutually agreed as between the Parties.
- (b) If any offer or invitation for Shares is made otherwise than by the Company to the Shareholders, then the Company shall so far as it is able to procure that at the same time an offer or invitation is made to the Subscriber as if its rights to subscribe for new Shares have been exercised the day immediately preceding the date on which as at the close of business Shareholders must be registered in order to participate in such offer or invitation on the basis then applicable.

**APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE
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- (c) Any adjustment to the Conversion Price will be rounded downwards to the nearest 0.001 cent. No adjustments to the Conversion Price shall be made unless it has been certified to be in accordance with paragraph 1 above by the Auditors. No adjustment will be made to the Conversion Price in any case in which the amount by which the same would be reduced would be less than 0.001 cent but any adjustment which would otherwise then be required will be carried forward and taken into account appropriately in any subsequent adjustment. If for any reason an event giving rise to an adjustment (the “**First Adjustment**”) made to the Conversion Price pursuant to these Conditions is cancelled, revoked or not completed, the Conversion Price shall be readjusted to the amount prevailing immediately prior to the First Adjustment with effect from such date and in such manner as the Directors may consider appropriate.
- (d) *[Deleted]*.
- (e) Whenever there is an adjustment as herein provided, the Company shall give notice to the Subscriber that the Conversion Price has been adjusted and setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment and shall at all times thereafter so long as the Convertible Loan Note remains outstanding make available for inspection at the office of the Company:
 - (i) a signed copy of a report from the Auditors that the adjusted Conversion Price is computed accurately; and
 - (ii) a certificate signed by a Director setting forth particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment,and shall, on request and at the expense of the Subscriber, send a copy thereof to the Subscriber.
- (f) If the Directors, the Subscriber, the Auditors and the Approved Bank (where required) are unable to agree upon any adjustment required under these provisions, the Parties shall refer the adjustment to the decision of another Approved Bank acting as expert and not as arbitrator and whose decision as to such adjustment shall be final and conclusive and no certification by the Auditors shall in such circumstances be necessary.
- (g) In giving any certificate or making any adjustment hereunder, the Auditors and the Approved Bank (where required) shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, their decisions shall be conclusive and binding on the Company, the Subscriber and all other persons having an interest in the Convertible Loan Note.
- (h) Notwithstanding anything herein contained, any adjustment to the Conversion Price other than in accordance with the provisions of this Schedule shall be subject to the approval of the SGX-ST and agreed to by the Company, the Subscriber, the Auditors and the Approved Bank (where required).
- (i) Nothing shall prevent or restrict the buy-back of any classes of Shares pursuant to applicable law and the requirements of the SGX-ST. No approval or consent of the Subscriber shall be required for such buyback of any classes of Shares, and there shall be no adjustments to the Conversion Price by reason of such buy-back of any classes of Shares.

APPENDIX B – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE OPTIONS

EXTRACT OF SCHEDULE 1 (*TERMS AND CONDITIONS OF THE OPTIONS*) OF THE OPTIONS AGREEMENT

4. ADJUSTMENTS TO EXERCISE PRICE AND NUMBER OF OPTIONS

4.1. The Exercise Price and the number of Options held by the Subscriber shall from time to time be adjusted by the Directors, which adjustment shall be certified by the Auditors and approved by the Subscriber. The Exercise Price and the number of Options held by the Subscriber shall be subject to Conditions 4.3 to 4.13 from time to time and be adjusted as provided in these Conditions in all or any of the following cases, such adjustments to prevent dilution or enlargement of the benefits attributable to the unexercised Options:

4.1.1. an issue by the Company of Shares to Shareholders credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature or not) to its Shareholders (other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend);

4.1.2. a Capital Distribution (as defined herein) made by the Company to its Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);

4.1.3. an offer or invitation made by the Company to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights; or

4.1.4. any share split, consolidation, reclassification or subdivision of the Shares.

4.2. Subject to these Conditions (and in particular Condition 4.3), the Exercise Price and the number of Options held by the Subscriber shall from time to time be adjusted in accordance with the following provisions (but if the event giving rise to any such adjustment shall be capable of falling within any two or more of Conditions 4.1.1 to 4.1.4 or if such event is capable of giving rise to more than one adjustment, the adjustment shall be made in such manner as the Directors shall determine):

4.2.1. If and whenever the Company shall make any issue of Shares to its Shareholders credited as fully paid, by way of capitalisation of profits or reserves (whether of a capital or income nature, other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend), the Exercise Price and the number of Options held by the Subscriber shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{A}{A + B} \times P$$

$$\text{Adjusted number of Options} = \frac{A + B}{A} \times W$$

where:

A = the aggregate number of issued and fully paid-up Shares immediately before such capitalisation issue;

B = the aggregate number of Shares to be issued pursuant to any allotment to Shareholders credited as fully paid by way of capitalisation of profits or reserves (including any share premium account and capital redemption

APPENDIX B – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE OPTIONS

reserve fund other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend);

P = existing Exercise Price; and

W = existing number of Options held.

Such foregoing adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the record date for such issue.

For the purpose of this Condition 4, “**record date**” in relation to the relevant transaction means the date as at the close of business on which Shareholders must be registered as such to participate therein.

4.2.2. If and whenever:

- (a) the Company shall make a Capital Distribution (as defined herein) to Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
- (b) the Company shall make any offer or invitation to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights,

then the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{C - D}{C} \times P$$

and in respect of each case referred to in Condition 4.2.2(b) above, the number of Options held by the Subscriber shall be adjusted in the following manner:

$$\text{Adjusted number of Options} = \frac{C}{C - D} \times W$$

where:

C = the average of the Last Dealt Prices on the five Market Days immediately before the date on which the Capital Distribution (as defined herein), or any offer or invitation referred to in Condition 4.2.2(b) above, as the case may be, is publicly announced or (failing any such announcement), immediately preceding the date of the Capital Distribution (as defined herein) or, as the case may be, of the offer or invitation;

D = (i) in the case of an offer or invitation to acquire or subscribe for Shares by way of rights under Condition 4.2.2(b) above, the value of the rights attributable to one Share (as defined herein), or (ii) in the case of any other transaction falling within Condition 4.2.2, the fair market value, as determined by an Approved Bank (with the concurrence of the Auditors), of that portion of the Capital Distribution (as defined herein) or of the nil paid rights attributable to one (1) Share;

P = as in P above; and

W = as in W above.

APPENDIX B – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE OPTIONS

For the purpose of definition (i) of “D” above the “value of the rights attributable to one Share” shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

where:

C = as in C above;

E = the subscription price for one (1) additional Share under the offer or invitation to acquire or subscribe for Shares by way of rights;

F = the number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one additional Share by way of rights; and

1 = one.

For the purpose of Conditions 4.1.2 and 4.2.2(a) above, “**Capital Distribution**” shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of Shares (not falling under Condition 4.2.1) or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves (including any capital redemption reserve fund other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend).

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the record date for such issue pursuant to Condition 4.2.2(a).

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the closing date for the above transactions for such issue pursuant to Condition 4.2.2(b) above.

For the purposes of this Condition 4, “**closing date**” shall mean the date by which acceptance and payment for the Shares is to be made under the terms of such offer or invitation.

- 4.2.3. If and whenever the Company makes any allotment to its Shareholders as provided in Condition 4.2.1 above and also makes any offer or invitation to its Shareholders as provided in Condition 4.2.2(b) above and the record date for the purpose of the allotment is also the record date for the purpose of the offer or invitation, the Exercise Price and the number of Options held by the Subscriber shall be adjusted in the following manner:

$$\begin{aligned} \text{New Exercise Price} &= \frac{(G \times C) + (H \times E)}{(G + H + B) \times C} \times P \\ \text{Adjusted number of Options} &= \frac{(G + H + B) \times C}{(G \times C) + (H \times E)} \times W \end{aligned}$$

where:

APPENDIX B – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE OPTIONS

B = as in B above;

C = as in C above;

E = as in E above;

G = the aggregate number of issued and fully paid-up Shares on the record date;

H = the aggregate number of new Shares to be issued under an offer or invitation to acquire or subscribe for Shares by way of rights;

P = as in P above; and

W = as in W above.

Such foregoing adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the closing date for the above transactions. For the purposes of this paragraph, “**closing date**” shall mean the date by which acceptance of and payment for the Shares is to be made under the terms of such offer or invitation.

- 4.2.4. If and whenever share split, consolidation, reclassification or subdivision of the Shares occurs, the Exercise Price and the number of Options held by the Subscriber shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{Q}{R} \times P$$

and the number of Options shall be adjusted in the following manner:

$$\text{Adjusted number of Options} = \frac{R}{Q} \times W$$

where:

Q = the aggregate number of issued and fully paid-up Shares immediately before share split, consolidation, reclassification or subdivision;

R = the total Shares outstanding post share split, consolidation, reclassification or subdivision;

P = as in P above; and

W = as in W above,

such adjustments will be effective from the close of the Market Day immediately preceding the date on which the share split, consolidation, reclassification or subdivision becomes effective.

- 4.3. Notwithstanding any of the provisions hereinbefore contained, no adjustment to the Exercise Price and the number of Options held by the Subscriber will be required in respect of:

- 4.3.1. an issue by the Company of Shares or other securities convertible into rights to acquire or subscribe for Shares to officers, including directors, or employees of the Company or any of its subsidiaries pursuant to any purchase or option scheme approved by the Shareholders in general meeting;

APPENDIX B – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE OPTIONS

- 4.3.2. an issue by the Company of Shares in consideration or part consideration for or in connection with the acquisition of any other securities, assets or business;
 - 4.3.3. any purchase by the Company of Shares pursuant to any share purchase scheme approved by Shareholders in general meeting subsequent to the Proposed Grant of Options, whether such Shares purchased pursuant to any such share purchase scheme are deemed cancelled or held in treasury;
 - 4.3.4. any issue by the Company of securities convertible into Shares or rights, options, warrants or other rights to acquire or subscribe for or purchase Shares (other than arising from or by way of rights, bonus or other capitalisation issues) and the issue of Shares arising from the conversion or exercise of such securities or rights, issued subsequent to the Proposed Grant of Options, whether by itself or together with any other issue, pursuant to such issue being approved by the Shareholders in general meeting; and
 - 4.3.5. any other corporate action that may directly or indirectly result in the issue of additional new Shares, provided that such corporate action is mutually agreed as between the Parties.
- 4.4. If any offer or invitation for Shares is made otherwise than by the Company to the Shareholders, then the Company shall so far as it is able to procure that at the same time an offer or invitation is made to the Subscriber as if its rights to subscribe for new Shares have been exercised the day immediately preceding the date on which as at the close of business Shareholders must be registered in order to participate in such offer or invitation on the basis then applicable.
- 4.5. Any adjustment to the Exercise Price will be rounded downwards to the nearest 0.001 cent. No adjustments to the Exercise Price shall be made unless it has been certified to be in accordance with Condition 4.2 above by the Auditors. No adjustment will be made to the Exercise Price in any case in which the amount by which the same would be reduced would be less than 0.001 cent but any adjustment which would otherwise then be required will be carried forward and taken into account appropriately in any subsequent adjustment.
- 4.6. Any adjustment to the number of Options held by the Subscriber will be rounded downwards to the nearest whole Option. No adjustment to the number of Options held by the Subscriber shall be made unless (i) it has been certified to be in accordance with Condition 4.2 above by the Auditors and (ii) approval-in-principle has been received from the SGX-ST for the listing of and quotation for such additional Shares as may be issued on the exercise of such Options. If for any reason an event giving rise to an adjustment (the “**First Adjustment**”) made to the Exercise Price or the number of Options held by the Subscriber pursuant to these Conditions is cancelled, revoked or not completed, the Exercise Price or the number of Options held by the Subscriber shall be readjusted to the amount prevailing immediately prior to the First Adjustment with effect from such date and in such manner as the Directors may consider appropriate.
- 4.7. *[Deleted]*.
- 4.8. Whenever there is an adjustment as herein provided, the Company shall give notice to the Subscriber that the Exercise Price and/or the number of Options held by the Subscriber has/have been adjusted and setting forth the event giving rise to the adjustment, the Exercise Price and/or the number of Options in effect prior to such adjustment, the adjusted Exercise Price and/or the number of Options and the effective date of such adjustment and shall at all times thereafter so long as any of the Options remain exercisable make available for inspection at the office of the Company:
- 4.8.1. a signed copy of a report from the Auditors that the adjusted Exercise Price and/or the number of Options are computed accurately; and

APPENDIX B – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE OPTIONS

4.8.2. a certificate signed by a Director setting forth particulars of the event giving rise to the adjustment, the Exercise Price and/or the number of Options in effect prior to such adjustment, the adjusted Exercise Price and/or the number of Options and the effective date of such adjustment,

and shall, on request and at the expense of the Subscriber, send a copy thereof to the Subscriber.

- 4.9. If the Directors, the Subscriber, the Auditors and the Approved Bank (where required) are unable to agree upon any adjustment required under these provisions, the Parties shall refer the adjustment to the decision of another Approved Bank acting as expert and not as arbitrator and whose decision as to such adjustment shall be final and conclusive and no certification by the Auditors shall in such circumstances be necessary.
- 4.10. Any new Options which may be issued by the Company under this Condition 4 shall be issued, subject to and with the benefit of these Conditions.
- 4.11. In giving any certificate or making any adjustment hereunder, the Auditors and the Approved Bank (where required) shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, their decisions shall be conclusive and binding on the Company, the Subscriber and all other persons having an interest in the Options.
- 4.12. Notwithstanding anything herein contained, any adjustment to the Exercise Price and/or the number of Options held by the Subscriber other than in accordance with the provisions of this Condition 4 shall be subject to the approval of the SGX-ST and agreed to by the Company, the Subscriber, the Auditors and the Approved Bank (where required).
- 4.13. Nothing shall prevent or restrict the buy-back of any classes of Shares pursuant to applicable law and the requirements of the SGX-ST. No approval or consent of the Subscriber shall be required for such buyback of any classes of Shares, and there shall be no adjustments to the Exercise Price and number of Options by reason of such buy-back of any classes of Shares.

APPENDIX C – DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING ELECTION

Mr. Yeo is seeking election as Director at the EGM. Pursuant to Rule 720(6) of the Listing Manual, below is the information relating to Mr. Yeo as set out in Appendix 7.4.1 of the Listing Manual:

Name of Director	Mr. Yeo Puay Hin.
Date of Appointment	Completion Date.
Date of last re-appointment (if applicable)	Not applicable.
Age	52.
Country of principal residence	Singapore.
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered, among others, the recommendation of the Nominating Committee and the qualifications, work experience and competencies of Mr. Yeo, is of the view that he is suitable for appointment as Executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Responsible for business development of the Group.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director (Business Development).
Professional qualifications	Bachelor of Engineering (Electrical) from Nanyang Technological University.
Working experience and occupation(s) during the past 10 years	2012 to 2020: Senior Director, Programme Management Office (Asia Pacific / Central Europe / Middle East / Africa), Visa Inc. 2010 to 2012: Senior Program Manager (Asia Pacific Japan), Oracle Corporation.
Shareholding interest in the listed issuer and its subsidiaries	Nil.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr. Yeo and Mr. Liew are directors of the Lew Foundation. Mr. Yeo, along with Mdm Lew Puay Ling (wife) and Mr. Lew Chee Beng (father-in-law), are shareholders of the Investor.
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes.
Other Principal Commitments Including Directorships	
Past (for the last 5 years)	Senior Director, Programme Management Office (Asia Pacific / Central Europe / Middle East / Africa), Visa Inc.

APPENDIX C – DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING ELECTION

Present	Directorships: 1) Shing Heng Holding Pte. Ltd. Other principal commitments: 1) Director, Lew Foundation 2) Member, Central Governance Committee of Methodist Welfare Services.
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given	
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No.
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No.
(c) Whether there is any unsatisfied judgment against him?	No.
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No.
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No.
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or	No.

APPENDIX C – DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING ELECTION

elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No.
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No.
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No.
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—	
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No.
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No.
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No.
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No.

APPENDIX C – DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING ELECTION

in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No.
Disclosure applicable to the appointment of Director only.	
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	No. Mr. Yeo will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST.

APPENDIX D – CHANGES IN SHAREHOLDING INTERESTS

	(A) Prior to Proposed Transactions ⁽¹⁾				(B) Upon Completion of the Proposed Transactions (assuming the issue of the Convertible Loan Note, the Options, the Settlement Shares, the UOB Convertible Bonds and the Remuneration Shares) ⁽²⁾				(C) Upon Completion of the Proposed Transactions (assuming the issue of the Conversion Shares pursuant to the conversion of the Convertible Loan Note, the Options, the Settlement Shares, the UOB Conversion Shares pursuant to the conversion of all the UOB Convertible Bonds and the Remuneration Shares) ⁽³⁾⁽¹³⁾			
	Direct interest		Deemed Interest		Direct interest		Deemed Interest		Direct interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
<u>DIRECTORS</u>												
Liew Yoke Pheng Joseph	-	-	-	-	-	-	-	-	-	-	-	-
Choy Bing Choong	-	-	-	-	-	-	-	-	-	-	-	-
Lee Chin Chai	-	-	-	-	-	-	-	-	-	-	-	-
Wee Sung Leng	-	-	-	-	-	-	-	-	-	-	-	-
<u>SUBSTANTIAL SHAREHOLDERS (OTHER THAN DIRECTORS)</u>												
Hoe Leong Co. (Pte.) Ltd	1,589,854,677	28.29	-	-	1,589,854,677	25.35	-	-	1,589,854,677	18.06	-	-
Kuah Geok Lin ⁽⁶⁾	15,506,617	0.28	1,589,854,677	28.29	15,506,617	0.25	1,589,854,677	25.35	15,506,617	0.18	1,589,854,677	18.06
Kuah Geok Khim ⁽⁶⁾	15,314,117	0.27	1,589,854,677	28.29	15,314,117	0.24	1,589,854,677	25.35	15,314,117	0.17	1,589,854,677	18.06
Quah Yoke Hwee ⁽⁶⁾	15,314,117	0.27	1,589,854,677	28.29	15,314,117	0.24	1,589,854,677	25.35	15,314,117	0.17	1,589,854,677	18.06
Ms Kuah Geok Khim ⁽⁶⁾	7,400,592	0.13	1,589,854,677	28.29	7,400,592	0.12	1,589,854,677	25.35	7,400,592	0.08	1,589,854,677	18.06
Australia and New Zealand Banking Group Limited ⁽⁷⁾	-	-	290,105,860	5.16	-	-	290,105,860	4.63	-	-	290,105,860	3.30
CIMB Bank Berhad ⁽⁸⁾	-	-	452,285,350	8.05	-	-	452,285,350	7.21	-	-	452,285,350	5.14
DBS Bank Ltd. ⁽⁹⁾	-	-	916,972,699	16.32	-	-	916,972,699	14.62	-	-	916,972,699	10.42
DBS Group Holdings Ltd ⁽⁹⁾	-	-	916,972,699	16.32	-	-	916,972,699	14.62	-	-	916,972,699	10.42
Temasek Holdings (Private) Limited ⁽⁹⁾	-	-	916,972,699	16.32	-	-	916,972,699	14.62	-	-	916,972,699	10.42
United Overseas Bank Limited ⁽¹⁰⁾	-	-	1,610,543,486	28.66	-	-	1,610,543,486	25.68	-	-	2,086,871,486	23.71
<u>OTHERS</u>												
The Investor	-	-	-	-	-	-	-	-	2,054,794,520	23.34	-	-
Lew Chee Beng ⁽¹¹⁾	-	-	-	-	-	-	-	-	-	-	2,054,794,520	23.34
Lew Puay Ling ⁽¹¹⁾	-	-	-	-	-	-	-	-	-	-	2,054,794,520	23.34
Yeo Puay Hin ⁽¹¹⁾	-	-	-	-	-	-	-	-	-	-	2,054,794,520	23.34
RHB Bank Berhad ⁽¹²⁾	-	-	280,903,297	4.999	-	-	522,888,439	8.34	-	-	522,888,439	5.94
Sing Investments & Finance Ltd	118,555,561	2.11	-	-	462,781,846	7.38	-	-	462,781,846	5.26	-	-
Other non-public	1,854,000	0.03	-	-	1,854,000	0.03	-	-	1,854,000	0.02	-	-
	Number of Shares	%			Number of Shares	%			Number of Shares	%		
Non-public	4,915,151,515	87.47			5,610,715,940	89.47			8,141,838,460	92.50		
Public	704,281,064	12.53			660,319,368	10.53			660,319,368	7.50		
TOTAL	5,619,432,579	100.00			6,271,035,308	100.00			8,802,157,828	100.00		

