

CIRCULAR DATED 25 OCTOBER 2019

THIS CIRCULAR (AS DEFINED HEREIN) IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF ASIAN CORPORATE ADVISORS PTE. LTD. (AS THE INDEPENDENT FINANCIAL ADVISER). THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

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

If you have sold or transferred all your Shares (as defined herein) 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 which are not deposited with CDP, you should immediately forward this Circular to the purchaser, the transferee or the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or the transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”) in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalist. This Circular has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

DLF HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 201726076W)

CIRCULAR TO SHAREHOLDERS

in relation to the

MANDATORY UNCONDITIONAL CASH OFFER

by

CEL IMPETUS CORPORATE FINANCE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 201631484Z)

for and on behalf of

QRC PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 201838267Z)

Independent Financial Adviser to the Independent Directors

ASIAN CORPORATE ADVISORS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200310232R)

<p>SHAREHOLDERS SHOULD NOTE THAT THE OFFER WILL CLOSE AT 5.30 P.M. (SINGAPORE TIME) ON 8 NOVEMBER 2019.</p>
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CONTENTS

DEFINITIONS.....	3
CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS.....	8
INDICATIVE TIMELINE.....	9
LETTER FROM THE BOARD OF DIRECTORS	10
1. BACKGROUND.....	10
2. THE OFFER.....	11
3. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS.....	13
4. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY.....	13
5. LISTING STATUS AND COMPULSORY ACQUISITION	14
6. FINANCIAL EVALUATION OF THE OFFER.....	15
7. DIRECTORS' INTERESTS	16
8. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER.....	16
9. OVERSEAS SHAREHOLDERS.....	30
10. INFORMATION PERTAINING TO CPFIS INVESTORS (IF APPLICABLE) AND SRS INVESTORS	32
11. ACTION TO BE TAKEN BY SHAREHOLDERS.....	32
12. CONSENTS	32
13. DIRECTORS' RESPONSIBILITY STATEMENT	33
14. ADDITIONAL INFORMATION.....	33
APPENDIX I	
LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER	34
APPENDIX II	
ADDITIONAL GENERAL INFORMATION.....	102
APPENDIX III	
AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018.....	112
APPENDIX IV	
UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 1H2019.....	173
APPENDIX V	
EXTRACTS FROM THE CONSTITUTION.....	192
APPENDIX VI	
VALUATION REPORT	221
APPENDIX VII	
STATEMENTS OF PROSPECTS	235
APPENDIX VIII	
LETTER FROM THE AUDITOR IN RELATION TO THE STATEMENTS OF PROSPECTS	239
APPENDIX IX	
LETTER FROM THE IFA IN RELATION TO THE STATEMENTS OF PROSPECTS	242
APPENDIX X	
NOTICE OF COMPLIANCE	245
APPENDIX XI	
RESPONSE TO SGX-ST QUERIES DATED 23 SEPTEMBER 2019	249

DEFINITIONS

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

GENERAL

- “1H2019”** : The 6-month period ended 30 June 2019
- “1H2019 Results”** : The unaudited financial information of the Company for the 6-month period ended 30 June 2019
- “Acquisition”** : The acquisition by the Offeror of all the Sale Shares from the Sellers for an aggregate consideration of S\$5,601,353.98, pursuant to the terms of the sale and purchase agreements
- “Auditor Statements of Prospects Report”** : The report issued by the Auditor in respect of the Statements of Prospects, as set out in Appendix VIII to this Circular
- “Board”** : The board of Directors of the Company as at the Latest Practicable Date
- “Business Day”** : A day other than Saturday, Sunday or a public holiday on which banks are open for business in Singapore
- “Circular”** : This circular to Shareholders dated 25 October 2019 in relation to the Offer, enclosing, *inter alia*, the IFA Letter
- “Closing Date”** : **5.30 p.m. (Singapore time) on 8 November 2019**, being the last day for the lodgement of acceptances for the Offer
- “Code”** : The Singapore Code on Take-overs and Mergers
- “Companies Act”** : The Companies Act, Chapter 50 of Singapore
- “Company Securities”** : (a) Shares;
(b) securities which carry voting rights in the Company; and
(c) convertible securities, warrants, options and derivatives in respect of the Shares or such securities which carry voting rights in the Company
- “Constitution”** : The constitution of the Company, as amended and modified from time to time
- “CPFIS”** : Central Provident Fund Investment Scheme
- “CPFIS Investors”** : Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
- “Directors”** : The directors of the Company (including the Independent Directors) as at the Latest Practicable Date
- “FAA”** : The Form of Acceptance and Authorisation for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with CDP