APPENDIX D – CHANGES IN SHAREHOLDING INTERESTS

	(A) Prior to Proposed Transactions ⁽¹⁾				(D) Upon Completion of the Proposed Transactions (assuming the issue of the Conversion Shares pursuant to the conversion of the Convertible Loan Note, the Option Shares pursuant to the exercise of S\$1.5 million in Options, the Settlement Shares, the UOB Conversion Shares pursuant to the conversion of all the UOB Convertible Bonds and the Remuneration Shares) ⁽⁴⁾				(E) Upon Completion of the Proposed Transactions (assuming the issue of the Conversion Shares pursuant to the conversion of the Convertible Loan Note, the Option Shares pursuant to the exercise of all Options, the Settlement Shares, the UOB Conversion Shares pursuant to the conversion of all the UOB Convertible Bonds and the Remuneration Shares) ⁽⁵⁾			
	Direct interest		Deemed Interest		Direct interest		Deemed Interest		Direct interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
<u>DIRECTORS</u>												
Liew Yoke Pheng Joseph	-	-	-	-	-	-	-	-	-	-	-	-
Choy Bing Choong	-	-	-	-	-	-	-	-	-	-	-	-
Lee Chin Chai	-	-	-	-	-	-	-	-	-	-	-	-
Wee Sung Leng	-	-	-	-	-	-	-	-	-	-	-	-
<u>SUBSTANTIAL SHAREHOLDERS (OTHER THAN DIRECTORS)</u>												
Hoe Leong Co. (Pte.) Ltd	1,589,854,677	28.29	-	-	1,589,854,677	16.17	-	-	1,589,854,677	10.62	-	-
Kuah Geok Lin ⁽⁶⁾	15,506,617	0.28	1,589,854,677	28.29	15,506,617	0.16	1,589,854,677	16.17	15,506,617	0.10	1,589,854,677	10.62
Kuah Geok Khim ⁽⁶⁾	15,314,117	0.27	1,589,854,677	28.29	15,314,117	0.16	1,589,854,677	16.17	15,314,117	0.10	1,589,854,677	10.62
Quah Yoke Hwee ⁽⁶⁾	15,314,117	0.27	1,589,854,677	28.29	15,314,117	0.16	1,589,854,677	16.17	15,314,117	0.10	1,589,854,677	10.62
Ms Kuah Geok Khim ⁽⁶⁾	7,400,592	0.13	1,589,854,677	28.29	7,400,592	0.08	1,589,854,677	16.17	7,400,592	0.05	1,589,854,677	10.62
Australia and New Zealand Banking Group Limited ⁽⁷⁾	-	-	290,105,860	5.16	-	-	290,105,860	2.95	-	-	290,105,860	1.94
CIMB Bank Berhad ⁽⁸⁾	-	-	452,285,350	8.05	-	-	452,285,350	4.60	-	-	452,285,350	3.02
DBS Bank Ltd. ⁽⁹⁾	-	-	916,972,699	16.32	-	-	916,972,699	9.33	-	-	916,972,699	6.13
DBS Group Holdings Ltd ⁽⁹⁾	-	-	916,972,699	16.32	-	-	916,972,699	9.33	-	-	916,972,699	6.13
Temasek Holdings (Private) Limited ⁽⁹⁾	-	-	916,972,699	16.32	-	-	916,972,699	9.33	-	-	916,972,699	6.13
United Overseas Bank Limited ⁽¹⁰⁾	-	-	1,610,543,486	28.66	-	-	2,086,871,486	21.23	-	-	2,086,871,486	13.94
<u>OTHERS</u>												
The Investor	-	-	-	-	3,082,191,780	31.36	-	-	8,219,178,081	54.92	-	-
Lew Chee Beng ⁽¹¹⁾	-	-	-	-	-	-	3,082,191,780	31.36	-	-	8,219,178,081	54.92
Lew Puay Ling ⁽¹¹⁾	-	-	-	-	-	-	3,082,191,780	31.36	-	-	8,219,178,081	54.92
Yeo Puay Hin ⁽¹¹⁾	-	-	-	-	-	-	3,082,191,780	31.36	-	-	8,219,178,081	54.92
RHB Bank Berhad ⁽¹²⁾	-	-	280,903,297	4.999	-	-	522,888,439	5.32	-	-	522,888,439	3.49
Sing Investments & Finance Ltd	118,555,561	2.11	-	-	462,781,846	4.71	-	-	462,781,846	3.09	-	-
Other non-public	1,854,000	0.03	-	-	1,854,000	0.02	-	-	1,854,000	0.08	-	-
	Number of Shares	%			Number of Shares	%			Number of Shares	%		
Non-public	4,915,151,515	87.47			8,254,168,524	83.97			12,868,266,386	85.98		
Public	704,281,064	12.53			1,575,386,564	16.03			2,098,275,003	14.02		
TOTAL	5,619,432,579	100.00			9,829,555,088	100.00			14,966,541,389	100.00		

APPENDIX D – CHANGES IN SHAREHOLDING INTERESTS

Notes:

- (1) Based on 5,619,432,579 Shares in the issued and paid-up share capital of the Company, excluding treasury shares and subsidiary holdings, as at the Latest Practicable Date.
- (2) Based on 6,271,035,308 Shares in the issued and paid-up share capital of the Company, excluding treasury shares and subsidiary holdings, taking into consideration the allotment and issue of the (a) Convertible Loan Note, (b) Options; and (c) Settlement Shares pursuant to the Proposed Issue of Settlement Shares; (d) UOB Convertible Bonds; and (e) Remuneration Shares pursuant to the Proposed Issue of Remuneration Shares.
- (3) Based on 8,802,157,828 Shares in the issued and paid-up share capital of the Company, excluding treasury shares and subsidiary holdings, taking into consideration the allotment and issue of the (a) Conversion Shares pursuant to the conversion of the Convertible Loan Note, (b) Settlement Shares pursuant to the Proposed Issue of Settlement Shares; (c) the UOB Conversion Shares pursuant to the conversion of all the UOB Convertible Bonds; and (d) Remuneration Shares pursuant to the Proposed Issue of Remuneration Shares.
- (4) Based on 9,829,555,088 Shares in the issued and paid-up share capital of the Company, excluding treasury shares and subsidiary holdings, taking into consideration the allotment and issue of the (a) Conversion Shares pursuant to the conversion of the Convertible Loan Note, (b) Option Shares pursuant to the exercise of S\$1.5 million in Options pursuant to the Option Exercise Undertaking; (c) Settlement Shares pursuant to the Proposed Issue of Settlement Shares; (d) the UOB Conversion Shares pursuant to the conversion of all the UOB Convertible Bonds; and (e) Remuneration Shares pursuant to the Proposed Issue of Remuneration Shares. Based on the Exercise Price of S\$0.00146 for each Option Share, an aggregate of 1,027,397,260 Option Shares will be issued pursuant to the Option Exercise Undertaking.
- (5) Based on 14,966,541,389 Shares in the Enlarged Share Capital, excluding treasury shares and subsidiary holdings, taking into consideration the allotment and issue of the (a) Conversion Shares pursuant to the conversion of the Convertible Loan Note, (b) Option Shares pursuant to the exercise of all the Options; (c) Settlement Shares pursuant to the Proposed Issue of Settlement Shares; (d) the UOB Conversion Shares pursuant to the conversion of all the UOB Convertible Bonds; and (e) Remuneration Shares pursuant to the Proposed Issue of Remuneration Shares.
- (6) Hoe Leong Co. (Pte.) Ltd. holds 1,589,854,677 Shares in the issued and paid-up share capital of the Company. Mr James Kuah Geok Lin, Mr Paul Kuah Geok Khim, Mr Quah Yoke Hwee and Madam Kuah Geok Khim are deemed to have an interest in the Shares held by Hoe Leong Co. (Pte.) Ltd. by virtue of Section 7(4) of the Companies Act.
- (7) Australia and New Zealand Banking Group Limited is deemed to have an interest in the shares held in a nominee account with DBS Vickers Securities (Singapore) Pte Ltd.
- (8) CIMB Bank Berhad is deemed to have an interest in the shares held in a nominee account with CGS-CIMB Securities (Singapore) Pte Ltd.
- (9) DBS Bank Ltd. holds 916,972,699 Shares under the name of nominees – DBS Nominees Pte Ltd. DBS Group Holdings Ltd and Temasek Holdings (Private) Limited are deemed to have an interest in the Shares held by DBS Bank Ltd.
- (10) UOB is deemed to have an interest in the Shares held in a nominee account with United Overseas Bank Nominees (Private) Limited.
- (11) Mr. Lew Chee Beng, Mdm Lew Puay Ling and Mr. Yeo Puay Hin are deemed to have an interest in the Shares held by the Investor.
- (12) RHB Bank Berhad is deemed to have an interest in the Shares held in a nominee account with RHB Bank Nominees Pte Ltd.
- (13) Pursuant to the Option Exercise Undertaking, upon the satisfaction of the Mandatory Conversion Conditions, the Investor shall exercise Options constituting S\$1.5 million in principal amount at the Exercise Price to subscribe for 1,027,397,260 Option Shares (based on the Exercise Price of S\$0.00146 for each Option Share), such Option Shares to be issued on the same date as the Conversion Shares. Consequently, the percentage of shares held in public hands will be more than 10.0%. Please refer to column (D) on page D-2 of this Circular for the changes in shareholding interests pursuant to the Option Exercise Undertaking.

APPENDIX E – IFA LETTER

NOVUS CORPORATE FINANCE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201723484W)

7 Temasek Boulevard
#18-03B Suntec Tower 1
Singapore 038987

1 June 2021

To: The Independent Directors of Hoe Leong Corporation Ltd. (the **"Company"**)
(in respect of the Proposed Whitewash Resolution (as defined herein))

Mr. Liew Yoke Pheng Joseph
Mr. Choy Bing Choong
Mr. Lee Chin Chai
Mr. Wee Sung Leng

Dear Sirs,

INDEPENDENT FINANCIAL ADVICE TO THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) IN RESPECT OF THE PROPOSED WHITEWASH RESOLUTION

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular issued to shareholders of the Company dated 1 June 2021 (the **"Circular"**) shall have the same meanings herein.*

1. INTRODUCTION

On 14 September 2020 (the **"Term Sheet Announcement Date"**), the Company announced that it had entered into a binding term sheet (the **"Term Sheet"**) with Shing Heng Holding Pte. Ltd. (the **"Investor"**), pursuant to which the Company and the Investor agreed that subject to the definitive agreements relating to the Proposed Transactions (as defined below) being executed on terms to be mutually agreed, the Company and the Investor will undertake the following transactions:

- (a) the provision by the Investor of a S\$1.0 million bridging loan to the Company;
- (b) the issue to the Investor of a S\$3.0 million convertible loan note; and
- (c) the grant by the Company to the Investor of S\$9.0 million in options (the **"Options"**) to subscribe for new ordinary shares in the capital of the Company (the **"Shares"**).

On 21 December 2020, the Company announced that, *inter alia*, it had entered into the following definitive agreements (the **"Definitive Agreements"**) in relation to:

- (a) a loan agreement for a S\$1.0 million bridging loan (the **"Loan"**) extended by the Investor to the Company (the **"Loan Agreement"**);
- (b) a convertible loan note agreement¹ (the **"Convertible Loan Note Agreement"**) with the Investor for the issue by the Company to the Investor of a secured, unlisted and non-transferable S\$3.0 million convertible loan note (the **"Convertible Loan Note"**), convertible in whole (and not in part) into 2,054,794,520 new Shares (the **"Conversion Shares"**) at a conversion price of S\$0.00146 for each Conversion Share (the

¹ As amended, supplemented or modified by the supplementary agreement dated 27 May 2021.

“Conversion Price”), on the terms and conditions of the Convertible Loan Note Agreement (the **“Proposed Issue of Convertible Loan Note”**); and

- (c) an options agreement² (the **“Options Agreement”**) with the Investor for the grant by the Company to the Investor of 6,164,383,561 unlisted, non-transferrable Options for an aggregate consideration of S\$1.00, with each Option carrying the right to subscribe for one new Share (the **“Option Share”**) at an exercise price of S\$0.00146 for each Option Share (the **“Option Price”**), on the terms and conditions of the Options Agreement (the **“Proposed Grant of Options”**, and together with the Proposed Issue of Convertible Loan Note, collectively, the **“Proposed Investor Transactions”**).

On 21 December 2020, the Company also announced that it had agreed on the debt settlement arrangements with the lenders of the Group, namely, RHB Bank Berhad (**“RHB”**), Sing Investments & Finance Limited (**“SIF”**) and United Overseas Bank Limited (**“UOB”**) (collectively, the **“Vessel Lenders”**) in respect of the Group’s vessel loans from the Vessel Lenders (the **“Vessel Loans”**), pursuant to which the Company had entered into the following debt settlement agreements:

- (a) a debt settlement and subscription agreement³ with each of RHB (the **“RHB Agreement”**) and SIF (the **“SIF Agreement”**) for (i) partial cash payment, and (ii) the allotment and issue of up to 241,985,142 and 344,226,285 new Shares to RHB and SIF respectively (the **“Settlement Shares”**) at an issue price of S\$0.00175 for each Settlement Share, in full and final settlement of the remaining amounts outstanding under the Vessel Loans extended by RHB to Arkstar Offshore Pte Ltd (the **“RHB Loan”**) and SIF to Arkstar Eagle 3 Pte Ltd (the **“SIF Loan”**), on the terms and conditions of the RHB Agreement and the SIF Agreement (the **“Proposed Issue of Settlement Shares”**); and
- (b) a debt settlement and subscription agreement⁴ with UOB (the **“UOB Agreement”**) for (i) partial cash payment, and (ii) the issue of zero interest convertible bonds constituting S\$833,574 in principal amount (the **“UOB Convertible Bonds”**) to UOB and convertible into 476,328,000 new Shares (the **“UOB Conversion Shares”**) at a conversion price of S\$0.00175 for each UOB Conversion Share (the **“UOB Conversion Price”**), in full and final settlement of the remaining amount outstanding under the Vessel Loan extended by UOB to Arkstar Voyager Pte Ltd (the **“UOB Loan”**) on the terms and conditions of the UOB Agreement (the **“Proposed Issue of UOB Convertible Bonds”**, and together with the Proposed Issue of Settlement Shares, collectively, the **“Debt Conversion”**).

In addition, the Company proposes to issue 65,391,302 new Shares (the **“Remuneration Shares”**) at an issue price of S\$0.00175 for each Remuneration Share to Mr. Liew Yoke Pheng Joseph (**“Mr. Liew”**) in part satisfaction of Mr. Liew’s remuneration for the period from 23 October 2019 to 31 December 2020 (the **“Proposed Issue of Remuneration Shares”**, and together with the Proposed Investor Transactions and the Debt Conversion, collectively, the **“Proposed Transactions”**).

In connection therewith, the Company will be seeking specific approval from its shareholders (the **“Shareholders”**) for, *inter alia*, the Proposed Issue of Convertible Loan Note, the Proposed Grant of Options, the Proposed Issue of Settlement Shares, the Proposed Issue of UOB Convertible Bonds and the Proposed Issue of Remuneration Shares at an extraordinary general meeting to be convened by the Company (the **“EGM”**).

² As amended, supplemented or modified by the supplementary agreement dated 27 May 2021.

³ As amended, supplemented or modified by the supplementary agreements dated 27 May 2021 and 14 May 2021 for the RHB Agreement and the SIF Agreement respectively.

⁴ As amended, supplemented or modified by the supplementary agreement dated 12 May 2021.

Pursuant to Rule 14.1 of the Singapore Code on Take-overs and Mergers (the “**Code**”), except with the consent of the Securities Industry Council (the “**SIC**”), where any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company, such person will be required to make a mandatory general offer for all the shares not already owned or controlled by them.

As at 27 May 2021 (the “**Latest Practicable Date**”), the Investor and its concert parties do not own any Shares. Upon completion of the Proposed Transactions, assuming the conversion of the Convertible Loan Note and the exercise of all the Options by the Investor (and after the issue and allotment on a maximum basis of the Settlement Shares, the UOB Conversion Shares and the Remuneration Shares), the Investor will hold 8,219,178,081 Shares representing approximately 54.92% of 14,966,541,389 issued Shares (the “**Enlarged Share Capital**”). Accordingly, the Investor will be required under the Code to make a mandatory general offer for the Shares not already owned or controlled by the Investor and its concert parties, unless such obligation is waived by the SIC.

The SIC had on 11 May 2021 granted the waiver of the requirement for the Investor to make such a mandatory general offer for the Shares (the “**Whitewash Waiver**”) subject to, *inter alia*, (a) a majority of holders of voting rights of the Company approving a resolution to waive their rights to receive such a general offer from the Investor in connection with the allotment and issue of the Conversion Shares and the Option Shares (the “**Proposed Whitewash Resolution**”) at the EGM (before the issue of the Convertible Loan Note and the Options to the Investor) by way of a poll, and (b) the Company appointing an independent financial adviser (the “**IFA**”) to advise the Shareholders who are deemed to be independent for the purposes of the Proposed Whitewash Resolution (the “**Independent Shareholders**”) on the Proposed Whitewash Resolution.

Novus Corporate Finance Pte. Ltd. (“**NCF**”) has been appointed by the Company in accordance with the Code as the IFA to advise the directors of the Company (the “**Directors**”) who are considered independent for the purposes of making a recommendation to the Shareholders on the Proposed Whitewash Resolution (the “**Independent Directors**”). This letter (“**Letter**”) sets out, *inter alia*, our evaluation of the Proposed Whitewash Resolution and our opinion and advice thereon, and will form part of the Circular providing, *inter alia*, the terms and conditions of the Proposed Transactions, the Proposed Whitewash Resolution and the recommendation of the Independent Directors.

2. TERMS OF REFERENCE

We have been appointed as the IFA to advise the Independent Directors in respect of the Proposed Whitewash Resolution.

We were neither a party to the negotiations entered into by the Company in relation to the Proposed Transactions nor were we involved in the deliberations leading up to the decision of the Directors to undertake the Proposed Transactions. Accordingly, we do not, by this Letter, warrant the merits of the Proposed Transactions and/or the Proposed Whitewash Resolution other than to express an opinion on whether the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options, being the subject of the Proposed Whitewash Resolution, are fair and reasonable.

Our terms of reference do not require us to evaluate or comment on the rationale for, and the legal, commercial risks or strategic merits of, the Proposed Transactions and/or the Proposed Whitewash Resolution. Such evaluations and comments are and 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 and advice as set out in this Letter.

In the course of our evaluation, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Company and its subsidiaries (collectively, the “**Group**”). We have also relied on the information and representations, whether written or verbal, including relevant financial analyses, estimates and representations contained in the Circular, provided by the management of the Company (the “**Management**”), the Directors and the Company’s solicitors and auditors (where relevant). We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information or representations. We have nevertheless made reasonable enquiries and exercised our judgement as we deemed necessary and have found no reason to doubt the reliability of such information or representations.

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, (a) all material information in connection with the Proposed Transactions, the Proposed Whitewash Resolution and the Group has been disclosed to us, (b) such information is true, complete and accurate in all material aspects, and (c) 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 Proposed Transactions, the Proposed Whitewash Resolution and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors collectively and individually accept responsibility accordingly.

In assessing the Proposed Whitewash Resolution and reaching our conclusion thereon, we have not conducted a comprehensive independent review of the business, operations or financial condition of the Company and/or the Group. We have also 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 and advice in this Letter.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including, without limitation, property, plant and equipment). As such, 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 also not been furnished with any such independent evaluation or appraisal.

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

In rendering our opinion and advice, 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, accountant or other professional adviser immediately.

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 and advice in respect of the Proposed Whitewash Resolution, as set out in paragraph 9 of this Letter, should be considered in the context of the entirety of this Letter and the Circular.

3. INFORMATION ON THE INVESTOR

As at the Latest Practicable Date, the Investor is an investment holding company owned by Mr. Lew Chee Beng (“**Mr. Lew**”), Mdm. Lew Puay Ling (daughter) and Mr. Yeo Puay Hin (son-in-law). A well-regarded Singapore-based philanthropist, businessman and investor of commercial properties, Mr. Lew is the founder and owner of Shing Heng Pawnshop Pte Ltd, a chain of pawnbroking shops in Singapore and Soon Huat Goldsmith Pte Ltd, which was founded in 1986. Mr. Lew is also the founder of the Lew Foundation, a Singapore-based foundation which supports local institutions, non-profit organisations and charities in providing for elderly and youth in need. He also invests in commercial properties in Singapore. Since 1983, Mr. Lew has held and continues to hold several key leadership positions in various clan and community associations. In August 2020, Mr. Lew was conferred the Public Service Medal (Pingat Bakti Masyarakat) (Silver) for his commendable public service and contributions in Singapore.

As at the Latest Practicable Date, each of the Investor and its shareholders (a) does not hold any Shares; and (b) is not related to any of the Directors, substantial shareholders of the Company, or their respective associates. There is also no connection (including business relationship) between the Investor and its shareholders and the Directors or substantial shareholders of the Company, save that Mr. Lew, Mr. Yeo and Mr. Liew are directors of the Lew Foundation.

The Investor has also confirmed with the Company that it and its ultimate beneficial shareholders do not fall within the categories of persons set out in Rules 804 or 812(1) of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

4. THE PROPOSED INVESTOR TRANSACTIONS

4.1 Background and Rationale

Since the Shares have been suspended from trading on 2 September 2019 pursuant to Rule 1303(3) of the Listing Manual, the Company has been actively taking steps to streamline its cost structure with a view to improving profitability for its equipment parts segment and has also engaged an adviser to assist the Group in its strategic review of the Group’s existing business and in the formulation of plans to improve the financial position and/or performance of the Group. The Company has also assessed various options and investment proposals, resulting in the decision to proceed with the Proposed Investor Transactions.

The Company is of the view that the investment by the Investor through the Proposed Investor Transactions is beneficial to the Company and the Group as the Proposed Investor Transactions, if completed, will allow for certainty of funding resulting in the Company being able to strengthen its financial position, which is vital for the continuity of the Company as it will allow the Group to access funds to improve its cashflows, reduce its outstanding debt obligations and continue as a going concern.