- “FAT”** : The Form of Acceptance and Transfer for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with CDP
- “FY”** : Financial year ended or ending, as the case may be, 31 December
- “IFA Letter”** : The letter dated 25 October 2019 from Asian Corporate Advisors Pte. Ltd. to the Independent Directors in respect of the Offer as set out in Appendix I to this Circular
- “IFA Statements of Prospects Report”** : The report issued by the IFA in respect of the Statements of Prospects, as set out in Appendix IX to this Circular
- “Independent Directors”** : The Directors who are considered independent for the purposes of the Offer, namely, Mr. Fan Chee Seng, Mr. Chan Kam Loon, Mr. Low Chai Chong and Mr. Teo Choon Kow @ William Teo
- “Interested Person”** : As defined in the Note on Rule 23.12 of the Code, an interested person, in relation to a company, is:
- (a) a director, chief executive officer, or substantial shareholder of the company;
 - (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company;
 - (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;
 - (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;
 - (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
 - (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more
- “Latest Practicable Date”** : 11 October 2019, being the latest practicable date prior to the printing of this Circular
- “Listing Manual”** : Listing Manual Section B: Rules of Catalist of the SGX-ST in force as at the Latest Practicable Date
- “Notice of Compliance”** : Has the meaning ascribed to it in paragraph 10.1 of Appendix II to this Circular
- “Offer”** : The mandatory unconditional cash offer by CICF, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT

“Offer Announcement”	:	The offer announcement issued by CICF on the Offer Announcement Date, for and on behalf of the Offeror, in relation to the Offer
“Offer Announcement Date”	:	20 September 2019, being the date of the Offer Announcement
“Offer Document”	:	The offer document dated 11 October 2019 and any other document(s) which may be issued by or on behalf of the Offeror to amend, revise, supplement or update the offer document from time to time
“Offer Price”	:	S\$0.081 in cash for each Offer Share
“Offer Shares”	:	The Shares other than any Shares held in treasury and those Shares already owned, controlled or agreed to be acquired by the Offeror as at the date of the Offer
“Offeror Securities”	:	(a) Offeror Shares; (b) securities which carry voting rights in the Offeror; and (c) convertible securities, warrants, options and derivatives in respect of the Offeror Shares or securities which carry voting rights in the Offeror
“Offeror Shares”	:	Issued and paid-up ordinary shares in the capital of the Offeror
“Overseas Shareholders”	:	Shareholders whose addresses are outside Singapore as shown on the register of members of the Company or in the records of CDP (as the case may be)
“S\$” and “cents”	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore
“Shareholders”	:	Holders of Shares (including persons whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST and persons who are registered as holders of Shares in the register of members maintained by the Share Registrar)
“Sale Shares”	:	Has the meaning ascribed to it in Section 1.1
“Shares”	:	Issued and paid-up ordinary shares in the capital of the Company
“SRS”	:	Supplementary Retirement Scheme
“SRS Investors”	:	Investors who have purchased Shares pursuant to the SRS
“Statements of Prospects”	:	Has the meaning ascribed to it in paragraph 9.2 of <u>Appendix II</u> to this Circular
“Subject Property”	:	The property located at 15 Jalan Saudara Ku, Singapore 457451
“Valuation Report”	:	The summary valuation report issued by the Valuer in respect of the Subject Property in connection with the Offer, as set out in <u>Appendix VI</u> to this Circular
“%” or “per cent.”	:	Per centum or percentage

COMPANIES / ORGANISATIONS / PERSONS

“Auditor”	:	Foo Kon Tan LLP, being the auditor of the Company
“CDP”	:	The Central Depository (Pte) Limited
“CICF”	:	CEL Impetus Corporate Finance Pte. Ltd. , being the financial adviser to the Offeror in respect of the Offer
“CPF”	:	Central Provident Fund
“Company”	:	DLF Holdings Limited
“Group”	:	The Company and its subsidiaries
“IFA”	:	Asian Corporate Advisors Pte. Ltd., being the independent financial adviser to the Independent Directors in connection with the Offer
“Offeror”	:	QRC Pte. Ltd.
“Sellers”	:	Mr. Wong Ming Kwong and Mr. Fan Chee Seng
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Registrar”	:	Tricor Barbinder Share Registration Services, the share registrar of the Company
“SIC”	:	Securities Industry Council of Singapore
“Sponsor”	:	PrimePartners Corporate Finance Pte. Ltd.
“Valuer”	:	Asian Appraisal Company Pte Ltd, being the independent valuer appointed by the Independent Directors for the purposes of carrying out the valuation of the Subject Property in connection with the Offer

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

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

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

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

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

Any reference in this Circular to any enactment or statutory provision is a reference to that enactment or statutory provision for the time being amended or re-enacted. Any word defined in the Companies Act, the SFA, the Listing Manual or the Code or any statutory modification thereof and not otherwise defined in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, the Listing Manual or the Code or any statutory modification thereof, as the case may be, unless the context otherwise requires.

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

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

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

In this Circular, any reference to the total number of issued Shares is a reference to 121,108,700 Shares as at the Latest Practicable Date.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of 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 neither the Company nor the IFA guarantees any future performance or event or assumes any obligation to update publicly or revise any forward-looking statement, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

INDICATIVE TIMELINE

Date of despatch of the Offer Document : 11 October 2019

Date of despatch of this Circular : 25 October 2019

Closing Date : **5.30 p.m. (Singapore time) on 8 November 2019**

Date of settlement of consideration for valid acceptances of the Offer⁽¹⁾ : (a) in respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects, within seven (7) Business Days of the date of the Offer becomes or is declared to be unconditional in all respects; or

(b) in respect of acceptances of the Offer which are complete and valid in all respects and are received after the Offer becomes or is declared to be unconditional in all respects, but before the Offer closes, within seven (7) Business Days of the date of such receipt.

Note:

(1) Please also refer to Appendix A to the Offer Document for further details.

DLF HOLDINGS LIMITED
(Company Registration No. 201726076W)
(Incorporated in the Republic of Singapore)

LETTER FROM THE BOARD OF DIRECTORS

Board of Directors

Mr. Fan Chee Seng (Executive Chairman)
Mr. Chan Kam Loon (Lead Independent Non-Executive Director)
Mr. Low Chai Chong (Independent Non-Executive Director)
Mr. Teo Choon Kow @ William Teo (Independent Non-Executive Director)

Registered Office

140, Paya Lebar Road,
#08-07, AZ @ Paya Lebar,
Singapore 409015

25 October 2019

To: The Shareholders of the Company

Dear Sir/Madam

MANDATORY UNCONDITIONAL CASH OFFER BY CICF, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES

1. BACKGROUND

1.1 Offer Announcement

On 20 September 2019, CICF announced, for and on behalf of the Offeror, that the Offeror had on 20 September 2019 entered into sale and purchase agreements (the “SPA”) with Mr. Wong Ming Kwong (“Mr. Wong”) and Mr. Fan Chee Seng (“Mr. Fan”) pursuant to which the Offeror will purchase 45,000,000 and 24,221,740 ordinary shares in the capital of the Company (the “Sale Shares”) from Mr. Wong and Mr. Fan respectively. The aggregate consideration for the Sale Shares is S\$5,601,353.98, being approximately S\$0.0809 for each Sale Share, and the total Sale Shares represents approximately 57.16% of the total number of 121,108,700 issued and paid-up ordinary shares in the capital of the Company.

As a consequence of the Acquisition, the Offeror is required to make a mandatory unconditional cash offer for the Offer Shares in accordance with Section 139 of the SFA and Rule 14 of the Code.

1.2 Offer Document

Shareholders should have by now received a copy of the Offer Document issued by CICF, for and on behalf of the Offeror, setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in Section 2 of the Letter to Shareholders in the Offer Document.