Specifically, (a) the Loan will allow for the Group to have access to interim funding required for its working capital, pending the completion of the Proposed Investor Transactions, (b) the Convertible Loan Note when issued to the Investor upon completion of the Proposed Investor Transactions will provide the Group with the necessary funds to restructure its existing equipment parts business and fund its operations, and (c) the Options will allow the Group to have access to additional funds as and when the Investor exercises its Options in accordance with the terms of the Options Agreement.

The Directors are of the opinion that, as of the Latest Practicable Date, after taking into consideration the Proposed Investor Transactions and the proceeds therefrom, the Debt Conversion and its present banking facilities, the working capital available to the Group is sufficient to meet its present requirements and that the Company will be able to operate on a going concern and therefore, have a viable proposal for the resumption of trading of its Shares.

In connection with the Proposed Transactions, the Company had also submitted an application to the SGX-ST for the resumption of trading of its Shares (the “**Resumption Proposal**”). On 11 May 2021, the SGX-ST confirmed that it had no objection to the resumption of trading by the Company subject to the completion of the Proposed Transactions and the satisfaction of all conditions as set out in the approval in-principle from the SGX-ST for the listing and quotation of, *inter alia*, 2,054,794,520 Conversion Shares and up to 6,164,383,561 Option Shares on the Main Board of the SGX-ST.

4.2 The Proposed Issue of Convertible Loan Note

4.2.1 Introduction

Pursuant to the Convertible Loan Note Agreement, the Company agrees to issue and the Investor agrees to subscribe for a secured, non-listed and non-transferable Convertible Loan Note in aggregate principal amount of S\$3.0 million, which can be converted into the Conversion Shares at the Conversion Price of S\$0.00146 per Conversion Share upon the exercise by the Investor of a conversion right under the Convertible Loan Note Agreement.

4.2.2 Principal terms of the Convertible Loan Note

The principal terms of the Convertible Loan Note are summarised as follows:

Principal amount	:	S\$3.0 million (the “ Principal Amount ”)
Maturity date	:	3 years from the date the completion of the Proposed Transactions (the “ Completion ”) takes place which shall be within 7 business days from the date on which all of the conditions precedent under (a) the Convertible Loan Note Agreement, (b) the Options Agreement, (c) the RHB Agreement, (d) the SIF Agreement, and (e) the UOB Agreement have been satisfied (the “ Completion Date ”) (or such other date as agreed between the Company and the Investor) (the “ Maturity Date ”).
Interest rate	:	2.0% per annum on the Principal Amount for the period commencing from the 2 nd anniversary of the Completion Date until the earlier of the date falling on which (a) the full Principal Amount is repaid by the Company, or (b) the Convertible Loan Note is converted pursuant to a Conversion Right (as defined below) (both dates inclusive).
Status and transferability of the Convertible Loan Note	:	The Convertible Loan Note constitutes a valid and legally binding and enforceable obligation of the Company. The Convertible Loan Note is unlisted and non-transferable.
Conversion Price	:	S\$0.00146 for each Conversion Share, subject to any adjustments pursuant to the Convertible Loan Note Agreement as set out in section 4.2 of the Circular.
Conversion Right	:	<u>Optional conversion</u> The Investor shall have the option to convert the whole (and not part) of the Principal Amount, at any time prior to the Mandatory Conversion Right (as defined herein) being effective or the Maturity Date, into Conversion Shares (the “ Optional Conversion Right ”).

Mandatory conversion

Upon satisfaction of the Mandatory Conversion Conditions (as defined herein), the whole (and not part) of the Principal Amount shall be mandatorily converted, and the Investor shall be deemed to have converted the whole of the Principal Amount into Conversion Shares, with the conversion date being 5 business days after the date on which the last of the Mandatory Conversion Conditions has been satisfied (the “**Mandatory Conversion Right**”, together with the Optional Conversion Right, each a “**Conversion Right**”).

Conversion Shares : The number of Conversion Shares to be issued upon the exercise of a Conversion Right will be determined by dividing the Principal Amount by the Conversion Price in effect on the relevant conversion date, rounded down to the nearest whole number. Fractions of Conversion Shares will not be issued.

Based on the Conversion Price of S\$0.00146, an aggregate of 2,054,794,520 Conversion Shares will be issued to the Investor.

Mandatory conversion conditions : The Mandatory Conversion Right shall automatically become effective upon the satisfaction of, *inter alia*, (a) the completion of the Restructuring Exercise (as defined herein), and (b) the submission of the Resumption Proposal based on the Proposed Transactions to be reviewed and approved by the Investor (such approval not to be unreasonably withheld or delayed) and receipt of a no-objection letter from the SGX-ST indicating that it has no objection to the Resumption Proposal pursuant to Rule 1304(2) of the Listing Manual provided that if such approval is subject to any conditions, such conditions shall be acceptable to the Investor and shall have been fully fulfilled (unless waived by the SGX-ST) and not be amended, retracted, withdrawn or revoked as at the conversion date (the “**Mandatory Conversion Conditions**”).

Further details of the Mandatory Conversion Conditions are set out in section 4.2 of the Circular.

Repayment : Unless converted in accordance with the terms of the Convertible Loan Note Agreement, the Company shall on the Maturity Date redeem in full the Convertible Loan Note by payment in cash of 100% of the Principal Amount.

Default interest : 3.5% per annum on the Principal Amount, calculated on a daily basis from the Maturity Date until the full Principal Amount is repaid by the Company (both dates inclusive).

Further details of the principal terms of the Convertible Loan Note are set out in section 4.2 of the Circular.

4.2.3 Other terms of the Convertible Loan Note Agreement

The completion of the Proposed Issue of Convertible Loan Note is subject to certain conditions precedent which include, *inter alia*, (a) approval from and entry into binding agreements with the Vessel Lenders in respect of the Debt Conversion, (b) consent from the Vessel Lenders to

freeze the shortfall in Vessel Loans on 31 December 2020 and waive all interests and related charges after 31 December 2020 if the Debt Conversion is not completed by 31 December 2020, and (c) completion of the restructuring exercise (as approved by the Investor) to be undertaken by the Company in relation to the Group's equipment parts business pursuant to which Trackspares Global Pte. Ltd., being the intermediate investment holding company (a direct and wholly-owned subsidiary of the Company) incorporated for the purposes of the restructuring exercise (the "**Newco**"), will acquire 100.0% of the share capital of the various companies⁵ under the equipment parts business from the Company via a share swap (the "**Restructuring Exercise**").

The Convertible Loan Note will be secured by (a) a first priority charge over all of the shares in the capital of Newco owned by the Company, (b) a first priority debenture relating to all of the assets of Newco, and (c) a second priority charge over all of the shares (ordinary and preference) in the capital of Ho Leong Tractors Sdn. Bhd. owned by the Company (collectively, the "**Loan Security**").

In the event that all of the Mandatory Conversion Conditions are satisfied on or before the Completion Date, the Company shall, in lieu of the issue of the Convertible Loan Note on the Completion Date, procure on the Completion Date such number of Conversion Shares (as determined by dividing the Principal Amount by the Conversion Price in effect on the Completion Date, rounded down to the nearest whole number) to be issued to the Investor ("**Mandatory Completion Conversion**"). Accordingly, no Convertible Loan Note will be issued to the Investor and no Loan Security will be granted by the Company in favour of the Investor.

Pursuant to the Convertible Loan Note Agreement, the Company and the Investor have also agreed on the minimum shareholding of the Investor in the Company. Further details of such minimum shareholding and other terms of the Convertible Loan Note Agreement are set out in section 4.3 of the Circular.

4.2.4 Issue size

Upon the exercise by the Investor of a Conversion Right under the Convertible Loan Note Agreement, the Convertible Loan Note shall be converted into 2,054,794,520 Conversion Shares (based on the Conversion Price of S\$0.00146 and assuming no adjustments to the Conversion Price) representing approximately 36.6% of the existing share capital of the Company (excluding treasury shares) and 13.7% of the Enlarged Share Capital as at the Latest Practicable Date. Further details on the effects of the Proposed Transactions on the shareholding structure of the Company are set out in section 12 of the Circular.

4.2.5 Conversion Price

The Conversion Price of S\$0.00146 per Conversion Share represents a discount of approximately 27.0% to the volume weighted average price (the "**VWAP**") of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company's trading suspension on 2 September 2019.

The Conversion Price was mutually agreed between the Company and the Investor on a 'willing-buyer, willing-seller' basis, taking into consideration the following factors:

- (a) the Group's financial performance and position for FY2019 and the then publicly available financial information of the Group;
- (b) the prolonged trading suspension since 2 September 2019;

⁵ Refers to Hoe Leong Crawler Parts Pte Ltd, Korea Crawler Track Ltd and Trackspares (Aust) Pty. Ltd. (including its wholly-owned subsidiary, Trackex Pty. Ltd.).

- (c) changes in circumstances of the Group since the trading suspension, including, *inter alia*, the independent auditors' disclaimer of opinion in respect of the Group's financial statements for FY2019 on the Group's ability to continue as a going concern;
- (d) the Group's limited equity and/or debt fundraising options;
- (e) the Loan being interest-free for the first year of disbursement; and
- (f) the Convertible Loan Note being interest-free for the first 2 years of disbursement.

4.2.6 Use of proceeds

The aggregate gross proceeds from the Proposed Issue of Convertible Loan Note will be S\$3.0 million and shall be used by the Company as follows:

Use of proceeds	Percentage allocation
General working capital (and any potential investments in plant and equipment for expansion and enhancement of operational capacity)	100%

Pending the deployment for the uses identified above, the gross proceeds may be deposited with banks and/or financial institutions or invested in money market instruments and/or securities, or used for any other purpose on a short-term basis, as the Directors may in their absolute discretion deem fit.

The Company will make periodic announcements on the utilisation of the gross proceeds as and when such funds are materially disbursed and whether such use is in accordance with the stated use and percentage allocation. The Company will also provide a status report on the use of proceeds in the Company's interim and full year financial statements issued under Rule 705 of the Listing Manual and its annual reports. Where the proceeds have been used for working capital purposes, the Company will disclose a breakdown with specific details on how such proceeds have been applied in the announcements and status reports. Where there is any material deviation from the stated use of such proceeds, the Company will announce the reasons for such deviation.

4.3 The Proposed Grant of Options

4.3.1 Introduction

Pursuant to the Options Agreement, the Company agrees to grant and the Investor agrees to subscribe for 6,164,383,561 unlisted, non-transferrable Options for a nominal aggregate consideration of S\$1.00, with each Option carrying the right to subscribe for one Option Share at the Option Price of S\$0.00146 per Option Share.

4.3.2 Principal terms of the Options

The principal terms of the Options are summarised as follows:

Number of Options	: 6,164,383,561 Options, subject to any adjustments pursuant to the Options Agreement as set out in section 5.2 of the Circular.
Consideration	: S\$1.00
Status and transferability of the Options	: The Options constitute a valid and legally binding and enforceable obligation of the Company and are unlisted and non-transferable.

Exercise rights of the Options : Each Option entitles the Investor to subscribe for one Option Share at the Option Price during the Exercise Period (as defined herein).

The Investor may only exercise the Options in tranches of 175,000,000 Options at any time during the Exercise Period (as defined below), save where (a) the exercise of Options is pursuant to the Option Exercise Undertaking (as defined below), in which case, the Investor may exercise such number of Options (not being in tranches of 175,000,000 Options) constituting S\$1,500,000 in principal amount at the Option Price, or (b) the balance of Options held by the Investor is less than 175,000,000 Options, in which case, the Investor may exercise all but not some of such balance of the Options.

Option Price : S\$0.00146 for each Option Share, subject to any adjustments pursuant to the Options Agreement as set out in section 5.2 of the Circular.

Exercise Period : The period commencing on and including the date of issue of the Options and expiring on the earlier of (a) the date on which the Investor receives from the Company full repayment of the Principal Amount and any accrued interest under the Convertible Loan Note Agreement in cash upon written request by the Investor, in the event an event of default under the Convertible Loan Note Agreement occurs and such event of default is not waived or remedied within the remedy period (if any), or (b) the 4th anniversary of the date of issue of the Options, unless such date is a date on which the register of members is closed or is not a market day, in which event, such period shall end on the date prior to the closure of the register of members of the Company or immediate preceding market day (as the case may be (the “**Exercise Period**”).

At the expiry of the Exercise Period, the Options, if not exercised, shall lapse and cease to be valid for any purpose.

Further details of the principal terms of the Options are set out in section 5.2 of the Circular.

4.3.3 Other terms of the Options Agreement

The completion of the Proposed Grant of Options is subject to certain conditions precedent which include, *inter alia*, (a) approval from and entry into binding agreements with the Vessel Lenders in respect of the Debt Conversion, (b) consent from the Vessel Lenders to freeze the shortfall in Vessel Loans on 31 December 2020 and waive all interests and related charges after 31 December 2020 if the Debt Conversion is not completed by 31 December 2020, and (c) the completion of the Restructuring Exercise.

Pursuant to the Options Agreement, the Company and the Investor have also agreed on the minimum shareholding of the Investor (upon exercise of all the Options) in the Company. Further details on such minimum shareholding are set out in section 5.3 of the Circular.

In addition, the Investor has undertaken that it shall exercise Options constituting S\$1.5 million in principal amount at the Option Price to subscribe for such number of Option Shares (as determined by dividing S\$1.5 million by the Option Price) within 7 business days of the date falling on which all of the Mandatory Conversion Conditions has been satisfied or such other

date, provided that the Option Shares will be issued on the same date as the Conversion Shares (the “**Option Exercise Undertaking**”).

Further details of the other terms of the Options Agreement are set out in section 5.3 of the Circular.

4.3.4 Issue size

The number of Option Shares to be allotted and issued by the Company, pursuant to the full exercise of all Options, is 6,164,383,561 (based on the Option Price of S\$0.00146 and assuming no adjustments to the Option Price). The Option Shares represent approximately 109.7% of the existing share capital of the Company (excluding treasury shares) and 41.2% of the Enlarged Share Capital as at the Latest Practicable Date. Further details on the effects of the Proposed Transactions on the shareholding structure of the Company are set out in section 12 of the Circular.

4.3.5 Option Price

The Option Price of S\$0.00146 per Option Share represents a discount of approximately 27.0% to the VWAP of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company’s trading suspension on 2 September 2019.

The Option Price was mutually agreed between the Company and the Investor on a ‘willing-buyer, willing-seller’ basis, taking into consideration the following factors:

- (a) the Group’s financial performance and position for FY2019 and the then publicly available financial information of the Group;
- (b) the prolonged trading suspension since 2 September 2019;
- (c) changes in circumstances of the Group since the trading suspension, including, *inter alia*, the independent auditors’ disclaimer of opinion in respect of the Group’s financial statements for FY2019 on the Group’s ability to continue as a going concern;
- (d) the Group’s limited equity and/or debt fundraising options; and
- (e) the Conversion Price of the Conversion Shares.

4.3.6 Use of proceeds

The aggregate gross proceeds from the issuance of the Option Shares (assuming full exercise of all the Options) will be S\$9.0 million. No material expenses are expected to be incurred from the Proposed Grant of Options. As and when the Options are exercised, such proceeds shall be used by the Company as follows:

Use of proceeds	Percentage allocation
General working capital (and any potential investments in plant and equipment for expansion and enhancement of operational capacity)	100%

Pending the deployment for the uses identified above, the gross proceeds may be deposited with banks and/or financial institutions or invested in money market instruments and/or securities, or used for any other purpose on a short-term basis, as the Directors may in their absolute discretion deem fit.

The Company will make periodic announcements on the utilisation of the gross proceeds as and when such funds are materially disbursed and whether such use is in accordance with the stated use and percentage allocation. The Company will also provide a status report on the use

of proceeds in the Company's interim and full year financial statements issued under Rule 705 of the Listing Manual and its annual reports. Where the proceeds have been used for working capital purposes, the Company will disclose a breakdown with specific details on how such proceeds have been applied in the announcements and status reports. Where there is any material deviation from the stated use of the proceeds, the Company will announce the reasons for such deviation.

5. THE DEBT CONVERSION

5.1 Background and Rationale

In view of the Group's cashflow position which necessitates the proposals that require the Shareholders' approval at the EGM, the Company has been in discussions with the Vessel Lenders and the Investor in relation to the Vessel Loans and has since reached an agreement with the Vessel Lenders in respect of the settlement of the Group's outstanding debts under the Vessel Loans as at 31 December 2020 amounting to approximately S\$2,859,444 (the "**Vessel Loans Settlement**") comprising:

- (a) a sum of S\$1.0 million in cash to be paid by the Company to the Vessel Lenders on a *pari passu* basis in partial satisfaction of the amounts owing to the Vessel Lenders under the Vessel Loans, based on the agreed forecasted amounts owing as at 31 December 2020 (the "**Partial Cash Settlement**");
- (b) the Debt Conversion which comprises the Proposed Issue of Settlement Shares and the Proposed Issue of UOB Convertible Bonds; and
- (c) a freeze by the Vessel Lenders on the amounts outstanding under the Vessel Loans on 31 December 2020 and a waiver of all interests and related charges thereafter.⁶

The Directors are of the view that the Debt Conversion is beneficial to the Company and the Group as it will allow the Group to conserve cash and is part of the Vessel Loans Settlement which is vital for the Loan, the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options to be completed and implemented. This will in turn allow for certainty of funding resulting in the Company being able to strengthen its financial position, which is vital for the continuity of the Company as it will allow the Group to access funds to improve its cashflows, reduce its outstanding debt obligations and continue as a going concern.

5.2 The Proposed Issue of Settlement Shares

5.2.1 Introduction

Pursuant to the Vessel Loans Settlement, the agreed outstanding amounts owing by the Group to RHB and SIF under the RHB Loan and the SIF Loan as at 31 December 2020 is S\$651,216 (the "**RHB Loan Outstanding Amount**") and S\$926,362 (the "**SIF Loan Outstanding Amount**"), and shall be satisfied in full via the Partial Cash Settlement and the Proposed Issue of Settlement Shares.

In connection therewith, the Company had on 21 December 2020 entered into:

- (a) the RHB Agreement for (i) the allotment and issue of up to 241,985,142 Settlement Shares to RHB at the issue price of S\$0.00175 for each Settlement Share to capitalise the amount of S\$423,474 (the "**RHB Shares Settlement Amount**") under the RHB Loan Outstanding Amount; and (ii) the Partial Cash Settlement of S\$227,742 to be paid by the Company to RHB, as full and final settlement of the RHB Loan Outstanding Amount; and

⁶ Save for RHB, where such waiver is only applicable provided that the Debt Conversion is completed by 30 June 2021 (or such other date to be mutually agreed in writing between RHB and the Company).

- (b) the SIF Agreement for (i) the allotment and issue of up to 344,226,285 Settlement Shares to SIF at the issue price of S\$0.00175 for each Settlement Share to capitalise the amount of S\$602,396 (the “**SIF Shares Settlement Amount**”) under the SIF Loan Outstanding Amount; and (ii) the Partial Cash Settlement of S\$323,966 to be paid by the Company to SIF, as full and final settlement of the SIF Loan Outstanding Amount.

5.2.2 Information on RHB and SIF

As at the Latest Practicable Date, RHB and SIF holds 280,903,297 Shares and 118,555,561 Shares, representing approximately 4.999% and 2.11% of the total issued and paid-up share capital of the Company respectively.

Further details of RHB and SIF are set out in sections 6.2 and 6.3 of the Circular.

5.2.3 The Settlement Shares

The RHB Shares Settlement Amount and the SIF Shares Settlement Amount shall be satisfied via the allotment and issue of up to 241,985,142 Settlement Shares to RHB and 344,226,285 Settlement Shares to SIF respectively, at the issue price of S\$0.00175 per Settlement Share.

The issue price of S\$0.00175 per Settlement Share represents a discount of approximately 12.5% to the VWAP of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company’s trading suspension on 2 September 2019. The issue price was mutually agreed between the Company and RHB and SIF on a ‘willing-buyer, willing-seller’ basis, with reference to the last traded price of the Shares, the Conversion Price and the Option Price. The issue price of S\$0.00175 is higher than the Conversion Price and the Option Price as the Conversion Shares and the Option Shares are injections of fresh equity capital by the Investor into the Company.

The Settlement Shares, when allotted and issued, are duly authorised, validly issued and credited as fully paid-up, free from any and all encumbrances, listed and tradable on the SGX-ST and rank *pari passu* with all other existing Shares of the Company, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of such Shares.

5.2.4 Issue size

The number of Settlement Shares to be allotted and issued by the Company to RHB is up to 241,985,142, representing approximately 4.3% of the existing share capital of the Company (excluding treasury shares) and 1.6% of the Enlarged Share Capital as at the Latest Practicable Date.

The number of Settlement Shares to be allotted and issued by the Company to SIF is up to 344,226,285, representing approximately 6.1% of the existing share capital of the Company (excluding treasury shares) and 2.3% of the Enlarged Share Capital as at the Latest Practicable Date.

Further details on the effects of the Proposed Transactions on the shareholding structure of the Company are set out in section 12 of the Circular.

5.2.5 Conditions precedent

The conditions precedent for the completion of the Proposed Issue of Settlement Shares include, *inter alia*, the Company obtaining the Shareholders’ approval at the EGM for, amongst others, the Proposed Issue of Settlement Shares. Further details on the conditions precedent for the Proposed Issue of Settlement Shares are set out in sections 6.2.3 and 6.3.3 of the Circular.