Shareholders are advised to read the terms and conditions of the Offer contained in the Offer Document carefully.

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

1.3 Purpose of this Circular

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

Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix I to this Circular carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors on the Offer before deciding whether to accept or reject the Offer. If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

2. THE OFFER

2.1 Terms of the Offer

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

"2. THE OFFER

2.1 *Mandatory Offer.* *As a result of the Acquisition and subject to the terms and conditions set out in this Offer Document and its accompanying FAA and/or FAT, as the case may be, for and on behalf of the Offeror, CICF hereby makes the Offer to acquire all the Offer Shares in accordance with Section 139 of the SFA and Rule 14 of the Code.*

2.2 *Offer Price.*

For each Offer Share : S\$0.081 in cash (the "Offer Price")

The Offeror does not intend to revise the Offer Price save for the right to do so in a competitive situation.

Offer Shares. *The Offer is extended, on the same terms and conditions, to all the Shares, excluding treasury shares and those owned, controlled or agreed to be acquired by the Offeror (the "Offer Shares"). For the avoidance of doubt, the Offer is also extended to the parties acting in concert with the Offeror.*

2.3 *No Encumbrances.* *The Offer Shares will be acquired:*

- (a) fully paid-up;*
- (b) free from all Encumbrances; and*
- (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights, return of capital and/or other distributions (the "Distribution") (if any) which may be announced, declared,*

made or paid thereon by the Company on or after the Offer Announcement Date.

Accordingly, if any Distribution is announced, declared, made or paid by the Company on or after the Offer Announcement Date, the Offeror reserves its right to reduce the Offer Price payable in respect of such Offer Shares tendered in acceptance of the Offer by an amount equivalent to such Distribution as set out in **Section 2.4** immediately below.

2.4 Adjustment for Distributions.

Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Offer Announcement Date.

Accordingly, in the event any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date to a Shareholder who validly accepts the Offer (the “**Accepting Shareholder**”), the Offer Price payable to such Accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by the Accepting Shareholder falls, as follows:

- (a) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “**Books Closure Date**”), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay the Accepting Shareholder the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or
- (b) if such settlement date falls after the Books Closure Date, the Offer Price payable for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the “**Adjusted Offer Price**”) and the Offeror shall pay the Accepting Shareholder the Adjusted Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

2.5 Unconditional Offer. Pursuant to the completion of the Acquisition, the Offeror and parties acting in concert with it hold more than 50% of the voting rights attributable to the Shares (excluding treasury shares). As such, the Offer is **unconditional in all respects**.

2.6 Warranty. A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to have unconditionally and irrevocably warrant that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid-up, (b) free from all Encumbrances and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all Distributions (if any) which may be announced, declared, made or paid thereon by the Company on or after the Offer Announcement Date.”

2.2 Details of the Offer

The Offer is made in accordance with the principal terms and conditions as set out in the Offer Document. Appendix A to the Offer Document sets out further details on (a) the duration of the Offer, (b) the settlement of the consideration for the Offer, (c) the requirements relating to the announcement of the level of acceptances of the Offer, and (d) the right of withdrawal of acceptances of the Offer.

2.3 Closing Date

The Offer Document states that the Offer will remain open for acceptance by the Shareholders for 28 days from the date of despatch of the Offer Document, unless the Offer is withdrawn with the consent of the SIC and every person is released from any obligation incurred thereunder.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 8 November 2019, being the Closing Date. Notice has been given by the Offeror that the Offer will not be extended, revised or open for acceptance beyond 5.30 p.m. (Singapore time) on the Closing Date.

2.4 Procedures for Acceptance

Section 2.8 of the Offer Document states that Appendix B to the Offer Document sets out the procedures for acceptance of the Offer.

3. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS

Details on the Offeror are set out in Section 3 of the Offer Document, extracts of which are set out in italics below.

“3. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS

3.1 *The Offeror and its Shareholders.* *The Offeror is a private company incorporated in Singapore on 11 November 2018, engaged in the business of management and business consultancy services.*

As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$140,000 divided into 140,000 ordinary shares. The Offeror’s sole shareholder is Enomoto Hiroyuki. As at the date of this Offer Document, the directors of the Offeror are Mishima Yusaku, Enomoto Hiroyuki and Foo Kia Juah. As at 8 October 2019, Zhang Congxiu has resigned and Foo Kia Juah has been appointed as the resident director of the Offeror.

3.2 *Additional Information.*

Appendix C to this Offer Document sets out additional information on the Offeror.”

4. RATIONALE FOR THE OFFER AND THE OFFEROR’S INTENTIONS IN RELATION TO THE COMPANY

The rationale for the Offer and the Offeror’s intentions in relation to the Company are set out in Section 5 of the Offer Document, extracts of which are set out in italics below.

“5. RATIONALE FOR THE OFFER AND THE OFFEROR’S INTENTIONS IN RELATION TO THE COMPANY

5.1 Compliance with the Code. *As a result of the Acquisition as set out in Section 1.1 of the Letter to Shareholders in this Offer Document, CICF is making the Offer, for and on behalf of the Offeror, in compliance with the requirements of the Code.*

5.2 Intentions for the Company. *The Offeror believes, as at the date of this Offer Document, that the Acquisition represents a reasonably attractive mid to long term investment opportunity for the Offeror. Following the close of the Offer, the Offeror intends to undertake a comprehensive review of the businesses of the Group and such review will help the Offeror to determine the optimal business strategy for the Company. The Offeror presently has no intention to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Group, or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror regards to be in the interests of the Offeror and/or the Company.”*

5. LISTING STATUS AND COMPULSORY ACQUISITION

Section 6 of the Offer Document sets out the intentions of the Offeror relating to the listing status of the Company and compulsory acquisition, extracts of which are set out in italics below.

“6. LISTING STATUS AND COMPULSORY ACQUISITION

6.1 Listing Status. *Under Rule 1104 of the Catalist Rules, upon the announcement by the Offeror that valid acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and the parties acting in concert with it to above 90% of the total number of issued Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time as it is satisfied that at least 10% of the total number of issued Shares (excluding treasury shares) are held by at least 200 Shareholders who are members of the public.*

Under Rule 1303(1) of the Catalist Rules, where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares), thus causing the percentage of the total number of issued Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Rule 723 of the Catalist Rules requires the Company to ensure that at least 10% of the total number of issued Shares (excluding treasury shares) is at all times held by the public. In addition, under Rule 724(1) of the Catalist Rules, if the percentage of the total number of issued Shares (excluding treasury shares) held in public hands falls below 10%, the Company must, as soon as practicable, notify its sponsor and announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Catalist Rules further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

6.2 Compulsory Acquisition. *Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer and/or acquires such number of Offer Shares at the close of the Offer in respect of not less than 90% of*

*the total number of issued Shares (excluding treasury shares and those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the “**Dissenting Shareholders**”) on the same terms as those offered under the Offer.*

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

*It is the current intention of the Offeror to maintain the listing status of the Company on the SGX-ST following completion of the Offer. Accordingly, the Offeror, if and when entitled, does **not** intend to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act to acquire those Offer Shares not acquired by the Offeror pursuant to the Offer, or to delist the Company from the SGX-ST pursuant to the Catalist Rules. In the event that the trading of the Shares on the SGX-ST is suspended pursuant to Rule 724 or Rule 1104 of the Catalist Rules, the Offeror intends to undertake and/or support any action as may be necessary for any such trading suspension by the SGX-ST to be lifted.”*

6. FINANCIAL EVALUATION OF THE OFFER

Section 7 of the Offer Document sets out certain information on the financial evaluation of the Offer, extracts of which are set out in italics below.

7. FINANCIAL EVALUATION OF THE OFFER

The Offer Price represents the following discount from the historical transacted prices of the Shares on the SGX-ST:

Description	Benchmark Price (S\$)⁽¹⁾	Discount from the Benchmark Price (%)⁽²⁾
<i>Last transacted price per Share as quoted on the SGX-ST on 5 September 2019 (being the last full day of trading in the Shares preceding the Offer Announcement Date) (the “Last Trading Day”)</i>	0.185	56.22
<i>Volume-weighted average price (“VWAP”) per Share for the 1-month period up to and including the Last Trading Day</i>	0.178	54.49
<i>VWAP per Share for the 3-month period up to and including the Last Trading Day</i>	0.178	54.49
<i>VWAP per Share for the 6-month period up to and including the Last Trading Day</i>	0.085	4.71
<i>VWAP per Share for the 12-month period up to and including the Last Trading Day</i>	0.115	29.57