5.3 The Proposed Issue of UOB Convertible Bonds

5.3.1 Introduction

Pursuant to the Vessel Loans Settlement, the agreed outstanding amount owing by the Group to UOB under the UOB Loan as at 31 December 2020 is S\$1,281,866 (the “**UOB Loan Outstanding Amount**”), which shall be satisfied via the Partial Cash Settlement and the Proposed Issue of UOB Convertible Bonds.

In connection therewith, the Company had on 21 December 2020 entered into the UOB Agreement for (a) the issue of the UOB Convertible Bonds, which shall be reconstituted from the amount of S\$833,574 under the UOB Loan Outstanding Amount (the “**UOB CB Settlement Amount**”), and (b) the Partial Cash Settlement of S\$448,292 to be paid by the Company to UOB, as full and final settlement of the UOB Loan Outstanding Amount.

5.3.2 Information on UOB

As at the Latest Practicable Date, UOB holds 1,610,543,486 Shares representing approximately 28.66% of the total issued and paid-up share capital of the Company. Further details of UOB is set out in section 6.4 of the Circular.

5.3.3 Principal terms of the UOB Convertible Bonds

The principal terms of the UOB Convertible Bonds are summarised as follows:

Principal amount	: S\$833,574
Expiry date	: 3 years from the Completion Date
Interest rate	: Nil
Status and transferability	: The UOB Convertible Bonds constitute senior, direct, unsubordinated, unconditional and unsecured obligations of the Company and will at all times rank <i>pari passu</i> among themselves and without any preference or priority among themselves. The UOB Convertible Bonds are unlisted and non-transferable.
Conversion Price	: S\$0.00175 for each UOB Conversion Share
Conversion Right	: <u>Optional conversion</u>

UOB shall have the option to convert all or any part of the principal amount of the UOB Convertible Bonds, at any time after the Completion Date and prior to the expiry date of the UOB Convertible Bonds (being 3 years from the Completion Date) (the “**UOB Expiry Date**”), into UOB Conversion Shares (the “**UOB Optional Conversion Right**”).

Mandatory conversion

Any outstanding amounts of the UOB Convertible Bonds (which has not been converted pursuant to the UOB Optional Conversion Right or cancelled pursuant to an Adjustment Event (as defined herein) as at the UOB Expiry Date shall be mandatorily converted, and UOB shall be deemed to have converted such amount of the UOB Convertible Bonds into

UOB Conversion Shares, with the conversion date being the UOB Expiry Date.

Conversion Shares : The number of UOB Conversion Shares to be issued upon the exercise of a conversion right will be determined by dividing the relevant amount of the UOB Convertible Bonds by the UOB Conversion Price, rounded down to the nearest whole number. Fractions of UOB Conversion Shares will not be issued and no cash adjustments will be made in respect thereof.

Based on the UOB Conversion Price of S\$0.00175, the maximum number of UOB Conversion Shares to be issued to the UOB is 476,328,000.

Adjustments : In the event that Arkstar Voyager Pte Ltd ("**AVPL**") recovers any amount of the receivables under the vessel charter (the "**Adjustment Event**") between AVPL and Makamin Offshore Saudi Ltd, which is outstanding and payable to AVPL (the "**Vessel Charter Receivables**"), the Company shall promptly reduce the amount of the outstanding UOB Convertible Bonds by the amount of recovered Vessel Charter Receivables (converted at the prevailing exchange rate of US\$:S\$, as reflected on Bloomberg L.P. on the date of such adjustment event).

In the event that the Vessel Charter Receivables are equivalent to or exceeds the principal amount of the UOB Convertible Bonds (or such outstanding amount of the UOB Convertible Bonds on the date of such adjustment event), the UOB Convertible Bonds shall be fully cancelled.

As at the Latest Practicable Date, pursuant to written confirmation from UOB to the Company that it no longer has any intention to recover the Vessel Charter Receivables through AVPL and the assessment by the Company that the recovery of such Vessel Charter Receivables is remote, AVPL, together with the other vessel chartering companies⁷ are being liquidated, as announced by the Company on 29 and 30 December 2020 and 19 April 2021.

5.3.4 UOB Conversion Price

The UOB Conversion Price of S\$0.00175 per UOB Conversion Share represents a discount of approximately 12.5% to the VWAP of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company's trading suspension on 2 September 2019. The UOB Conversion Price was mutually agreed between the Company and UOB on a 'willing-buyer, willing-seller' basis, with reference to the last traded price of the Shares, the Conversion Price and the Option Price. The UOB Conversion Price is higher than the Conversion Price and the Option Price as the Conversion Shares and the Option Shares are injections of fresh equity capital by the Investor into the Company.

⁷

Refers to (a) Arkstar Offshore Pte Ltd, (b) Arkstar Voyager Pte Ltd, (c) Arkstar Energy Pte Ltd, (d) Arkstar Unicorn Pte Ltd, (e) Arkstar Eagle 3 Pte Ltd, (f) Markstar Marine Sdn. Bhd., and (g) Polaris Ship Management Pte. Ltd.

5.3.5 Issue size

The maximum number of UOB Conversion Shares to be allotted and issued by the Company to UOB upon conversion of the UOB Convertible Bonds is 476,328,000, representing approximately 8.5% of the existing share capital of the Company (excluding treasury shares) and 3.2% of the Enlarged Share Capital as at the Latest Practicable Date. Further details on the effects of the Proposed Transactions on the shareholding structure of the Company are set out in section 12 of the Circular.

5.3.6 Conditions precedent

The completion of the Proposed Issue of UOB Convertible Bonds is conditional upon, *inter alia*, the Company obtaining the Shareholders' approval at the EGM for, amongst others, the Proposed Issue of UOB Convertible Bonds. Further details on the conditions precedent for the Proposed Issue of UOB Convertible Bonds are set out in section 6.4.4 of the Circular.

6. THE PROPOSED ISSUE OF REMUNERATION SHARES

6.1 Background and Rationale

Pursuant to his service agreement with the Company, Mr. Liew (the Executive Chairman and Chief Executive Officer of the Company) is entitled to receive a fixed basic salary comprising a portion payable in cash and a portion payable in Shares. The allotment and issuance of Shares as part of Mr. Liew's remuneration is subject to Shareholders' approval. The Company's proposed resolution to allot and issue Shares to Mr. Liew as part of his remuneration for the period from 23 October 2019 to 31 December 2019 was not passed during the Company's annual general meeting for FY2019 held on 24 June 2020. No resolution was tabled during the Company's annual general meeting for FY2020 held on 29 April 2021 to allot and issue Shares to Mr. Liew as part of his remuneration for the period from 1 January 2020 to 31 December 2020.

Accordingly, the Company is proposing to issue 65,391,302 Remuneration Shares to Mr. Liew at an issue price of S\$0.00175 for each Remuneration Share, in satisfaction of the portion of Mr. Liew's remuneration for the period from 23 October 2019 to 31 December 2020 payable in Shares, amounting to S\$114,434.78.

6.2 The Remuneration Shares

The issue price of S\$0.00175 per Remuneration Share represents a discount of approximately 12.5% to the VWAP of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company's trading suspension on 2 September 2019. The issue price was mutually agreed between the Company and Mr. Liew on a 'willing-buyer, willing-seller' basis, to be the same as the issue price of the Settlement Shares and the UOB Conversion Price.

The Remuneration Shares, when allotted and issued, are duly authorised, validly issued and credited as fully paid-up, free from any and all encumbrances, listed and tradable on the SGX-ST and rank *pari passu* with all other existing Shares of the Company, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of such Shares.

6.3 Issue Size

The number of Remuneration Shares to be allotted and issued by the Company is 65,391,302, representing approximately 1.2% of the existing share capital of the Company (excluding treasury shares) and 0.4% of the Enlarged Share Capital as at the Latest Practicable Date. Further details on the effects of the Proposed Transactions on the shareholding structure of the Company are set out in section 12 of the Circular.

6.4 Sale of the Remuneration Shares

In compliance with the requirement for the Company to maintain a public float of 10% pursuant to Rule 723 of the Listing Manual, Mr. Liew has agreed to sell, and will direct the Company to issue, the Remuneration Shares to Mr. Lee Tiam Nam ("**Mr. Lee**"). Mr. Lee is the executive chairman of Grand Venture Technology Limited, a Catalist-listed company, where Mr. Liew is the lead independent director. Save as disclosed in the Circular, Mr. Lee has confirmed to the Company that he is not related to the Investor, the Group, the Directors, the substantial Shareholders of the Company or their respective associates. Mr. Lee does not belong to any of the categories of persons under Rule 812 of the Listing Manual.

7. THE PROPOSED WHITEWASH RESOLUTION

Pursuant to Rule 14.1 of the Code, except with the SIC's consent, where any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company, such person will be required to make a mandatory general offer for all the shares not already owned or controlled by them.

As at the Latest Practicable Date, the Investor and its concert parties do not own any Shares. Upon completion of the Proposed Transactions, assuming the conversion of the Convertible Loan Note and the exercise of all the Options by the Investor (and after the issue and allotment on a maximum basis of the Settlement Shares, the UOB Conversion Shares and the Remuneration Shares), the Investor will hold 8,219,178,081 Shares representing approximately 54.92% of the Enlarged Share Capital. Accordingly, the Investor will be required under the Code to make a mandatory general offer for the Shares not already owned or controlled by the Investor and its concert parties pursuant to Rule 14.1 of the Code, unless such obligation is waived by the SIC and the Proposed Whitewash Resolution is approved by the Independent Shareholders at the EGM.

As there is no intention to trigger a mandatory take-over obligation under the Code arising from the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options, an application was made to the SIC for a waiver of the obligations of the Investor to make a mandatory general offer for the Shares under Rule 14.1 of the Code as a result of the allotment and issuance of (a) the Conversion Shares pursuant to the conversion of the Convertible Loan Note, and (b) the Option Shares pursuant to the exercise of all Options to the Investor.

The SIC had on 11 May 2021 granted the Whitewash Waiver subject to, among others, the satisfaction of the following conditions (collectively, the "**SIC Conditions**"):

- (a) a majority of holders of voting rights of the Company approve at the EGM, before the issue of the Convertible Loan Note and the Options to the Investor, the Proposed Whitewash Resolution by way of a poll;
- (b) the Proposed Whitewash Resolution is separate from other resolutions to be tabled at the EGM; and
- (c) the Investor, parties acting in concert with it and parties not independent of them, abstain from voting on the Proposed Whitewash Resolution.

As at the Latest Practicable Date, save for the condition regarding the approval by the Independent Shareholders of the Proposed Whitewash Resolution, all of the other SIC Conditions have been satisfied.

The Independent Shareholders are requested to vote, by way of a poll, on the Proposed Whitewash Resolution set out as an ordinary resolution in the Notice of EGM, waiving their rights to receive a general offer from the Investor for the remaining Shares not already owned or controlled by the Investor or its concert parties.

The Independent Shareholders should note that:

- (a) by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive a mandatory general offer from the Investor for the Shares at the highest price paid by the Investor and its concert parties for the Shares in the 6 months preceding the commencement of the offer period;
- (b) by voting in favour of the Proposed Whitewash Resolution, they could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Convertible Loan Note and the Options;
- (c) approval of the Proposed Whitewash Resolution is a condition precedent to completion of the Proposed Investor Transactions. Accordingly, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Investor Transactions will not take place; and
- (d) the Proposed Issue of Convertible Loan Note (assuming the conversion of the Convertible Loan Note by the Investor) and the Proposed Grant of Options (assuming the exercise of all the Options by the Investor) will result in the Investor and its concert parties holding in aggregate Shares carrying over 49.0% of the voting rights of the Company, and that either of them will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a mandatory general offer.

8. EVALUATION OF THE PROPOSED WHITEWASH RESOLUTION

In our evaluation of the Proposed Whitewash Resolution, we have considered the following factors which we consider to be pertinent and have a significant bearing on our assessment:

- (a) the rationale for the Proposed Investor Transactions;
- (b) the historical financial performance of the Group;
- (c) the net asset value ("**NAV**") and adjusted NAV of the Group;
- (d) the historical trailing price-to-NAV ("**P/NAV**") multiples of the Shares;
- (e) the historical market price performance and trading activity of the Shares;
- (f) the valuation ratios of selected companies listed on The Stock Exchange of Hong Kong Limited (the "**HKEx**"), Korea Exchange (the "**KRX**") and Bursa Malaysia which nature of principal business is broadly comparable to that of the Group;
- (g) the precedent transactions involving the issue of convertible loans/securities by companies listed on the SGX-ST;
- (h) a comparison of the Convertible Loan Note with the Group's existing SGD loans prior to the Proposed Transactions;
- (i) the financial effects of the Proposed Transactions; and
- (j) other relevant considerations.

8.1 Rationale for the Proposed Investor Transactions

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Transactions or the future prospects of the Group after the completion of the Proposed Transactions.

Nevertheless, we have reviewed the rationale for the Proposed Investor Transactions as set out in section 3 of the Circular, and the salient points are summarised as follows:

- (a) the Company is of the view that the investment by the Investor through the Proposed Investor Transactions is beneficial to the Company and the Group as the Proposed Investor Transactions, if completed, will allow for certainty of funding resulting in the Company being able to strengthen its financial position, which is vital for the continuity of the Company as it will allow the Group to access funds to improve its cashflows, reduce its outstanding debt obligations and continue as a going concern; and
- (b) specifically, (i) the Loan will allow for the Group to have access to interim funding required for its working capital, pending the completion of the Proposed Investor Transactions, (ii) the Convertible Loan Note when issued to the Investor upon completion of the Proposed Investor Transactions will provide the Group with the necessary funds to restructure its existing equipment parts business and fund its operations, and (iii) the Options will allow the Group to have access to additional funds as and when the Investor exercises its Options in accordance with the terms of the Options Agreement.

8.2 Historical Financial Performance of the Group

A summary of the audited financial statements of the Group for the last 3 financial years ended 31 December 2018 (“FY2018”), 31 December 2019 (“FY2019”) and 31 December 2020 (“FY2020”), as well as the unaudited financial statements of the Group for the 3-month financial periods ended 31 March 2020 (“3M2020”) and 31 March 2021 (“3M2021”) is set out below:

Consolidated statements of comprehensive income

(S\$'000)	----- Audited -----			----- Unaudited -----	
	FY2018 ⁽¹⁾	FY2019 (restated) ⁽²⁾	FY2020	3M2020	3M2021
Continuing operations					
Revenue	72,386	53,241	43,168	10,485	10,211
Profit/(Loss) before income tax	8,883	(2,244)	(767)	648	(547)
Net profit/(loss) attributable to owners of the Company	8,993	(2,511)	(950)	712	(526)
Discontinued operations					
Net profit/(loss) attributable to owners of the Company	-	(14,370)	3,036	(758)	18

Source: Company's annual reports for FY2019 and FY2020, and the Group's unaudited financial statements for 3M2021

Notes:

- (1) Based on the financial statements in the Company's annual report for FY2019 which comprised the financials of the vessel chartering segment that was divested in FY2020.
- (2) In FY2020, the Group sold all of its vessels pertaining to the vessel chartering segment. Accordingly, the comparative statement of profit or loss in FY2019 was re-presented to show the discontinued operation separately from the continuing operations.

The Group's revenue amounted to approximately S\$72.4 million, S\$53.2 million, S\$43.2 million, S\$10.5 million and S\$10.2 million in FY2018, FY2019 and FY2020, 3M2020 and 3M2021 respectively. Save for the Group's net profits attributable to owners of the Company from continuing operations of approximately S\$9.0 million and S\$0.7 million in FY2018 and 3M2020 respectively, the Group recorded net losses attributable to owners of the Company from continuing operations of approximately S\$2.5 million, S\$1.0 million and S\$0.5 million in FY2019, FY2020 and 3M2021 respectively.

In respect of FY2020:

- (a) the Group's revenue decreased by approximately S\$10.1 million or 18.9% from approximately S\$53.2 million in FY2019 to approximately S\$43.2 million in FY2020 mainly due to a slowdown in the global economy as a result of the Covid-19 lockdown measures;
- (b) the Group recorded a decrease in net loss attributable to owners of the Company from continuing operations of approximately S\$1.6 million or 62.2% from approximately S\$2.5 million in FY2019 to approximately S\$1.0 million in FY2020 mainly due to (i) an increase in other income largely due to the receipt of government grant income in relation to the Covid-19 relief measures, (ii) a decrease in distribution expenses largely due to a decrease in advertising costs, sales commissions, travelling and packing and delivery expenses as a result of the decrease in operations, (iii) a decrease in administrative expenses largely due to a reduction in salaries and related costs as a result of a reduction in headcount in the equipment parts segment as well as a reduction in the Directors' remuneration following the resignation of certain executive directors of the Company in October 2019, and the decrease in such expenses was partially offset by an increase in legal and professional fees, (iv) a decrease in other expenses largely due to a lower loss on deconsolidation of subsidiaries as well as the recognition of foreign currency exchange gains in FY2020, which were partially offset by an increase in repair and maintenance expenses largely due to additional allowance for reinstatement costs, and (v) a decrease in finance costs largely due to a reduced utilisation of invoicing financing loans in view of the decrease in operations and a decrease in interest rates for certain bank borrowings; and
- (c) excluding the non-recurring government grant income in relation to the Covid-19 relief measures of approximately S\$0.9 million, the Group would have recorded a loss before income tax of approximately S\$1.7 million in FY2020.

In respect of 3M2021:

- (a) the Group's revenue decreased by approximately S\$0.3 million or 2.6% from approximately S\$10.5 million in 3M2020 to approximately S\$10.2 million in 3M2021 as the business in Australia had not picked up due to the mining industry still recovering from the adverse impact of Covid-19, despite the slight improvement of revenue derived from the sales of products in certain markets including the United States of America;
- (b) the Group recorded a net loss attributable to owners of the Company from continuing operations of approximately S\$0.5 million in 3M2021 *vis-à-vis* a net profit attributable to owners of the Company from continuing operations of approximately S\$0.7 million in 3M2020 mainly due to (i) an increase in distribution expenses largely due to an increase in freight costs, and (ii) an increase in administrative expenses largely due to legal and professional fees in relation to the ongoing funding and debt conversion exercise, which were partially offset by (i) lower foreign exchange gain and lower reversal of allowance for impairment of inventories, (ii) an increase in other income primarily due to the government grant income in relation to Covid-19 relief measures, and (iii) a decrease in finance costs largely due to reduced bank borrowings following the principal repayments made since the end of 3M2020 and a decrease in interest rates for certain bank borrowings; and

- (c) excluding the non-recurring government grant income in relation to the Covid-19 relief measures of approximately S\$88,000, the Group would have recorded a loss before income tax of approximately S\$0.5 million in 3M2021.

Consolidated statements of cash flows

(S\$'000)	----- Audited -----			----- Unaudited -----	
	FY2018	FY2019	FY2020	3M2020	3M2021
Net cash generated/(used in) from operating activities	2,538	6,186	2,682	2,352	(806)
Net cash (used in)/generated from investing activities	(938)	(999)	9,913	2,237	-
Net cash generated from/(used in) financing activities	336	(6,121)	(11,407)	(5,450)	(122)
Net increase/(decrease) in cash and cash equivalents	1,936	(934)	1,188	(861)	(928)
Cash and cash equivalents at end of year/period	3,264	2,499	3,105	1,441	1,960

Source: Company's annual reports for FY2019 and FY2020, and the Group's unaudited financial statements for 3M2021

Save for 3M2021 where the Group recorded net cash used in operating activities of approximately S\$0.8 million, the Group's net cash generated from operating activities ranged from approximately S\$2.4 million to S\$6.2 million in each of FY2018, FY2019, FY2020 and 3M2020.

In respect of FY2020, the Group recorded (a) net cash generated from operating activities of approximately S\$2.7 million mainly due to the changes in working capital of approximately S\$2.9 million as a result of a decrease in inventories and trade and other receivables which was offset by a decrease in trade and other payables, (b) net cash generated from investing activities of approximately S\$9.9 million mainly due to proceeds from the disposal of discontinued operations as the Group sold all of its vessels pertaining to its vessel chartering segment, and (c) net cash used in financing activities of approximately S\$11.4 million mainly due to net repayment of interest-bearing borrowings (largely in relation to vessel loans). Taking into account (i) the cash and cash equivalents at the beginning of FY2020 of approximately S\$2.5 million, (ii) the net increase in cash and cash equivalents of approximately S\$1.2 million, and (iii) the negative effect of exchange rate fluctuations of approximately S\$0.6 million, the Group's cash and cash equivalents amounted to approximately S\$3.1 million as at 31 December 2020.

In respect of 3M2021, the Group recorded (a) net cash used in operating activities of approximately S\$0.8 million due to operating cash outflows of approximately S\$0.4 million and the changes in working capital of approximately S\$0.4 million as a result of a decrease in trade and other payables which was offset by decreases in inventories and trade and other receivables, and (b) net cash used in financing activities of approximately S\$0.1 million due to payment of interest and lease liabilities and net repayment of bank borrowings, which were offset by net proceeds from bills payable and trust receipts. Taking into account (i) the cash and cash equivalents at the beginning of 3M2021 of approximately S\$3.1 million, (ii) the net decrease in cash and cash equivalents of approximately S\$0.9 million, and (iii) the negative

effect of exchange rate fluctuations of approximately S\$0.2 million, the Group's cash and cash equivalents amounted to approximately S\$2.0 million as at 31 March 2021.