Notes:

- (1) *Based on data extracted from Bloomberg L.P. and with the figures rounded to the nearest three (3) decimal places.*
- (2) *Percentage figures have been rounded to the nearest two (2) decimal places.”*

7. DIRECTORS' INTERESTS

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

8. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER

8.1 Appointment of Independent Financial Adviser

Asian Corporate Advisors Pte. Ltd. has been appointed as the independent financial adviser to the Independent Directors in respect of the Offer.

8.2 Independence of the Directors

As at the Latest Practicable Date, all of the Directors consider themselves to be independent for the purposes of making a recommendation on the Offer.

8.3 The IFA's Advice to the Independent Directors

The advice of the IFA to the Independent Directors in respect of the Offer is set out in the IFA Letter annexed as Appendix I to this Circular.

The conclusion and recommendation of the IFA in respect of the Offer has been extracted from the IFA Letter and is reproduced in italics below.

“9. OPINION

In arriving at our opinion in respect of the Offer, we have taken into account, inter-alia, the following factors which we consider to have a significant bearing on our assessment as summarised below and as elaborated elsewhere in this Letter. Save for the Independent Valuation Report in connection with the market value of the Appraised Property, we have not been furnished with the valuation for the remaining PPE or assets and have relied on the Directors' confirmation that as at the Latest Practicable Date, on an aggregate basis, there are no material differences between the estimated market value of the remaining PPE or assets for which no valuation was obtained and their respective book values as at 30 June 2019. In addition, we have relied on the Directors' confirmation that despite the fact that financial statements for 1HY2019 is not audited, the provision for doubtful debts, trade and other receivables written off, and foreseeable loss recorded for 1HY2019 are based on, inter-alia, Management's estimates, the said provision for doubtful debts, trade and other receivables written off, and foreseeable loss have been made after deliberation, due and careful enquiry and assessment of the matters and in accordance with the relevant accounting standards and the Group's accounting policy. Our views, recommendation and opinion are thus necessarily limited and subject to these matters.

This is purely a summary of the factors that have been highlighted in this Letter and Shareholders are advised to read the following in conjunction with, and in the context of, the full text of this Letter (including the limitations and the fact that the unaudited NTA for the

Group as at the end of 1HY2019 is substantially lower as compared to the audited NTA for the Group as at the end of FY2018).

- (a) *The rationale for the Offer, intention of the Offeror for the Company as well as the listing status and compulsory acquisition as set out in Section 5 and 6 of the Offer Document.*
- (b) *The historical financial performance and position of the Group as set out in Section 7.1 of this Letter including, inter-alia, the “sudden” and material adverse changes of, inter-alia, the Group’s financial performance and position. For the period prior to the IPO Date, the Group was profitable with net profit attributable to owners of the Company of approximately S\$3.4 million and S\$1.8 million for FY2017 and 1HY2018 respectively. However, subsequent to the IPO Date, the Group was in loss making position with net loss attributable to owners of the Company of approximately S\$3.1 million, S\$1.3 million and S\$5.7 million for Estimated 2HY2018, FY2018 and 1HY2019 respectively. The losses for Estimated 2HY2018 were attributable to “one-time” listing expenses and impairment loss on trade receivables, whilst the losses for 1HY2019 was due to provision for doubtful debts, trade and other receivables written off, and foreseeable loss. After adjustments of these “one-time” expenses, the Group would still record pre-tax loss of approximately S\$1.4 million and S\$1.1 million for Estimated 2HY2018 and 1HY2019 respectively. Moreover, we note that approximately 78.8% of the total value of the contracts for the Group of approximately S\$13,798,810, as at 11 June 2018 (being the latest practicable date for the Prospectus) had been terminated. The terminated contracts for the Group comprise Phase 3B of the Maldives Project. We note that whilst the termination of the Maldives Project occurred prior to the issuance of the Group’s AR2018, it was not mentioned in the Group’s AR2018 and was disclosed in the Group’s 1HY2019 which was announced on 14 August 2019.*

The Group’s financial position has deteriorated after the IPO with net current liabilities of approximately S\$1.0 million and high gearing ratio of 2.8 times as at 30 June 2019. The Group also reported net cash outflow from its operating activities for FY2018 and 1HY2019 of approximately S\$3.5 million and S\$0.7 million respectively. This should be assessed in conjunction with, inter-alia, the Group’s administrative expenses of approximately S\$4.0 million for FY2018, and an aggregate amount of approximately S\$4.2 million of provision for doubtful debts and trade and other receivables written off for 1HY2019 respectively.

The Directors confirmed that: (i) as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Group’s audited financial statements for FY2018, the Group’s unaudited financial statements for 1HY2019, and the Company’s announcements on the SGX-Net, there has been no material changes to the assets and liabilities, financial position, condition and performance; (ii) save as disclosed above, the Directors have confirmed that there has been no other new contract or project secured by the Group as at the Latest Practicable Date; and (iii) as at the Latest Practicable Date, the Group has ceased bidding for new project in view of lack of funding and internal resources.

- (c) *The historical financial performance and position of the Group vis a vis the Selected Comparable Companies. The Group as compared to the Selected Comparable Companies is in a relatively less favourable financial position (in terms of total liabilities to shareholders’ equity and total borrowings to shareholders’ equity ratios). The Group’s LTM asset turnover appears to be above the range and more favourable than any of the Selected Comparable Companies. As the Group was loss making for the LTM ended 30 June 2019, its LTM ROE and LTM NPM ratios are not meaningful. Overall, the Group’s financial performance is generally weak as compared to the Selected Comparable Companies (save for Progen).*
- (d) *The Offer Price (as set out in Section 7 of this Letter) after taking into account, inter-alia, the following factors:-*

- (i) *The Offer Price represents a premium of approximately 2,245.6% over the Group's NAV per Share and NTA per Share respectively as at 30 June 2019.*
- (ii) *The Offer Price represents a premium of approximately 1,755.7% over the Group's RNAV and RNTA per Share.*
- (iii) *The Offer Price represents a discount of approximately 56.2% over the last transacted price of S\$0.185 per Share for the Shares on the SGX-ST on 5 September 2019, being the Last Trading Day immediately preceding the Offer Announcement Date.*
- (iv) *The Offer Price represents a discount of approximately 54.3%, 51.9%, 56.2%, 54.4% and 54.4% over the VWAP for the Shares for the Period since IPO, 12-month, 6-month, 3-month and 1-month prior to the Offer Announcement Date.*
- (v) *From 21 September 2019 (after the Announcement) to 11 October 2019, being the Latest Practicable Date (both dates inclusive), we note that no Shares were traded during this period. In addition, we observed that since the announcement of the Group's unaudited financial statements for the six months ended 30 June 2019, on 14 August 2019, till the Latest Practicable Date only an aggregate of 6,000 Shares were traded (and for only 2 Market Days out of a total of 42 Market Days with prices of between S\$0.17 to S\$0.185 for each Share).*
- (vi) *The Offer Price represents a discount of approximately 56.2% over the last transacted price of S\$0.185 per Share on the SGX-ST on 5 September 2019, being the Last Trading Day immediately preceding the Latest Practicable Date.*
- (vii) *Low liquidity with infrequent trading. Except for the periods shortly after the IPO Date (being the period commencing from the IPO Date till 20 September 2018 whereby the lock up period of the IPO ranges from 3 months, 6 months and 12 months from the date of the IPO) and wherein the total number of Shares traded was approximately 13.4 million Shares with an average daily trading volume (based on a total of 40 Market Days) of approximately 336,228 Shares), the average volume of Shares traded on a daily basis had in general declined significantly thereafter to as low as 94 Shares for the 3-month period prior to the Offer Announcement Date. We observed that the Shares are not frequently traded. Since the IPO Date till the Latest Practicable Date, Shares were traded for only 61 Market Days. For these 61 Market Days, we note that approximately 76.5% of the total number of Shares traded and approximately 50.8% of the number of Market Days the Shares were traded, occurred for the period commencing from the IPO Date till 20 September 2018 or just before or about the commencement of the 12-month period prior to the Offer Announcement. We also note that the low liquidity may be attributable to the fact that whilst there were only 274 Shareholders at the point in time of the Company's admission on the Catalist, but there were only 117 Shareholders as at 22 March 2019 and as at the Latest Practicable Date.*