Prior to the announcement of the Term Sheet, the Company had on 1 November 2019 announced the appointment of RSM Corporate Advisory Pte Ltd ("**RSM**") to assist the Group in a strategic review of its existing businesses and in the formulation of plans to improve its financial position and/or performance. As disclosed in the Company's annual report for FY2020, the Group had ceased its vessel chartering business following the completion of the vessel sales in FY2020 to shift its focus to grow the Group's core equipment parts business. As the global Covid-19 situation remains fluid, the Group continues to, *inter alia*, reduce risks and strengthen revenue streams, pursue cost management measures and will also explore additional means to shore up liquidity as necessary.

Material uncertainty related to going concern

The auditors of the Company, KPMG LLP, had included an emphasis of matter in the Independent Auditors' Report on the Group's audited financial statements for FY2020 in respect of the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as a going concern, the full text of which has been reproduced in italics below. Nonetheless, the audit opinion in the Independent Auditors' Report remains unqualified.

"Material uncertainty related to going concern

We draw attention to Note 2 to the financial statements which indicates that the Group has outstanding current loan and borrowing obligations of \$11,519,000, of which \$4,897,000 can be called upon on demand basis due to breaches in certain loan covenants. As further described in Notes 2 and 23, the directors of the Company have put in place fund raising and debt conversion plans (the "restructuring plans") to improve the liquidity and financial position of the Group and Company. Such restructuring plans, however, are dependent on regulatory and shareholders' approval; and the continuing financial support from lenders is also dependent on the successful completion of these restructuring plans. Such conditions indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and the Company to continue as a going concern. The financial statements do not include any adjustments that would result from a failure to obtain the necessary approvals to complete the restructuring plans. Our opinion is not modified in respect of this matter."

Notwithstanding that the Group has outstanding current loan and borrowing obligations of approximately S\$11.5 million (with approximately S\$4.9 million due for immediate repayment when called upon as a result of certain breaches of loan covenants), the Group's financial statements for FY2020 had been prepared on a going concern basis. In assessing the validity of the continuing use of the going concern assumption, the Directors had considered (a) the fund-raising under the Proposed Investor Transactions, (b) the Debt Conversion, (c) the expected positive cash flows to be generated from the Group's continuing operations for the next 12 months from the date of authorisation of the FY2020 financial statements (including the assumption that the existing credit facilities will be made available to the Group), and (d) the proposed disposal of a freehold property located in Johor Bahru, Malaysia (the "**Malaysia Property**") with the sale proceeds to be used for the repayment of the Group's external bank loans.⁸

As disclosed in the Company's annual report for FY2020, the Directors acknowledge that both the Proposed Investor Transactions and the Debt Conversion, whose success is key in securing the continuing financial support from lenders, are subject to regulatory and shareholders' approval (which approvals are not likely to be withheld) and if the Company is unsuccessful in obtaining the relevant approvals (including the Shareholders' approval at the EGM) to meet its debt obligations, these conditions would indicate that a material uncertainty exists that may cast

⁸ As disclosed in the Company's annual report for FY2020, amid the Covid-19 pandemic, the timing and sale value of the Malaysia Property cannot be reliably established as at the date of the report.

significant doubt on the Group and the Company's ability to continue as a going concern. If for any reason the Group and the Company are unable to continue as a going concern, it could have an impact on the Group's and Company's classification of assets and liabilities and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

In response to the Shareholders' questions as announced by the Company on the SGXNet on 28 April 2021, the immediate concern of the Management is to improve the Company's liquidity and financial position, and the success in the Proposed Investor Transactions and the Debt Conversion would then enable the Company to enter the next phase of growth, focusing on the equipment parts business. In addition to growing organically, the Company may consider expanding its business through acquisitions, joint ventures or strategic alliances with parties who create synergistic values with the Group's existing business to strengthen its market position, expand its network as well as expand into new businesses complementary to the existing business.

As set out in section 3 of the Circular, the Directors are of the opinion that, as of the Latest Practicable Date, the working capital available to the Group would be sufficient to meet its present requirements and the Company will be able to operate on a going concern after taking into consideration the Proposed Investor Transactions and the proceeds therefrom, the Debt Conversion and its present banking facilities.

As the Company was unable to reasonably assess its then financial position, the Company had requested a voluntary trading suspension of the Shares on 2 September 2019 pursuant to Rule 1303(3) of the Listing Manual. As at the Latest Practicable Date, the trading of the Shares remained suspended. Further details of the trading suspension of the Shares are set out in paragraph 8.5 of this Letter.

8.3 NAV and Adjusted NAV of the Group

8.3.1 NAV of the Group

The NAV of a group refers to the aggregate value of all the assets in their existing condition, net of any non-controlling interests and all the liabilities of the group. The NAV approach may provide an estimate of the value of a group assuming the hypothetical sale of all its assets over a reasonable period of time, the proceeds of which would be first used to settle the liabilities of the group with the balance available for distribution to its shareholders. Therefore, the net assets of a group are perceived as providing support for the value of the shareholders' equity.

A summary of the latest unaudited financial position of the Group as at 31 March 2021 is set out below:

	Unaudited 31 March 2021 (S\$'000)
Assets:	
Non-current assets	
Property, plant and equipment	10,068
Deferred tax assets	773
Total non-current assets	10,841
Current assets	
Inventories	17,594
Trade and other receivables	9,978
Cash and cash equivalents	1,960

	Unaudited 31 March 2021 (S\$'000)
Total current assets	29,532
Total assets	40,373
Liabilities:	
Non-current liabilities	
Loans and borrowings	5,539
Deferred tax liabilities	20
Total non-current liabilities	5,559
Current liabilities	
Trade and other payables	9,844
Loans and borrowings	11,906
Other provision	3,588
Income tax payable	113
Total current liabilities	25,451
Total liabilities	31,010
Equity:	
Share capital	114,461
Treasury shares	(55)
Currency translation reserve	(233)
Accumulated losses	(104,810)
Total equity	9,363
Total liabilities and equity	40,373
Number of issued Shares as at 31 March 2021	5,619,432,579
NAV per Share (S\$)	0.00167
Discount of Conversion Price and Option Price to NAV per Share	(12.6)%
P/NAV ratio as implied by Conversion Price and Option Price	0.87 times

Source: Unaudited financial statements of the Group for 3M2021

We note the following:

- (a) the Group recorded a net debt position (excluding lease liabilities) of approximately S\$14.4 million as at 31 March 2021. As set out in the Group's unaudited financial statements for 3M2021, the Group had breached certain covenants on its consolidated tangible net worth and debt-to-equity ratio as stipulated under the bank facilities agreements and, consequently, bank loans aggregating to approximately S\$2.7 million as at 31 March 2021 had been reclassified from non-current liabilities to current liabilities; and
- (b) the Group's NAV amounted to approximately S\$9.4 million or S\$0.00167 per Share (based on 5,619,432,579 issued Shares) as at 31 March 2021. Accordingly, the Conversion Price and the Option Price represent a discount of approximately 12.6% to

the NAV per Share as at 31 March 2021, and would value the Group at a P/NAV ratio of 0.87 times.

8.3.2 Adjusted NAV of the Group

As at the Latest Practicable Date, the Company's wholly-owned subsidiaries (namely, Arkstar Offshore Pte Ltd, Arkstar Voyager Pte Ltd and Arkstar Unicorn Pte Ltd) involved in the Group's vessel chartering business (the "**Vessel Subsidiaries**") have been placed under creditors' voluntary liquidation following the disposal of all the vessels (the "**Liquidation**"). Taking into consideration the estimated resultant gains on deconsolidation of the Vessel Subsidiaries of approximately S\$1.0 million, the NAV of the Group as at 31 March 2021 would be approximately S\$10.4 million or S\$0.00184 per Share (the "**Adjusted NAV**"). Accordingly, the Conversion Price and the Option Price of S\$0.00146 represent a discount of approximately 20.7% to the Adjusted NAV per Share as at 31 March 2021, and would value the Group at a price-to-Adjusted NAV ("**P/Adjusted NAV**") ratio of 0.79 times.

We would highlight that prior to the Term Sheet Announcement Date, the Group's then latest-available NAV as at 30 June 2020 (as adjusted for the estimated net gain on disposal of the Group's vessel, Arkstar Unicorn, which was completed in October 2020) amounted to approximately S\$9.2 million or S\$0.00163 per Share, and the Conversion Price and the Option Price had represented a discount of approximately 10.4% to such NAV per Share as at 30 June 2020, thereby valuing the Group at a P/NAV ratio of 0.90 times.

We also understand from the Management that the Company intends to dispose of the Malaysia Property (the "**Intended Property Disposal**"). The Malaysia Property is stated at cost which includes capitalised borrowing costs less accumulated depreciation, and accounted for approximately 1.6% of the Group's total assets as at 31 March 2021. In the event that such disposal were to crystallise and depending on the final sale consideration (if any) of the Malaysia Property, the Intended Property Disposal may have an impact on the Group's financial position. As the Company has not received any reasonable offer for the Malaysia Property as at the Latest Practicable Date, no adjustment has been made to the NAV of the Group in this regard.⁹

We understand that the Company has existing on-going litigations filed by Auspicious Journey Sdn Bhd and Tan Sri Halim bin Saad (collectively, the "**Existing Litigations**") which may potentially have an impact on the Group's financial position in the event that the Group is required to pay damages to the respective plaintiffs. As the Existing Litigations are still on-going as at the Latest Practicable Date, no adjustment has been made to the NAV of the Group in this regard.

Shareholders should note that the above NAV analyses provide an estimate of the value of the Group based on a hypothetical sale of its net assets at their book values as at 31 March 2021, and such hypothetical scenario is assumed without considering factors such as, *inter alia*, time value of money, market conditions, legal and professional fees, liquidation costs, taxes, contractual obligations, regulatory requirements and availability of potential buyers, which would theoretically lower the NAV that can be realised. While the asset base of the Group can be a basis for valuation, such a valuation does not necessarily imply a realisable market value as the market values of the assets and liabilities may vary depending on, *inter alia*, prevailing market and economic conditions.

⁹ Solely for illustrative purposes, we understand from the Company that based on estimates to the best of the Management's knowledge and belief as at the Latest Practicable Date, the Company may record an estimated net gain on disposal of approximately S\$2.6 million in the event that the Malaysia Property were to be disposed of, and the NAV of the Group as at 31 March 2021 would increase to approximately S\$12.0 million or S\$0.00213 per Share. Accordingly, the Conversion Price and the Option Price of S\$0.00146 would represent a significant discount of approximately 31.5% to such NAV per Share as at 31 March 2021, and would value the Group at a price-to-NAV ratio of 0.69 times. However, it should be noted that (a) there is no certainty that the Malaysia Property will eventually be disposed of successfully as the Company has not received any reasonable offers for the Malaysia Property as at the Latest Practicable Date, or (b) the eventual sale consideration, if any, for the Malaysia Property may be higher or lower than the amount estimated by the Management.

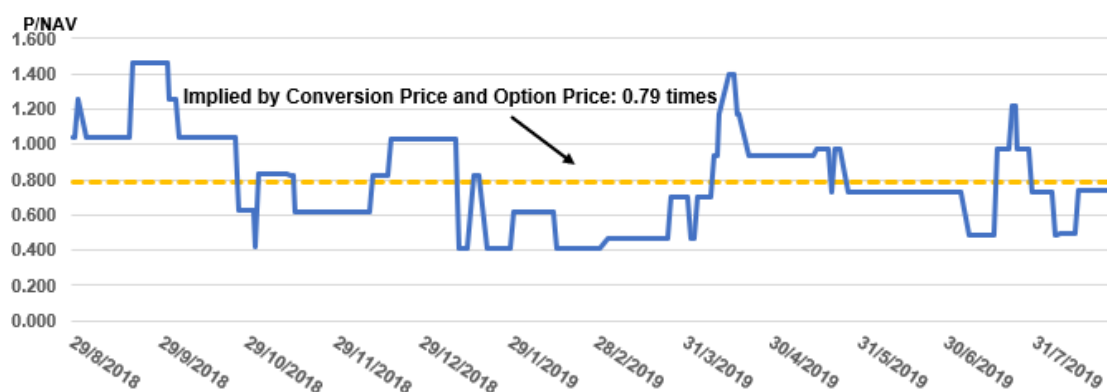
In our evaluation of the Proposed Whitewash Resolution, we have also considered whether there are any assets (excluding those that are used in the Group's ordinary course of business and are not intended to be disposed of) which values may be materially different from those recorded in the statement of financial position of the Group as at 31 March 2021 and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group or announced by the Company that are likely to have a material impact on the NAV of the Group as at 31 March 2021.

In respect of the above, the Directors have confirmed that as at the Latest Practicable Date and to the best of their knowledge and belief:

- (a) save for the Liquidation and the Intended Property Disposal, there are no such assets which values as at the Latest Practicable Date may be materially different from their respective book values as at 31 March 2021;
- (b) there are no other contingent liabilities, bad or doubtful debts, impairment losses or material events which would likely have a material impact on the NAV of the Group as at 31 March 2021;
- (c) save for the Existing Litigations, there are no litigation, claim or proceedings pending or threatened against the Company or the Group or likely to give rise to any proceedings which might materially and adversely affect the financial position of the Company and/or the Group as at 31 March 2021;
- (d) there are no other intangible assets 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, that would have had a material impact on the overall financial position of the Group as at 31 March 2021;
- (e) save for the Liquidation and the Intended Property Disposal, there are no material acquisitions or disposals of assets by the Group between 31 March 2021 and the Latest Practicable Date, and the Group does not have any definite 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; and
- (f) save for the Liquidation, the Intended Property Disposal and the Existing Litigations, they are not aware of any circumstances which may cause the NAV of the Group as at the Latest Practicable Date to be materially different from that recorded in the unaudited statement of financial position of the Group as at 31 March 2021.

8.4 Historical Trailing P/NAV Multiples of the Shares

We have compared the P/Adjusted NAV multiple of the Shares as implied by the Conversion Price and the Option Price *vis-à-vis* the historical trailing P/NAV multiples of the Shares (based on the daily closing prices of the Shares and the Group's trailing announced NAV per Share) for the one-year period between 29 August 2018 and 28 August 2019 (the "**Last Trading Day**"), being the last market day immediately prior to the trading halt of the Shares (further details of which are set out in paragraph 8.5 of this Letter):



Source: Thomson Reuters Eikon, the Company's announcements on the SGXNET and NCF's calculations

We set out below the historical trailing P/NAV multiples of the Shares for the one-year period prior to and including the Last Trading Day:

	Average (times)	Maximum (times)	Minimum (times)
One-year	0.82	1.46	0.41
6-month	0.83	1.40	0.47
3-month	0.74	1.22	0.49
One-month	0.64	0.98	0.49

Based on the above, we note that the P/Adjusted NAV multiple of the Shares of 0.79 times as implied by the Conversion Price and the Option Price is:

- (a) below the average historical trailing P/NAV multiples of the Shares of 0.82 times and 0.83 times for the one-year and 6-month periods prior to and including the Last Trading Day respectively; and
- (b) above the average historical trailing P/NAV multiples of the Shares of 0.74 times and 0.64 times for the 3-month and one-month periods prior to and including the Last Trading Day respectively.

As set out in paragraph 8.3 of this Letter, based on the Group's then latest-available NAV as at 30 June 2020 (as adjusted for the estimated net gain on disposal of the Group's vessel, Arkstar Unicorn, which was completed in October 2020) prior to the Term Sheet Announcement Date, the P/NAV multiple of the Shares as implied by the Conversion Price and the Option Price would be 0.90 times, which is above the average historical trailing P/NAV multiples of the Shares of 0.82 times, 0.83 times, 0.74 times and 0.64 times for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively.

Shareholders should note that the above analysis is solely for illustrative purposes as the NAV of the Group is not necessarily a realisable value given that the market value of the net assets may vary depending on, *inter alia*, prevailing market and economic conditions.

8.5 Historical Market Price Performance and Trading Activity of the Shares

Subsequent to the Company's request for a trading halt of the Shares on 29 August 2019, the Company announced on 2 September 2019 that the Company had on 29 August 2019 received a statutory demand from Allen & Gledhill LLP, acting on behalf of UOB, seeking payment of approximately S\$5.7 million within 21 days from the date of receipt of the statutory demand (subsequent to the receipt of a letter of demand dated 28 June 2019 from Allen & Gledhill LLP, as first announced by the Company on 3 July 2019). The aforementioned payment was in relation to a bank loan owed by a wholly-owned subsidiary of the Company, where the Company

was the guarantor for such loan. In view of the statutory demand from UOB, the Company was of the view that it was unable to reasonably assess its financial position. Accordingly, pursuant to Rule 1303(3) of the Listing Manual, the Company had requested a voluntary trading suspension of the Shares with immediate effect on 2 September 2019 pending the resolution of the situation. The trading of the Shares remained suspended as at the Latest Practicable Date.

Having regard to (a) the prolonged period of trading suspension of the Shares since 2 September 2019 and (b) the significant changes in the operational and financial circumstances surrounding the Group (including the continued weak performance of the Group's operations, the cessation of the vessel chartering business following the completion of the Group's vessel sales and the significant deterioration in the Group's equity by approximately S\$13.5 million or 59.1% from approximately S\$22.9 million (or S\$0.0041 per Share) as at 30 June 2019 (being the then latest-available NAV figure prior to the trading suspension of the Shares) to approximately S\$9.4 million (or S\$0.00167 per Share) as at 31 March 2021, we believe that it would not be meaningful to benchmark the Conversion Price and the Option Price against the historical market price performance of the Shares.

Nonetheless, solely for illustrative purposes, we have set out the daily closing prices for the one-year period prior to and including the Last Trading Day. We have also marked certain dates in the one-year period where significant events occurred in the charts below.

Daily closing prices and daily trading volumes of the Shares for the one-year period prior to and including the Last Trading Day



Source: Thomson Reuters Eikon and Company's announcements on the SGXNET

Earnings announcements:

- E1. 12 November 2018:** The Company announced its unaudited financial statements for the 9-month financial period ended 30 September 2018 ("9M2018") in which the Group recognised a net profit attributable to owners of the Company of approximately S\$11.0 million for 9M2018 vis-à-vis a net loss attributable to owners of the Company of approximately S\$12.9 million for the 9-month financial period ended 30 September 2017.
- E2. 1 March 2019:** The Company announced its unaudited financial statements for FY2018 in which the Group recognised a net profit attributable to owners of the Company of approximately S\$9.0 million for FY2018 vis-à-vis a net loss attributable to owners of the Company of approximately S\$48.0 million for FY2017.
- E3. 15 May 2019:** The Company announced its unaudited financial statements for the 3-month financial period ended 31 March 2019 ("3M2019") in which the Group's net loss attributable to owners of the Company decreased by approximately S\$0.7 million or 47.1% from approximately S\$1.4 million for the 3-month financial period ended 31 March 2018 to approximately S\$0.8 million in 3M2019.
- E4. 8 August 2019:** The Company announced its unaudited financial statements for the 6-month financial period ended 30 June 2019 ("6M2019") in which the Group recognised a net loss attributable to owners of the Company of approximately S\$1.1 million for 6M2019 vis-à-vis a net profit attributable to owners of the Company of approximately S\$10.9 million for the 6-month financial period ended 30 June 2018.

Other significant announcements:

- A1. 18 January 2019:** The Company announced that in relation to the service of the Originating Summons filed by Chimbusco Pan Nation Petro-Chemical Co. Ltd as previously announced on 4 September 2015, the High Court of Hong Kong Special Administrative Region had ruled against the Company's wholly-owned subsidiary, Arkstar Ship Management Pte Ltd, and had ordered it to, *inter alia*, pay a principal amount of approximately US\$0.3 million.
- A2. 3 July 2019:** The Company announced that its wholly-owned subsidiary, Arkstar Voyager Pte. Ltd., had on 2 July 2019 received a letter of demand dated 28 June 2019 from Allen & Gledhill LLP, acting on behalf of UOB, in claiming a repayment of approximately S\$5.7 million.

Based on the above, the trading of the Shares had been sporadic during the one-year period prior to and including the Last Trading Day, and the closing prices of the Shares had ranged between a low of S\$0.002 and a high of S\$0.007 during this period.

The premia implied by the Conversion Price and the Option Price over the VWAPs for the one-year period prior to and including the Last Trading Day are set out below:

	VWAP ⁽¹⁾ (S\$)	Discount of Conversion Price and Option Price over VWAP (%)	Highest closing price (S\$)	Lowest closing price (S\$)	Average daily trading volume ⁽²⁾ ("ADTV") (‘000)	ADTV as a percentage of free float ⁽²⁾⁽³⁾ (%)	Traded days ⁽⁴⁾
Periods prior to and including the Last Trading Day							
One-year	0.0032	(54.4)	0.007	0.002	205	0.03	66
6-month	0.0032	(54.4)	0.006	0.002	272	0.04	40
3-month	0.0027	(45.9)	0.005	0.002	348	0.05	21
One-month	0.0025	(41.6)	0.004	0.002	821	0.12	10
Last Trading Day	0.002 ⁽⁵⁾	(27.0)	0.002	0.002	290	0.04	1

Source: Thomson Reuters Eikon and NCF's calculations

Notes:

- (1) The VWAP has been weighted based on the average traded prices and traded volumes of the Shares for the relevant market days for each of the above periods.
- (2) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded during the relevant period divided by the number of market days during that period.
- (3) Free float refers to approximately 704.3 million Shares or 12.53% of the issued share capital of the Company held by the public (as defined in the Listing Manual) as at the Latest Practicable Date.
- (4) Refers to the number of traded market days in each of the above periods.
- (5) Refers to the closing price of the Shares on the Last Trading Day.