In addition, we note that as at 22 March 2019 (being the date the statistics of shareholdings of the Company are disclosed in the Group's AR018): approximately 98.1% of the Shares issued were held by the twenty-largest shareholders, with seven (7) of the twenty largest shareholders holding approximately 91.4% of the Shares. Approximately 0.5% of the Shares issued were held by Shareholders whose size of shareholdings are 10,000 or less Shares; whilst approximately 4.4% of the Shares issued were held by Shareholders whose size of shareholdings are between 10,001 to

1,000,000 Shares. The balance or about 95.1% of the Shares issued are held by Shareholders whose size of shareholdings, are 1,000,001 Shares and above.

In summary, we note that trading for the Shares has been erratic, infrequent and the average daily trading volume of the Shares had been low in both absolute terms and also as a percentage of the free float. In addition, we note that Shares of the Company as at the Latest Practicable Date are still tightly held with approximately 91.4% of the issued Shares being held by seven of the twenty largest Shareholders as at the Latest Practicable Date. The number of Shareholders had declined by more than half from its IPO to about 117 Shareholders as at 22 March 2019 and the Latest Practicable Date.

- (viii) Generally fair or favourable comparison with the valuation of the Selected Comparable Companies. The valuation of the Group (as implied by the Offer Price) in terms of LTM EV/EBITDA and LTM PER as at 30 June 2019 is not meaningful as the Group registered EBITDA and losses attributable to owners of the Company of approximately S\$8.9 million. Progen's LTM EV/EBITDA and LTM PER as at 30 June 2019 is not meaningful as it registered negative EBITDA and losses attributable to owners of the Company. We note that Koyo Intl's LTM EV/EBITDA as at 30 June 2019 is not meaningful as it was in a net cash position with negative EV. The valuation of the Group (as implied by the Offer Price) in terms of LTM P/Revenue as at 30 June 2019 is approximately 1.0 times, is within the range, in line with the simple average and higher than the median for the Selected Comparable Companies. The valuation of the Group (as implied by the Offer Price and RNAV or RNTA of approximately S\$0.0044 per Share) in terms of both P/NAV and P/NTA ratios are above the range and more favourable than any the Selected Comparable Companies. This is attributable to the low RNAV and RNTA as at 30 June 2019 due to, inter-alia, losses attributable to owners of the Company in 1HY2019 of approximately S\$5.7 million, arising from trade and other receivables written off of about S\$1.1 million, provision of doubtful debts of about S\$3.1 million (as a result of the termination of the Group's contract in Maldives), administrative expenses of about S\$0.8 million, gross loss of about S\$0.2 million and foreseeable loss of about S\$0.25 million for various work that the Group had performed under the variation orders for one of the project whereby the corresponding revenue had been recognised in FY2018. Please refer to Section 7.1 of this Letter for further details.

As an illustration, in the event that the losses arising from writing off of trade and other receivables, provision for doubtful debts, and foreseeable loss on contracts for an aggregate of approximately S\$4.5 million are added back to the NTA as at 30 June 2019, the Offer Price represents a premium of approximately 98.7% and 94.3% over the NTA per Share and RNTA per Share respectively. We note that even in the absence of any write-offs of trade and other receivables, provision for doubtful debts, and foreseeable loss on contracts, the valuation of the Group (as implied by the Offer Price and RNAV or RNTA per Share as adjusted for, inter-alia, such foreseeable loss or write-offs or provisions) is more favourable than any of the Selected Comparable Companies. Such comparison should be reviewed in conjunction with the following: (a) the Group is in a relatively weak financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios) and the Group's financial performance in terms of the LTM ROE and LTM net profit margin appears to be less favourable as compared to the Selected Comparable Companies (save for Progen); (b) the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in acquisition of control whilst for the Offer, and although the Offeror's intention

is not to delist the Company and (as stated in the Offer Announcement