Based on the above, we note the following:

Periods prior to and including the Last Trading Day

- (a) The daily closing prices of the Shares over the one-year period prior to and including the Last Trading Day were between a low of S\$0.002 per Share and a high of S\$0.007 per Share, and the Conversion Price and the Option Price represent a significant discount of approximately 54.4%, 54.4%, 45.9% and 41.6% to the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively.
- (b) The Conversion Price and the Option Price represent a discount of approximately 27.0% to the closing price of the Shares of S\$0.002 on the Last Trading Day.

- (c) The trading of the Shares had been sporadic during the one-year period, and the Shares were traded on only 66, 40, 21 and 10 market days for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively.
- (d) During the one-year period prior to and including the Last Trading Day, the average daily trading volumes of the Shares ranged from approximately 205,000 Shares to 821,000 Shares, representing approximately 0.03%, 0.04%, 0.05% and 0.12% of the Company's free float over the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively.

Shareholders should note that (a) due to the thin trading liquidity of the Shares, the closing prices of the Shares may not necessarily be a meaningful indicator of the fundamental value of the Shares, and (b) the trading of the Shares had been halted since 29 August 2019 and remained suspended as at the Latest Practicable Date, and there have been significant changes in the operational and financial circumstances of the Group during this period (including the continued weak performance of the Group's operations, the cessation of the vessel chartering business following the completion of the Group's vessel sales and the significant deterioration in the Group's equity).

We wish to highlight that the market valuation of shares of a company traded on a securities exchange may be affected by, *inter alia*, the prevailing economic conditions, economic outlook, stock market conditions and sentiment, the corporate activities of the company, its relative liquidity, the size of its free float, the extent of research coverage, the investor interest it attracts and the general market sentiment at a given point in time.

8.6 Valuation Ratios of Selected Companies Listed on the HKEx, the KRX and Bursa Malaysia Which Nature of Principal Business is Broadly Comparable to That of the Group

The Group is principally engaged in the manufacture and distribution of equipment parts for heavy equipment and industrial machinery, with the end-users of its products being operators of heavy equipment and industrial machinery in the building and infrastructure construction, forestry, marine, mining and plantation industries.

In our evaluation of the Proposed Whitewash Resolution, we have made reference to the valuation ratios of selected companies listed on the HKEx, the KRX and Bursa Malaysia with market capitalisations of up to approximately S\$60 million (or its equivalent in Hong Kong dollars ("HK\$"), Korean Won ("KRW") or Malaysian ringgit ("RM")) and are principally engaged in the manufacture and/or trading of machinery components for industrial use, which we consider to be broadly comparable to the principal business of the Group to obtain an indication of the current market expectations with regard to the perceived valuation of the Group (collectively, the "**Comparable Companies**").

We wish to highlight that the Comparable Companies are not exhaustive and we recognise that there is no company listed on the HKEx, the KRX and/or Bursa Malaysia which is identical to the Group in terms of, *inter alia*, geographical markets, composition of business activities, scale of 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 profitability objectives. Shareholders should note that any comparison made with respect to the Comparable Companies merely serves to provide an illustrative perceived market valuation of the Group as at the Latest Practicable Date.

A brief description of the Comparable Companies is as follows:

Comparable Companies / Country of listing	Business description	Financial year-end
Best Linking Group Holdings Ltd (“ Best Linking ”) / Hong Kong	Best Linking Group Holdings Ltd and its subsidiaries are principally engaged in the manufacturing and sale of slewing rings, and also source other slewing rings, machineries and other mechanical parts and components of machineries for customers.	31 December
Daemo Engineering Co., Ltd. (“ Daemo ”) / Korea	Daemo Engineering Co., Ltd. and its subsidiaries are principally engaged in the manufacturing and sale of excavator attachments. Excavator attachments products include hydraulic breakers, quick couplers, crushers, pulverizers, shears and other attachments. In addition, it is involved in the production and sale of specialised equipment and pipes including material handlers, single pipes and double pipes, parts including chisels, chisel pins and seal kits.	31 December
UMS Holdings Bhd (“ UMS Holdings ”) / Malaysia	UMS Holdings Berhad and its subsidiaries are principally engaged in the marketing and distribution of mechanical power transmission products as well as automotive and industrial engineering hardware servicing a broad spectrum of the Malaysian industries such as palm oil, rubber, power generation, quarrying and cement industries, latex glove manufacturing and electrical and electronic industries.	30 September

Source: Thomson Reuters Eikon and the Comparable Companies’ annual reports

In our evaluation, we have adopted the following valuation measures:

Valuation ratios	General description
Latest twelve-month (“ LTM ”) price-earnings (“ LTM P/E ”) ratio	The LTM P/E ratio illustrates the ratio of the market capitalisation of a company in relation to its historical consolidated full-year or LTM (as the case may be) net profit attributable to its shareholders. As such, it is affected by a company’s capital structure, tax position and accounting policies relating to depreciation and intangible assets. We have considered the LTM P/E ratios of the Comparable Companies based on their respective market capitalisations on the Latest Practicable Date and their latest full-year or LTM (as the case may be) net profit attributable to shareholders.
Latest twelve-month enterprise value-to-earnings before interest, taxes, depreciation and	EV refers to enterprise value, which is the sum of a company’s market capitalisation, preferred equity, non-controlling interests, short-term and long-term debts less its cash and cash equivalents.

Valuation ratios	General description
amortisation ("LTM EV/EBITDA") ratio	LTM EBITDA refers to the historical consolidated full-year or LTM (as the case may be) earnings before interest, taxes, depreciation and amortisation. The LTM EV/EBITDA ratio illustrates the ratio of the market value of a company's business in relation to its historical pre-tax operating cash flow performance. The LTM EV/EBITDA ratio is an earnings-based valuation methodology. The difference between the LTM EV/EBITDA ratio and the LTM P/E ratio (described above) is that the former does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. We have considered the LTM EV/EBITDA ratios of the Comparable Companies based on their respective market capitalisations on the Latest Practicable Date, latest-available balance sheet values and latest full-year or LTM (as the case may be) EBITDA.
P/NAV ratio	P/NAV refers to the ratio of the market capitalisation of a company in relation to its NAV. 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. We have considered the P/NAV ratios of the Comparable Companies based on their respective market capitalisations on the Latest Practicable Date and their latest-available NAV.

The valuation ratios of the Comparable Companies based on their last transacted share prices as at the Latest Practicable Date are set out below:

Comparable Companies	Market capitalisation (million)	LTM P/E (times)	LTM EV/EBITDA (times)	P/NAV (times)
Best Linking ⁽¹⁾	HK\$264.0	19.9	13.3	2.61
Daemo	KRW51,361.7	154.5	31.2	1.19
UMS Holdings	RM78.9	55.4	13.7	0.48
High		154.5	31.2	2.61
Mean⁽²⁾		37.7	19.4	1.43
Median⁽²⁾		37.7	13.7	1.19
Low		19.9	13.3	0.48
Company (as implied by the Conversion Price and the Option Price)	S\$8.2	n.a.⁽³⁾	n.a.⁽³⁾	0.79⁽⁴⁾

Source: Thomson Reuters Eikon, annual reports and announcements of the Comparable Companies and NCF calculations

Notes:

- (1) Adjusted for non-recurring income arising from government grants and employment support scheme.
- (2) Excludes Daemo as a statistical outlier in the computation of the mean and median LTM P/E ratios.
- (3) Denotes “not applicable” as the Group had recorded a LTM net loss and negative LTM EBITDA from continuing operations.
- (4) Based on the Adjusted NAV per Share of S\$0.00184 as at 31 March 2021.

Based on the above, we note that:

- (a) the Company had recorded a LTM net loss from continuing operations, hence the LTM P/E ratio of the Company (as implied by the Conversion Price and the Option Price) would not be applicable. Solely for illustrative purposes, the LTM P/E ratios of the Comparable Companies ranged between 19.9 times and 154.5 times, with the mean and median LTM P/E ratios at 37.7 times and 37.7 times respectively;
- (b) the Company had recorded a negative LTM EBITDA from continuing operations, hence the LTM EV/EBITDA ratio of the Company (as implied by the Conversion Price and the Option Price) would not be applicable. Solely for illustrative purposes, the LTM EV/EBITDA ratios of the Comparable Companies ranged between 13.3 times and 31.2 times, with the mean and median LTM EV/EBITDA ratios at 19.4 times and 13.7 times respectively; and
- (c) the P/Adjusted NAV ratio of the Company (as implied by the Conversion Price and the Option Price) of 0.79 times is within the range of P/NAV ratios of the Comparable Companies of between 0.48 times and 2.61 times, and is significantly below the mean and median P/NAV ratios of the Comparable Companies of 1.43 times and 1.19 times respectively.

We would point out that the operating and financial circumstances of the Comparable Companies appear to be more favourable than those of the Group, namely, each of the Comparable Companies is profitable with no or relatively low gearing *vis-à-vis* the Group's net losses and high gearing.

8.7 Precedent Transactions Involving Issue of Convertible Loans/Securities by Companies Listed on the SGX-ST

In assessing the Conversion Price and the Option Price, we have made reference to the salient statistics of selected transactions involving the issue of convertible loans and/or securities of principal amounts of S\$3 million or more by companies (excluding real estate investment trusts and business trusts) listed on the SGX-ST as announced between 1 January 2019 and the Term Sheet Announcement Date (collectively, the “**Comparable Transactions**”), as set out below:

Company	Date of announcement	Conversion price (\$)	Tenure (years)	Coupon/Interest rate per annum (%)	Premium/(Discount) of conversion price over/(to) VWAP prior to announcement ⁽¹⁾ (%)	Conversion price-to-NAV per share ⁽²⁾ (times)
Clearbridge Health Limited	31 January 2019	0.2800	3.0	7.0	78.1	2.80
Singapore Medical Group Limited	20 February 2019	0.4230	1.0	3.5	(8.2)	1.55
Yongnam Holdings Limited	22 May 2019	0.1790	2.0	7.0	6.5	0.38
Addvalue Technologies Ltd.	30 June 2019	0.0230	2.0	8.0	4.5	5.63
HC Surgical Specialists Limited	29 July 2019	0.5361	3.0	5.5	(4.0)	4.01
Ayondo Limited (CN-1) ⁽³⁾	22 August 2019	0.007	1.0	8.0	(84.7)	n.a. ⁽⁴⁾
Ayondo Limited (CN-2) ⁽³⁾	22 August 2019	0.007	3.0	0.0	(84.7)	n.a. ⁽⁴⁾
Ayondo Limited (CN-3) ⁽³⁾	22 August 2019	0.007	3.0/5.0 ⁽⁵⁾	12.0	(84.7)	n.a. ⁽⁴⁾
Capital World Limited	3 October 2019	0.0151708	1.0	15.0	(6.9) ⁽⁶⁾	0.28
TT International Limited	9 December 2019	0.01	1.0	10.0	(28.6) ⁽⁷⁾	n.a. ⁽⁴⁾
Blackgold Natural Resources Ltd	5 February 2020	0.015	3.0	0.0	16.3	1.70
Kitchen Culture Holdings Ltd.	4 May 2020	0.1490	1.5	15.0	5.3 ⁽⁸⁾	n.a. ⁽⁴⁾
Asian Healthcare Specialists Limited	22 July 2020	0.1602	1.0	0.0	(10.0)	1.65
Alpha Energy Holdings Limited (currently known as Alpha DX Group Limited)	18 September 2020	0.0035	5.0	6.0	(89.1) ⁽⁹⁾	n.a. ⁽⁴⁾
High				15.0	78.1	5.63
Mean				6.9	(10.1)	2.25
Median				7.0	(5.5)	1.67
Low				0.0	(89.1)	0.28
The Company	14 September 2020	0.00146⁽¹⁰⁾	3.0	0.0 to 2.0⁽¹¹⁾	(27.0)	0.79⁽¹²⁾

Source: Annual reports, announcements and shareholders' circulars of the respective companies in relation to the Comparable Transactions and NCF's calculations

Notes:

- (1) Market premium/(discount) is calculated relative to the VWAP or last transacted price (as the case may be) of the respective companies prior to the announcement of the Comparable Transactions.
- (2) Based on the latest publicly-available financial statements of the respective companies prior to the announcement of the Comparable Transactions.
- (3) On 22 August 2020, Ayondo Ltd. announced the signing of a convertible loan agreement with (a) Golden Nugget Jinzhuan Limited ("**CN-1**") of a principal amount of approximately S\$1.1 million, (b) Mr. Mamoru Taniya of a principal amount of approximately S\$0.68 million ("**CN-2**"), and (c) Golden Nugget Jinzhuan Limited of a principal amount of approximately S\$8.1 million ("**CN-3**").
- (4) Denotes "not applicable" as the companies are in net liability positions.
- (5) Each tranche of CN-3 will mature on the date falling upon the earlier of (a) 3 years from the date of issue of the respective tranches of CN-3, or (b) 5 years from the date of issue of tranche 1 of CN-3.
- (6) Prior to the announcement of the convertible loan on 3 October 2019, Capital World Limited had on 4 September 2019 announced the signing of a non-binding term sheet with the investors on the convertible loan. The market premium was computed based on the VWAP of S\$0.0163 on 3 September 2019, being the full market day on which the term sheet was signed.
- (7) Prior to the announcement of the convertible loan on 9 December 2019, TT International Limited ("**TT International**") had on 18 July 2019 announced that it had entered into a binding term sheet with the investor on the convertible loan. The market premium was computed based on the closing price of S\$0.014 on 28 July 2017, being the last traded day before the trading suspension of the shares of TT International on 4 August 2017.
- (8) Prior to the announcement of the convertible loan on 4 May 2020, Kitchen Culture Holdings Ltd ("**Kitchen Culture**") had on 29 April 2020 announced that it had on 27 April 2020 entered into a non-binding term sheet with various investors on the convertible loan. The market premium was computed based on the weighted average price of S\$0.1415 on 24 April 2020, being the last full market day on which the shares of Kitchen Culture were traded before the date of the term sheet and prior to the trading halt of its shares on 27 April 2020.
- (9) Prior to the announcement of the convertible loan on 18 September 2020, Alpha Energy Holdings Limited ("**Alpha Energy**") had on 15 July 2020 announced that it had on 6 July 2020 entered into a non-binding term sheet with the investor on the convertible loan. The market premium was computed based on the VWAP of S\$0.032 on 13 November 2019, being the full market day on which the shares of Alpha Energy were traded before the term sheet was signed and the trading halt of its shares on 14 November 2019.
- (10) Based on the Conversion Price and the Option Price.
- (11) The Company shall pay interest of 2.0% per annum on the Convertible Loan Note for the period commencing from the 2nd anniversary of the Completion Date (i.e. commencing on the 3rd year from the Completion Date) until the earlier of the date falling on which (a) the full amount of the Convertible Loan Note is repaid by the Company, or (b) the Convertible Loan Note is converted into the Conversion Shares.
- (12) Based on the Adjusted NAV per Share of S\$0.00184 as at 31 March 2021.

Based on the above, we note that:

- (a) the interest-free Convertible Loan Note for the first 2 years from the Completion Date and the interest rate of 2.0% per annum of the Convertible Loan Note commencing from the second anniversary of the Completion Date (if the Convertible Loan Note has not been converted previously) are (i) within the range of coupon/interest rates of the Comparable Transactions of between 0.0% and 15.0%, and (ii) below the mean and median corresponding coupon/interest rates of the Comparable Transactions of 6.9% and 7.0% respectively;
- (b) the discount of approximately 27.0% represented by the Conversion Price and the Option Price to the VWAP of the Shares on the Last Trading Day is (i) within the range of the Comparable Transactions of between a discount of 89.1% and a premium of 78.1%, and (ii) below the mean and median corresponding discounts of the Comparable Transactions of 10.1% and 5.5% respectively; and
- (c) the P/Adjusted NAV ratio of the Company of 0.79 times (as implied by the Conversion Price and the Option Price) is (i) within the range of conversion price-to-NAV ratios of the Comparable Transactions of between 0.28 and 5.63 times, and (ii) significantly below the mean and median corresponding conversion price-to-NAV ratios of the Comparable Transactions of 2.25 times and 1.67 times respectively.

We have considered that although the discount represented by the Conversion Price and the Option Price to the VWAP of the Shares on the Last Trading Day and the P/Adjusted NAV ratio of the Company (as implied by the Conversion Price and the Option Price) are less favourable *vis-à-vis* the mean and median corresponding discounts and conversion price-to-NAV ratios of the Comparable Transactions respectively, the interest-free nature of the Convertible Loan Note for the first 2 years from the Completion Date and the interest rate of 2.0% per annum of the Convertible Loan Note commencing from the second anniversary of the Completion Date (if the Convertible Loan Note has not been converted previously) are more favourable *vis-à-vis* the mean and median corresponding coupon/interest rates of the Comparable Transactions.

In the context of the Proposed Whitewash Resolution, we have also made comparison with similar convertible loans/securities involving companies which sought their shareholders' approval for whitewash resolutions, namely, Ayondo Limited¹⁰, TT International Limited and Alpha Energy Holdings Limited (collectively, the "**WR Transactions**"), as set out below:

- (a) the interest-free Convertible Loan Note for the first 2 years from the Completion Date and the interest rate of 2.0% per annum of the Convertible Loan Note commencing from the second anniversary of the Completion Date (if the Convertible Loan Note has not been converted previously) are more favourable *vis-à-vis* the range of coupon/interest rates of the WR Transactions of between 6.0% and 12.0% per annum;
- (b) the discount of approximately 27.0% represented by the Conversion Price and the Option Price to the VWAP of the Shares on the Last Trading Day is more favourable than the range of corresponding discounts of the WR Transactions of between 28.6% and 89.1%; and
- (c) as the companies involved in the WR Transactions were in net liability positions, it would not be meaningful to make a comparison with the P/Adjusted NAV ratio of the Company (as implied by the Conversion Price and the Option Price) in this regard.

¹⁰

Ayondo Ltd. sought its shareholders' approval for the whitewash resolution in relation to CN-1 and CN-3.

We wish to highlight that the Company is not in the same industry and does not conduct the same businesses as the other companies in the list of Comparable Transactions and would not, therefore, be directly comparable to the list of companies in terms of, *inter alia*, geographical markets, composition of business activities, scale of 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. Certain circumstances and terms relating to the convertible loans/securities in the Comparable Transactions are also unique and might not be identical or comparable to those of the Convertible Loan Note and the Options in terms of, *inter alia*, principal amount and tenure of the convertible loans/securities, financial performance and position of the companies, and the volatility and trading liquidity of the shares of such companies. Further, the list of Comparable Transactions is by no means exhaustive and the information relating to these companies was compiled from publicly available information. Accordingly, it should be noted that the above comparison merely serves as a general guide to provide an indication of the relevant premium or discount in connection with the Comparable Transactions. Any comparison of the terms of the Convertible Loan Note and the Options with those of the Comparable Transactions is solely for illustrative purposes.

8.8 Comparison of the Convertible Loan Note with the Group's Existing SGD Loans Prior to the Proposed Transactions

8.8.1 Interest rate

We understand from the Management that prior to the Proposed Transactions, the interest rate of the Group's existing loans denominated in SGD was 3.0% per annum¹¹. Accordingly, the interest-free Convertible Loan Note for the first 2 years from the Completion Date and the interest rate of 2.0% per annum of the Convertible Loan Note commencing from the second anniversary of the Completion Date (if the Convertible Loan Note has not been converted previously) are more favourable *vis-à-vis* the interest rate of the Group's existing SGD loans prior to the Proposed Transactions.

8.8.2 Security/Collateral

We understand from the Management that the Group's existing SGD loans were secured by the Group's vessels (although such security would have become inapplicable pursuant to the disposal of the vessels) and such loans would be converted to the UOB Convertible Bonds and the Settlement Shares following the completion of the Debt Conversion. As at the Latest Practicable Date, the Group also has other loans denominated in foreign currencies which are secured by legal mortgages over the Group's freehold land and buildings, and certain of the Group's plant and equipment. In addition, the Loan from the Investor of S\$1.0 million is secured by all the ordinary shares of Ho Leong Tractors Sdn Bhd, a wholly-owned subsidiary of the Company.

Similarly, the Convertible Loan Note would be secured by (a) a first priority charge over all the shares in the capital of the Newco owned by the Company, (b) a first priority debenture relating to all of the assets of Newco, and (c) a second priority charge over all the ordinary and preference shares in the capital of Ho Leong Tractors Sdn. Bhd..

¹¹ The interest rate of the existing SGD loans is at 3.0% per annum or each respective lender's cost of funds plus 0.5% per annum, whichever is higher.

8.8.3 Default interest

Pursuant to the terms of the Convertible Loan Note Agreement, in the event that the Company is unable to repay the Principal Amount of the Convertible Loan Note, the Company will be liable to pay in cash default interest of 3.5% per annum on the principal amount, calculated on a daily basis from the Maturity Date of the Convertible Loan Note (i.e. 3 years from the completion date of the Convertible Loan Note) until the repayment of the Principal Amount in full.

We understand from the Management that the Group's existing SGD loans will incur default interest ranging from 2.0% over the prescribed rate of the relevant financial institution(s) to 5.0% above the prime lending rate of the relevant financial institution(s). As at the Latest Practicable Date, the average prime lending rate of the local banks was 4.75%.¹² Accordingly, the default interest rate of the Convertible Loan Note does not appear to be less favourable *vis-à-vis* the default interest rates present in the Group's existing SGD loans.

8.9 Financial Effects of the Proposed Transactions

The *pro forma* financial effects of the Proposed Transactions, which have been prepared based on the audited financial statements of the Group for FY2020, are set out in section 13 of the Circular. Shareholders are advised to read the information carefully, including the bases and assumptions set out therein. Shareholders should note that the financial effects of the Proposed Transactions are solely for illustrative purposes and are not necessarily indicative of the results of operations or the financial position of the Company and the Group after the completion of the Proposed Transactions.

We note the following:

(a) Earnings per Share

The earnings per Share of the Group of approximately 0.04 cent in FY2020¹³ would (a) decrease to 0.03 cent after the allotment and issue of the Settlement Shares, the Remuneration Shares and the UOB Conversion Shares (upon full conversion of the UOB Convertible Bonds), (b) decrease to approximately 0.02 cent after the allotment and issue of the Conversion Shares (upon conversion of the Convertible Loan Note), and (c) further decrease to approximately 0.01 cent after the allotment and issue of the Option Shares (upon exercise of all the Options).

Based on the Group's net loss from continuing operations of approximately S\$0.95 million in FY2020, the net loss per Share of the Group would be approximately 0.02 cent, which would (a) decrease to approximately 0.01 cent after the allotment and issue of the Settlement Shares, the Remuneration Shares and the UOB Conversion Shares (upon full conversion of the UOB Convertible Bonds), (b) remain at approximately 0.01 cent after the allotment and issue of the Conversion Shares (upon conversion of the Convertible Loan Note), and (c) further decrease to approximately 0.006 cent after the allotment and issue of the Option Shares (upon exercise of all the Options).

¹² <https://www.abs.org.sg/benchmark-rates/prime-lending-rates>

¹³ Includes the net profits from both the continuing operations and discontinued operations (i.e. the vessel chartering segment which was divested in FY2020 amounting to approximately S\$3.0 million) of the Group.

(b) NTA per Share

The NTA per Share of the Group of approximately 0.18 cent as at 31 December 2020 would (a) remain the same after the allotment and issue of the Settlement Shares, the Remuneration Shares and the UOB Conversion Shares (upon full conversion of the UOB Convertible Bonds), (b) decrease to approximately 0.17 cent after the allotment and issue of the Conversion Shares (upon conversion of the Convertible Loan Note), and (c) further decrease to 0.16 cent after the allotment and issue of the Option Shares (upon exercise of all the Options).

(c) Gearing ratio

The gearing ratio of the Group of 1.8 times as at 31 December 2020 would (a) decrease to 1.3 times after the allotment and issue of the Settlement Shares, the Remuneration Shares and the UOB Conversion Shares (upon full conversion of the UOB Convertible Bonds), (b) decrease to 1.0 times after the allotment and issue of the Conversion Shares (upon conversion of the Convertible Loan Note), and (c) further decrease to 0.7 times after the allotment and issue of the Option Shares (upon exercise of all the Options).

8.10 Other Relevant Considerations

8.10.1 Flexibility in obtaining additional funding

As set out in sections 4.3 and 4.6 of the Circular, the net proceeds of the Convertible Loan Note (with a principal amount of S\$3.0 million) would be used for, *inter alia*, the working capital needs of the Company, the Newco and its subsidiaries and any potential investments in plant and equipment for expansion and enhancement of operational capacity.

In addition, as set out in section 5.6 of the Circular, the net proceeds of the Options (with a principal amount of S\$9.0 million), if and when exercised, would be used for the Group's working capital needs and any potential investments in plant and equipment for expansion and enhancement of operational capacity.

Accordingly, the net proceeds from the Convertible Loan Note and the Options (if and when exercised) would improve the Group's financial position and allow the Company to have access to readily available funds for the continuity of the Group's existing business operations.

8.10.2 Dilution impact of the Proposed Transactions on the Independent Shareholders¹⁴

We note that pursuant to the allotment and issue of the Remuneration Shares, the Settlement Shares and the UOB Conversion Shares:

- (a) in the event that the Investor converts the Convertible Loan Note, the aggregate shareholding interest of the Independent Shareholders would decrease from 100.00% to approximately 75.91%;
- (b) in the event that the Investor converts the Convertible Loan Note and exercises S\$1.5 million in Options pursuant to the Option Exercise Undertaking, the aggregate shareholding interest of the Independent Shareholders would decrease from 100.00% to approximately 67.98%; and

¹⁴ The Independent Shareholders refer to Shareholders as at the Latest Practicable Date who are independent of the Investor.

- (c) in the event that the Investor converts the Convertible Loan Note and exercises all the Options, the aggregate shareholding interest of the Independent Shareholders would decrease from 100.00% to approximately 44.65%.

8.10.3 Possibility of resumption of trading of the Shares after the completion of the Proposed Transactions

Pursuant to Rule 1304(1) of the Listing Manual, the Company had on 13 January 2021 submitted the Resumption Proposal to the SGX-ST to lift the trading suspension of the Shares. On 11 May 2021, the SGX-ST confirmed that it had no objection to the resumption of trading by the Company subject to, *inter alia*, the completion of the Proposed Transactions.

8.10.4 Inter-conditionality of the Proposed Whitewash Resolution and the Proposed Investor Transactions

Shareholders should note that the Proposed Whitewash Resolution is inter-conditional with, *inter alia*, the Proposed Investor Transactions. Accordingly, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Investor Transactions will not proceed.

8.10.5 Implications of approval of the Proposed Whitewash Resolution

The Independent Shareholders should note that by voting in favour of the Proposed Whitewash Resolution:

- (a) they will be waiving their rights to receive a mandatory general offer from the Investor for the Shares at the highest price paid by the Investor and its concert parties for the Shares in the 6 months preceding the commencement of the offer period;
- (b) they could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Convertible Loan Note and the Options; and
- (c) in the event that the Investor converts the Convertible Loan Note and exercises the Options in full:
 - (i) the Investor would hold in aggregate Shares carrying over 49% of the voting rights of the Company and will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a mandatory general offer;
 - (ii) the Company would possibly be in a relatively less favourable position in the context of interest from potential parties seeking control of the Company, due to the significant controlling stake held by the Investor which may make it difficult for a third party to make a take-over offer for the Company without the support of the Investor; and
 - (iii) the Investor would obtain statutory control of the Company, which will place the Investor in a position to be able to pass all ordinary resolutions on matters in which the Investor and its related parties do not have an interest in and which are tabled for Shareholders' approval at general meetings of the Company.

8.10.6 Business outlook of the Group

The following statements were made in the Company's announcement on 11 May 2021 of the Group's unaudited financial statements for 3M2021. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the aforementioned announcement.

"The global COVID-19 situation remains fluid and the Group continues to maintain a cautious outlook for FY2021. Notwithstanding the ongoing uncertainties, the Group shall continue to reduce risks and strengthen revenue streams, pursue cost management measures and will also explore additional means to shore up liquidity as necessary."

8.10.7 Comparison with recent completed and/or proposed corporate exercises of the Company involving issuances of Shares

Solely for illustrative purposes, we have compared the Conversion Price and the Option Price to the following completed and/or proposed corporate exercises of the Company involving issuances of Shares:

- (a) in connection with its previous successful debt restructuring exercise by way of a scheme of arrangement pursuant to Section 210 and Section 211 of the Companies Act, the Company had on 8 May 2018 issued 4,996,751,855 new Shares at an issue price of S\$0.0115 (the "**Scheme Price**") for each new Share to its scheme creditors. The Scheme Price was calculated with reference to the volume-weighted average trading Share price in the immediate 22 trading days prior to the share distribution, and represented a premium of approximately 27.8% over the last transacted price of the Shares of S\$0.009 on 7 May 2018. The Conversion Price and the Option Price would represent a significant discount of approximately 87.3% to the Scheme Price; and
- (b) in connection with the Proposed Transactions, the Company is also proposing to issue (i) up to 586,211,427 Settlement Shares to RHB and SIF at an issue price of S\$0.00175 for each Settlement Share, and (ii) up to 476,328,000 UOB Conversion Shares to UOB at the UOB Conversion Price of S\$0.00175 for each UOB Conversion Share under the UOB Convertible Bonds. The Conversion Price and the Option Price would represent a discount of approximately 16.6% to the issue price of the Settlement Shares and the UOB Conversion Price.

Shareholders should note that the determination of the above issue prices and/or conversion price in the other corporate exercises of the Company is dependent on the then-prevailing circumstances and market sentiment at the time of the transactions.

8.10.8 Limited viable alternative debt restructuring and fund-raising options

We understand that the Company had, together with RSM, conducted a strategic review of the Group's existing businesses which included (a) the disposal of the Group's vessels for the repayment of the creditors, (b) debt restructuring proposals and negotiations with the existing creditors, and (c) fund-raising proposals and negotiations of terms with potential investors.

The Directors have also considered the following before proceeding with the Proposed Transactions:

- (a) equity and/or debt fund-raising options (such as share placements, rights issues or issuance of debt instruments) would be limited in view of the Group's current weak financial performance and position and the current trading suspension of the Shares, which would make it difficult to raise a meaningful amount of funds without potentially detrimental terms and restrictions on the Group and its operations;

- (b) in view of the significant changes in the operational and financial circumstances of the Group, save for the existing bank facilities provided by the existing lenders to the Group as part of the Mandatory Conversion Conditions, the Group has difficulty in obtaining new loans from banks and financial institutions. The Convertible Loan Note and the Options would provide the Group with access to readily available funds and, if and when converted/exercised, would contribute significantly to the equity of the Group;
- (c) in view that the Convertible Loan Note is interest-free for the first 2 years of issuance, the amount owing by the Company to the Investor will be capped at the principal amount of the Convertible Loan Note with no accrued interest. If and when the Conversion Loan Note is converted into new Shares, the Group's indebtedness would be reduced and the Group's financial position would improve accordingly;
- (d) as at the Latest Practicable Date, the Proposed Transactions represent a viable proposal for the debt restructuring of and fund-raising for the Group which has the support of the Vessel Lenders, and there is no assurance that the Company will be able to secure an alternative fund-raising proposal of similar terms and funding size if the Proposed Investor Transactions do not proceed; and
- (e) the disbursement of the loan amounting to S\$1.0 million by the Investor following the entry into the Loan Agreement allows the Group to have access to interim funding of S\$1.0 million required for its working capital.

8.10.9 Support and commitment to the Group by the Investor

Prior to the approval being sought from the Shareholders on the Proposed Transactions at the EGM, the Investor had disbursed the interest-free Loan amounting to S\$1.0 million for the Group's working capital needs.¹⁵ In addition, the Investor has undertaken to (a) convert the Convertible Loan Note into new Shares in accordance with the terms of the Convertible Loan Note Agreement and (b) exercise S\$1.5 million of the Options, upon the satisfaction of the Mandatory Conversion Conditions.

Accordingly, we believe that the aforementioned underscores the support and commitment to the Group by the Investor.

8.10.10 No assurance of improvement in the Group's financial position and performance or enhancement of Shareholders' value

Shareholders should note that there is no assurance that the Proposed Transactions (if completed) and/or the steps taken or to be taken by the Company subsequent to the Proposed Transactions will be successful or will result in an improvement in the Group's financial position and performance or an enhancement of Shareholders' value.

8.10.11 Abstention from voting on the Proposed Whitewash Resolution

Pursuant to the SIC Conditions, the Investor and parties acting in concert with it, as well as parties not independent of them, will abstain from voting on the Proposed Whitewash Resolution at the EGM, where applicable.

¹⁵

The interest rate of the Loan will be increased from 0% to 3.5% per annum after the first 12 months.

9. OPINION AND ADVICE

In arriving at our opinion in respect of the Proposed Whitewash Resolution, 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) the rationale for the Proposed Investor Transactions as set out in section 3 of the Circular, namely, that the completion of the Proposed Investor Transactions will allow for certainty of funding resulting in the Company being able to strengthen its financial position which is vital for the continuity of the Company;
- (b) save for the Group's net profits attributable to owners of the Company from continuing operations of approximately S\$9.0 million and S\$0.7 million in FY2018 and 3M2020 respectively, the Group recorded net losses attributable to owners of the Company from continuing operations of approximately S\$2.5 million, S\$1.0 million and S\$0.5 million in FY2019, FY2020 and 3M2021 respectively;
- (c) the emphasis of matter in the Independent Auditors' Report on the Group's audited financial statements for FY2020 in respect of the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as a going concern;
- (d) the Group had recorded a net debt position of approximately S\$14.4 million as at 31 March 2021;
- (e) the Conversion Price and the Option Price represent (i) a discount of approximately 12.6% to the NAV per Share as at 31 March 2021 and would value the Group at a P/NAV ratio of 0.87 times, (ii) a discount of approximately 20.7% to the Adjusted NAV per Share as at 31 March 2021 and would value the Group at a P/Adjusted NAV ratio of 0.79 times, and (iii) a discount of approximately 10.4% to the NAV per Share as at 30 June 2020 (based on the then latest-available NAV prior to the Term Sheet Announcement Date and as adjusted for the disposal of Arkstar Unicorn) and would value the Group at a P/NAV ratio of 0.90 times;
- (f) the P/Adjusted NAV multiple of 0.79 times as implied by the Conversion Price and the Option Price is (i) below the average historical trailing P/NAV multiples of the Shares of 0.82 times and 0.83 times for the one-year and 6-month periods prior to and including the Last Trading Day respectively, and (ii) above the average historical trailing P/NAV multiples of the Shares of 0.74 times and 0.64 times for the 3-month and one-month periods prior to and including the Last Trading Day respectively;
- (g) the P/NAV multiple of 0.90 times (based on the then latest-available NAV prior to the Term Sheet Announcement Date and as adjusted for the disposal of Arkstar Unicorn) as implied by the Conversion Price and the Option Price is above the average historical trailing P/NAV multiples of the Shares of 0.82 times, 0.83 times, 0.74 times and 0.64 times for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively;
- (h) solely for illustration purposes in view of the prolonged trading suspension of the Shares since 2 September 2019 and the significant changes in the Group's operational and financial circumstances, the Conversion Price and the Option Price represent (i) a significant discount of approximately 54.4%, 54.4%, 45.9% and 41.6% to the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively, and (ii) a discount of approximately 27.0% to the closing price of the Shares of S\$0.002 on the Last Trading Day;

(i) in respect of the Comparable Companies:

- (i) the Group had recorded a LTM net loss from continuing operations, hence the LTM P/E ratio of the Company (as implied by the Conversion Price and the Option Price) would not be applicable;
- (ii) the Company had recorded a negative LTM EBITDA from continuing operations, hence the LTM EV/EBITDA ratio of the Company (as implied by the Conversion Price and the Option Price) would not be applicable; and
- (iii) the P/Adjusted NAV ratio of the Company (as implied by the Conversion Price and the Option Price) of 0.79 times is within the range of P/NAV ratios of the Comparable Companies of between 0.48 times and 2.61 times, and is significantly below the mean and median P/NAV ratios of the Comparable Companies of 1.43 times and 1.19 times respectively.

The operating and financial circumstances of the Comparable Companies appear to be more favourable than those of the Group, namely, each of the Comparable Companies is profitable with no or relatively low gearing *vis-à-vis* the Group's net losses and high gearing;

(j) in respect of the Comparable Transactions:

- (i) the interest-free Convertible Loan Note for the first 2 years from the Completion Date and the interest rate of 2.0% per annum of the Convertible Loan Note commencing from the second anniversary of the Completion Date (if the Convertible Loan Note has not been converted previously) are (aa) within the range of coupon/interest rates of the Comparable Transactions of between 0.0% and 15.0%, and (bb) below the mean and median corresponding coupon/interest rates of the Comparable Transactions of 6.9% and 7.0% respectively;
- (ii) the discount of approximately 27.0% represented by the Conversion Price and the Option Price to the VWAP of the Shares on the Last Trading Day is (aa) within the range of the Comparable Transactions of between a discount of 89.1% and a premium of 78.1%, and (bb) below the mean and median corresponding discounts of the Comparable Transactions of 10.1% and 5.5% respectively;
- (iii) the P/Adjusted NAV ratio of the Company of 0.79 times (as implied by the Conversion Price and the Option Price) is (aa) within the range of conversion price-to-NAV ratios of the Comparable Transactions of between 0.28 and 5.63 times, and (bb) significantly below the mean and median corresponding conversion price-to-NAV ratios of the Comparable Transactions of 2.25 times and 1.67 times respectively; and
- (iv) as a comparison with the WR Transactions:
 - (aa) the interest-free Convertible Loan Note for the first 2 years from the Completion Date and the interest rate of 2.0% per annum of the Convertible Loan Note commencing from the second anniversary of the Completion Date (if the Convertible Loan Note has not been converted previously) are more favourable *vis-à-vis* the range of coupon/interest rates of the WR Transactions of between 6.0% and 12.0% per annum; and

- (bb) the discount of approximately 27.0% represented by the Conversion Price and the Option Price to the VWAP of the Shares on the Last Trading Day is more favourable than the range of corresponding discounts of the WR Transactions of between 28.6% and 89.1%;
- (k) in comparison with the Group's existing SGD loans, (i) the interest-free Convertible Loan Note for the first 2 years from the Completion Date and the interest rate of 2.0% per annum of the Convertible Loan Note commencing from the second anniversary of the Completion Date (if the Convertible Loan Note has not been converted previously) are more favourable *vis-à-vis* the interest rate of the Group's existing SGD loans of 3.0% per annum prior to the Proposed Transactions, (ii) similar to the Convertible Loan Note which is secured by certain of the Group's assets, the Group's existing SGD loans are secured by the Group's vessels (although such security would have become inapplicable pursuant to the disposal of the vessels) and such loans would be converted to the UOB Convertible Bonds and the Settlement Shares following the completion of the Debt Conversion, and (iii) the default interest rate of the Convertible Loan Note does not appear to be less favourable *vis-à-vis* the default interest rates present in the Group's existing SGD loans;
- (l) the financial effects of the Proposed Transactions as set out in paragraph 8.9 of this Letter; and
- (m) other relevant considerations as set out in paragraph 8.10 of this Letter:
 - (i) the flexibility in obtaining additional funding to improve the Group's financial position and allow the Company to have access to readily available funds for the continuity of the Group's existing business operations;
 - (ii) the dilution impact of the Proposed Transactions on the Independent Shareholders;
 - (iii) the possibility of resumption of trading of the Shares after the completion of the Proposed Transactions;
 - (iv) the Proposed Whitewash Resolution is inter-conditional with the Proposed Investor Transactions;
 - (v) the implications of approval of the Proposed Whitewash Resolution;
 - (vi) the business outlook of the Group, namely, that the Group shall continue to reduce risks and strengthen revenue streams, pursue cost management measures and will also explore additional means to shore up liquidity as necessary;
 - (vii) solely for illustrative purposes in respect of the recent completed and/or proposed corporate exercises of the Company involving issuances of Shares, the Conversion Price and the Option Price would represent (aa) a significant discount of approximately 87.3% to the Scheme Price, and (bb) a discount of approximately 16.6% to the issue price of the Settlement Shares and the UOB Conversion Price;
 - (viii) the limited viable alternative debt restructuring and fund-raising options;
 - (ix) the support and commitment to the Group by the Investor; and

- (x) the voting abstention by the Investor and parties acting in concert with it, as well as parties not independent of them, on the Proposed Whitewash Resolution at the EGM.

Having regard to the considerations set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that, on balance, the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options, which collectively are the subject of the Proposed Whitewash Resolution, are **fair and reasonable**.

In determining that the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options are **fair**, we have considered the following pertinent factors:

- (a) although the Conversion Price and the Option Price represent a significant discount to the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively and a discount to the closing price of the Shares on the Last Trading Day, (i) the P/Adjusted NAV multiple as implied by the Conversion Price and the Option Price is above the average historical trailing P/NAV multiples of the Shares for the 3-month and one-month periods prior to and including the Last Trading Day, and (ii) the P/NAV multiple (based on the then latest-available NAV prior to the Term Sheet Announcement Date and as adjusted for the disposal of Arkstar Unicorn) as implied by the Conversion Price and the Option Price is above the average historical trailing P/NAV multiples of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day; and
- (b) the favourable financial effects of the Proposed Transactions on the Group's net loss per Share (based on continuing operations) and gearing ratio for FY2020.

In determining that the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options are **reasonable**, we have considered the following pertinent factors:

- (a) the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options will, together with the Proposed Issue of Settlement Shares and the issue of the UOB Convertible Bonds, enable the Group to have access to the necessary funds to restructure its existing equipment parts business and for its operations and at the same time improve the Group's financial position by reducing its borrowings, debt-to-equity ratio and debt service obligations;
- (b) the Group's historical financial performance and condition have been weak (including net losses attributable to owners of the Company from continuing operations in FY2019, FY2020 and 3M2021 and a net debt position as at 31 March 2021). In this regard, the completion of the Proposed Investor Transactions will allow for certainty of funding resulting in the Company being able to strengthen its financial position which is vital for the continuity of the Company;
- (c) the Company's ability to operate as a going concern would be subject to, *inter alia*, the fund-raising under the Proposed Investor Transactions and the Debt Conversion;
- (d) the trading suspension of the Shares since 2 September 2019 and the resumption of trading by the Company is subject to, *inter alia*, the completion of the Proposed Transactions;

- (e) in respect of the Comparable Companies, although the P/Adjusted NAV ratio of the Company (as implied by the Conversion Price and the Option Price) is significantly below the mean and median P/NAV ratios of the Comparable Companies, the operating and financial circumstances of the Comparable Companies appear to be more favourable than those of the Group, namely, each of the Comparable Companies is profitable with no or relatively low gearing *vis-à-vis* the Group's net losses and high gearing;
- (f) in respect of the Comparable Transactions, notwithstanding that the discount represented by the Conversion Price and the Option Price to the VWAP of the Shares on the Last Trading Day and the P/Adjusted NAV ratio of the Company (as implied by the Conversion Price and the Option Price) are less favourable *vis-à-vis* the mean and median corresponding discounts and conversion price-to-NAV ratios of the Comparable Transactions respectively:
 - (i) the interest-free Convertible Loan Note for the first 2 years from the Completion Date and the interest rate of 2.0% per annum of the Convertible Loan Note commencing from the second anniversary of the Completion Date (if the Convertible Loan Note has not been converted previously) are more favourable *vis-à-vis* (aa) the mean and median corresponding coupon/interest rates of the Comparable Transactions, and (bb) the range of coupon/interest rates of the WR Transactions; and
 - (ii) the discount represented by the Conversion Price and the Option Price to the VWAP of the Shares on the Last Trading Day is more favourable than the range of corresponding discounts of the WR Transactions;
- (g) the interest-free Convertible Loan Note for the first 2 years from the Completion Date and the interest rate of 2.0% per annum of the Convertible Loan Note commencing from the second anniversary of the Completion Date (if the Convertible Loan Note has not been converted previously) are more favourable *vis-à-vis* the interest rate of the Group's existing SGD loans, and the default interest rate of the Convertible Loan Note does not appear to be less favourable *vis-à-vis* the default interest rates present in the Group's existing SGD loans; and
- (h) the limited viable alternative debt restructuring and fund-raising options.

Accordingly, we advise the Independent Directors to recommend that the Independent Shareholders **vote in favour** of the Proposed Whitewash Resolution at the EGM.

The Independent Directors should note that transactions in the Shares are subject to possible market fluctuations and accordingly, our opinion and advice on the Proposed Whitewash Resolution do not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This Letter is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the Proposed Whitewash Resolution. The recommendation to be made by the Independent Directors to the Independent Shareholders in relation to the Proposed Whitewash Resolution 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 NCF in each specific case, except for the EGM and the purposes of the Proposed Whitewash Resolution. Our opinion and advice are governed by and construed in accordance with the laws of Singapore, and are strictly limited to the matters stated herein and do not apply by implication to any other matter.

Yours truly,
For and on behalf of
Novus Corporate Finance Pte. Ltd.

Andrew Leo
Chief Executive Officer

Huong Wei Beng
Director

NOTICE OF EXTRAORDINARY GENERAL MEETING

HOE LEONG CORPORATION LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199408433W)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “EGM”) of Hoe Leong Corporation Ltd. (the “Company”) will be held by way of electronic means (via live audio-visual webcast or live audio-only stream) on 17 June 2021 at 9.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

All capitalised terms in this Notice of EGM which are not defined herein shall have the meanings ascribed to them in the circular to shareholders of the Company dated 1 June 2021 (the “Circular”).

Shareholders should note that Ordinary Resolutions 1, 2, 3, 4, 5, 7, 8 and 9 as set out in this Notice of EGM are inter-conditional on each other. This means that if any one of Ordinary Resolutions 1, 2, 3, 4, 5, 7, 8 or 9 is not approved, all of Ordinary Resolutions 1, 2, 3, 4, 5, 7, 8 and 9 will not be duly approved.

ORDINARY RESOLUTION 1: THE PROPOSED ISSUE OF CONVERTIBLE LOAN NOTE

THAT subject to and contingent upon Ordinary Resolutions 2, 3, 4, 5, 7, 8 and 9 as set out in this Notice of EGM being passed:

- (a) approval be and is hereby given for the issue of the Convertible Loan Note, and the subsequent allotment and issuance of 2,054,794,520 Conversion Shares arising from the conversion of the Convertible Loan Note, by the Company to the Investor at the conversion price of S\$0.00146 per Conversion Share, representing a discount of approximately 27.0% to the VWAP of S\$0.002 for each Share based on trades done on the SGX-ST on 30 August 2019, being the last full market day when the Shares of the Company were traded prior to the trading suspension on 2 September 2019, on the terms and subject to the conditions set out in the Convertible Loan Note Agreement; and
- (b) the Directors and each of them be and are hereby authorised to complete, enter and do all acts and things (including without limitation, prepare and finalise, approve, sign, execute and deliver all such documents or agreements as may be required) and do all deeds and things as they may consider necessary, desirable, incidental or expedient for the purposes of or to give effect to this Ordinary Resolution 1 and implement any of the foregoing as they think fit and in the interests of the Company.

ORDINARY RESOLUTION 2: THE PROPOSED GRANT OF OPTIONS

THAT subject to and contingent upon Ordinary Resolutions 1, 3, 4, 5, 7, 8 and 9 as set out in this Notice of EGM being passed:

- (a) approval be and is hereby given for the grant by the Company of 6,164,383,561 non-listed and non-transferable Options, and the subsequent allotment and issuance of up to 6,164,383,561 Option Shares arising from the exercise of Options, by the Company to the Investor at an exercise price of S\$0.00146 per Option, representing a discount of approximately 27.0% to the VWAP of S\$0.002 for each Share based on trades done on the SGX-ST on 30 August 2019, being the last full market day when the Shares of the Company were traded prior to the trading suspension on 2 September 2019, on the terms and subject to the conditions set out in the Options Agreement; and
- (b) the Directors and each of them be and are hereby authorised to complete, enter and do all acts and things (including without limitation, prepare and finalise, approve, sign, execute and deliver all such documents or agreements as may be required) and do all deeds and things as they may consider necessary, desirable, incidental or expedient for the purposes of or to give effect to this Ordinary Resolution 2 and implement any of the foregoing as they think fit and in the interests of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

ORDINARY RESOLUTION 3: THE PROPOSED ISSUE OF RHB SETTLEMENT SHARES

THAT subject to and contingent upon Ordinary Resolutions 1, 2, 4, 5, 7, 8 and 9 as set out in this Notice of EGM being passed:

- (a) authority be and is hereby given to the Directors to allot and issue to RHB up to 241,985,142 RHB Settlement Shares at an issue price of S\$0.00175 per RHB Settlement Share, credited as fully paid-up, subject to and in accordance with the terms and conditions set out in the RHB Agreement; and
- (b) the Directors and each of them be and are hereby authorised to complete, enter and do all acts and things (including without limitation, prepare and finalise, approve, sign, execute and deliver all such documents or agreements as may be required) and do all deeds and things as they may consider necessary, desirable, incidental or expedient for the purposes of or to give effect to this Ordinary Resolution 3 and implement any of the foregoing as they think fit and in the interests of the Company.

ORDINARY RESOLUTION 4: THE PROPOSED ISSUE OF SIF SETTLEMENT SHARES

THAT subject to and contingent upon Ordinary Resolutions 1, 2, 3, 5, 7, 8 and 9 as set out in this Notice of EGM being passed:

- (a) authority be and is hereby given to the Directors to allot and issue to SIF up to 344,226,285 SIF Settlement Shares at an issue price of S\$0.00175 per SIF Settlement Share, credited as fully paid-up, subject to and in accordance with the terms and conditions set out in the SIF Agreement; and
- (b) the Directors and each of them be and are hereby authorised to complete, enter and do all acts and things (including without limitation, prepare and finalise, approve, sign, execute and deliver all such documents or agreements as may be required) and do all deeds and things as they may consider necessary, desirable, incidental or expedient for the purposes of or to give effect to this Ordinary Resolution 4 and implement any of the foregoing as they think fit and in the interests of the Company.

ORDINARY RESOLUTION 5: THE PROPOSED ISSUE OF UOB CONVERTIBLE BONDS

THAT subject to and contingent upon Ordinary Resolutions 1, 2, 3, 4, 7, 8 and 9 as set out in this Notice of EGM being passed:

- (a) approval be and is hereby given for the issue of the UOB Convertible Bonds, and the subsequent allotment and issuance of up to 476,328,000 UOB Conversion Shares arising from the conversion of the UOB Convertible Bonds, by the Company to UOB at the conversion price of S\$0.00175 per UOB Conversion Share, representing a discount of approximately 12.5% to the VWAP of S\$0.002 for each Share based on trades done on the SGX-ST on 30 August 2019, being the last full market day when the Shares of the Company were traded prior to the trading suspension on 2 September 2019, on the terms and subject to the conditions set out in the UOB Agreement; and
- (b) the Directors and each of them be and are hereby authorised to complete, enter and do all acts and things (including without limitation, prepare and finalise, approve, sign, execute and deliver all such documents or agreements as may be required) and do all deeds and things as they may consider necessary, desirable, incidental or expedient for the purposes of or to give effect to this Ordinary Resolution 5 and implement any of the foregoing as they think fit and in the interests of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

ORDINARY RESOLUTION 6: THE PROPOSED ISSUE OF REMUNERATION SHARES

THAT:

- (a) authority be and is hereby given to the Directors to allot and issue to Mr. Liew Yoke Pheng Joseph 65,391,302 Remuneration Shares at an issue price of S\$0.00175 per Remuneration Share, credited as fully paid-up, subject to and in accordance with the terms of the Proposed Issue of Remuneration Shares; and
- (b) the Directors and each of them be and are hereby authorised to complete, enter and do all acts and things (including without limitation, prepare and finalise, approve, sign, execute and deliver all such documents or agreements as may be required) and do all deeds and things as they may consider necessary, desirable, incidental or expedient for the purposes of or to give effect to this Ordinary Resolution 6 and implement any of the foregoing as they think fit and in the interests of the Company.

ORDINARY RESOLUTION 7: THE PROPOSED TRANSFER OF CONTROLLING INTEREST

THAT subject to and contingent upon Ordinary Resolutions 1, 2, 3, 4, 5, 8 and 9 as set out in this Notice of EGM being passed:

- (a) approval be and is hereby given for the allotment and issuance by the Company of the Conversion Shares and Option Shares to the Investor on the terms and subject to the conditions set out in the Convertible Loan Note Agreement and Options Agreement which constitutes a transfer of Controlling Interest in the Company to the Investor pursuant to Rule 803 of the Listing Manual; and
- (b) the Directors and each of them be and are hereby authorised to complete, enter and do all acts and things (including without limitation, prepare and finalise, approve, sign, execute and deliver all such documents or agreements as may be required) and do all deeds and things as they may consider necessary, desirable, incidental or expedient for the purposes of or to give effect to this Ordinary Resolution 7 and implement any of the foregoing as they think fit and in the interests of the Company.

ORDINARY RESOLUTION 8: THE PROPOSED WHITEWASH RESOLUTION

THAT subject to and contingent upon Ordinary Resolutions 1, 2, 3, 4, 5, 7 and 9 as set out in this Notice of EGM being passed, the Independent Shareholders hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a mandatory general offer from the Investor in accordance with Rule 14 of the Takeover Code as a result of the issue of the Conversion Shares (assuming the conversion of the Convertible Loan Note by the Investor) and the Option Shares (assuming the exercise of all Options by the Investor) to the Investor.

ORDINARY RESOLUTION 9: THE PROPOSED APPOINTMENT OF DIRECTOR

THAT subject to and contingent upon Ordinary Resolutions 1, 2, 3, 4, 5, 7 and 8 as set out in this Notice of EGM being passed, Mr. Yeo Puay Hin be appointed as a Director of the Company with effect from the Completion Date.

**BY ORDER OF THE BOARD
HOE LEONG CORPORATION LTD.**

Liew Yoke Pheng Joseph
Execution Chairman and Chief Executive Officer
1 June 2021

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTES:

1. The EGM is being convened, and will be held, by electronic means (via live audio-visual webcast or live audio-only stream) pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A member of the Company (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM. This Notice has been made available on SGXNet and the Company's corporate website at www.hoeleong.com. A printed copy of this Notice will NOT be despatched to members.
2. Shareholders should note the following procedures and/or instructions to participate in the EGM (via live audio-visual webcast or live audio-only stream):
3. **Proxy Voting:**

Voting at the EGM is by proxy ONLY. Shareholders who wish to vote on any or all of the resolutions at the EGM must appoint the Chairman of the EGM as the proxy(ies) to vote on their behalf by completing the proxy form attached to the Notice of EGM or download it from the Company's announcement on SGXNet or from the Company's corporate website at www.hoeleong.com. Shareholders should specifically indicate how they wish to vote for or vote against (or abstain from voting on) the resolutions set out in the Notice of EGM.

Shareholders must submit the completed and signed proxy form appointing the Chairman of the EGM as proxy (i) by email to contact@hoeleong.com; or (ii) by post to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814, by 9.30 a.m. on 14 June 2021 (being not less than seventy-two (72) hours before the time fixed for the EGM). Any incomplete proxy form will be rejected by the Company.

For CPF and/or SRS investors who wish to appoint the Chairman of the EGM as their proxy, they should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes by email to contact@hoeleong.com or post to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814 at least seven (7) working days before the EGM.

4. **Shareholders' Questions and Answers:**

If Shareholders have any questions in relation to the EGM, Shareholders may send their queries in advance, by (i) by email to contact@hoeleong.com; or (ii) by post to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814, by 5.00 p.m. on 11 June 2021. Shareholders are to state the question(s), full name, NRIC/Passport No./Company Registration No. and number of shares held, and whether they are shareholder(s) or proxy(ies) or corporate representative(s) of corporate shareholder(s). Any question without these identification details will not be entertained.

Please note that the Company will provide responses to substantial questions and relevant comments from Shareholders, so submitted by Shareholders in advance, prior to the EGM by publishing the responses on the SGXNet and Company's corporate website at www.hoeleong.com. Where substantial questions and relevant comments submitted by Shareholders are unable to be addressed prior to the EGM, the Company will address them during the EGM (via live audio-visual webcast or live audio-only stream). The responses from the Board and management of the Company shall thereafter be published on SGXNet and the Company's corporate website at www.hoeleong.com, together with the minutes of the EGM, within one (1) month after the conclusion of the EGM.

Shareholders, who would have been able to be appointed as proxies by relevant intermediaries under Section 181(1C) of the Companies Act (Chapter 50) of Singapore, such as CPF and/or SRS investors, should approach their respective agents, such as CPF Agent Banks and/or SRS Operators, to submit their questions in relation to any resolution set out in the Notice of EGM prior to the EGM and have their substantial queries and relevant comments answered.

5. **Registration to attend the live audio-visual webcast or live audio-only stream**

Live audio-visual webcast

Shareholders who wish to attend the EGM by viewing the proceedings of the EGM can participate via live audio-visual webcast by submitting their particulars (comprising emails, full names, NRIC/Passport No./Company Registration No. and number of shares held) by email to contact@hoeleong.com by 9.30 a.m. on 14 June 2021 (being not less than seventy-two (72) hours before the time fixed for the EGM) (the "**Registration Deadline**") to enable the Company to verify the Shareholders' status. After the verification process, a unique link will be sent to authenticated Shareholders before end-of-the-day on 16 June 2021. The link will be used by Shareholders to view the proceedings of the EGM by accessing the live audio-visual webcast. Shareholders may attend the live audio-visual webcast via smart phones, tablets or laptops/computers.

Live audio-only stream

Shareholders who wish to attend the EGM by observing the proceedings of the EGM by listening only, can participate via the live audio-only stream by submitting their particulars (comprising emails, full names, NRIC/Passport Nos./Company Registration Nos. and number of shares held) by email to contact@hoeleong.com by the Registration Deadline to enable the Company to verify the Shareholders' status. After the verification process, an email confirmation containing details of the live audio-only stream will be sent to authenticated Shareholders by 5.00 p.m. on 16 June

NOTICE OF EXTRAORDINARY GENERAL MEETING

2021 (the “**Confirmation Email**”). The details contained in the Confirmation Email will be used by Shareholders to observe the proceedings of the EGM by listening via the live audio-only stream.

Shareholders who wish to attend the EGM via live audio-visual webcast or live audio-only stream are reminded that the EGM is private. Invitations to attend the EGM via live audio-visual webcast or live audio-only stream shall not be forwarded to anyone who is not a Shareholder of the Company or who is not authorised to attend the EGM via live audio-visual webcast or live audio-only stream. Recording of the EGM via live audio-visual webcast or live audio-only stream in whatever form is also strictly prohibited.

The Company asks for Shareholders' understanding in the event of any technical disruptions during the EGM via live audio-visual webcast or live audio-only stream.

Shareholders, who would have been able to be appointed as proxies by relevant intermediaries under Section 181(1C) of the Companies Act (Chapter 50) of Singapore, such as CPF and/or SRS investors, should approach their respective agents, such as CPF Agent Banks and/or SRS Operators, to participate in the EGM via live audio-visual webcast or live audio-only stream.

Shareholders who register by the Registration Deadline but do not receive the Confirmation Email by 5.00 p.m. on 16 June 2021 should contact the Company at +65 6463 8666 or contact@hoeleong.com for assistance.

6. **Documents for the EGM:** Documents relating to the business of the EGM, which comprise the circular dated 1 June 2021, as well as the Notice of EGM and the proxy form for the EGM, have been published on SGXNet and the Company's corporate website at www.hoeleong.com.
7. **Updates:** Due to the constantly evolving COVID-19 situation in Singapore, the Company seeks Shareholders' understanding and cooperation to adhere to the measures taken by the Company in light of the COVID-19 situation. Shareholders are advised to check on the Company's announcement(s) on SGXNet or the Company's corporate website at www.hoeleong.com for any changes or updates on this EGM, should there be any further measures recommended by the relevant authorities.

PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the EGM to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of the appointment of the Chairman of the EGM as proxy for the EGM (including any adjournment thereof) and the preparation and compilation of the attendances lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines.

PROXY FORM

HOE LEONG CORPORATION LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199408433W)

PROXY FORM FOR EXTRAORDINARY GENERAL MEETING

IMPORTANT:

1. The EGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of EGM and this Proxy Form will not be sent to members. Instead, the Notice of EGM and this Proxy Form will be sent to members by electronic means via publication on SGXNet and the Company's corporate website at www.hoeleong.com.
2. Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the EGM in advance of the EGM, addressing of substantial and relevant questions at the EGM and voting by appointing the Chairman of the EGM as proxy at the EGM, are set out in section 17 (*Action to be taken by Shareholders*) of the circular dated 1 June 2021 issued by the Company. The circular may be accessed on SGXNet and the Company's corporate website at www.hoeleong.com.
3. **To minimise physical interactions and COVID-19 transmission risks, the EGM is being convened, and will be held, by electronic means and therefore a member will not be able to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM.**
4. CPF and/or SRS investors who wish to appoint the Chairman of the EGM as proxy should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes by 9.30 a.m. on 8 June 2021.
5. By submitting an instrument appointing the Chairman of the EGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 1 June 2021.
6. **Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the EGM as a member's proxy to attend, speak and vote on his/her/its behalf at EGM.**

I/We* _____ (Name), _____ (NRIC / Passport / Company Registration No.)
of _____ (Address),
hereby appoint the Chairman of the Extraordinary General Meeting (the "EGM") as *my/our proxy/proxies to vote for *me/us on *my/our behalf at the EGM of the Company to be held by electronic means (via live audio-visual webcast or live audio-only stream) on 17 June 2021 at 9.30 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against or abstain from voting the Resolutions proposed at the Meeting as indicated hereunder.

If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the appointment of the Chairman of the EGM as *my/our proxy will be treated as invalid.

No.	Ordinary Resolution	Number of votes FOR**	Number of votes AGAINST**	Number of votes ABSTAIN**
1.	To approve the Proposed Issue of Convertible Loan			
2.	To approve the Proposed Grant of Options			
3.	To approve the Proposed Issue of RHB Settlement Shares			
4.	To approve the Proposed Issue of SIF Settlement Shares			
5.	To approve the Proposed Issue of UOB Convertible Bonds			
6.	To approve the Proposed Issue of Remuneration Shares			

IMPORTANT:

1. The EGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of EGM and this Proxy Form will not be sent to members.. Instead, the Notice of EGM and this Proxy Form will be sent to members by electronic means via publication on SGXNet and the Company's corporate website at www.hoeleong.com.
2. Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the EGM in advance of the EGM, addressing of substantial and relevant questions at the EGM and voting by appointing the Chairman of the EGM as proxy at the EGM, are set out in section 17 (*Action to be taken by Shareholders*) of the circular dated 1 June 2021 issued by the Company. The circular may be accessed on SGXNet and the Company's corporate website at www.hoeleong.com.
3. **To minimise physical interactions and COVID-19 transmission risks, the EGM is being convened, and will be held, by electronic means and therefore a member will not be able to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM .**

NOTES:

1. This duly executed proxy form, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be sent (i) by email to contact@hoeleong.com; or (ii) by post to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814, by 9.30 a.m. on 14 June 2021 (being not less than seventy-two (72) hours before the time fixed for the EGM). The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
2. CPF and/or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes by 9.30 a.m. on 8 June 2021.
3. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register seventy-two (72) hours before the time appointed for holding the EGM as certified by The Central Depository (Pte) Limited to the Company.
6. A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register seventy-two (72) hours before the time set for the EGM.
7. An investor who buys shares using CPF monies and/or SRS monies (as may be applicable) may attend and cast his vote(s) at the EGM in person. Such CPF and/or SRS investors who are unable to attend the EGM but would like to vote, may inform their CPF Agent Banks and/or SRS Operators to appoint the Chairman of the EGM to act as their proxy, in which case, the CPF and/or SRS investors shall be precluded from attending the EGM.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing the Chairman of the EGM to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of the appointment of the Chairman of the EGM as proxy for the EGM (including any adjournment thereof) and the preparation and compilation of the attendances lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines.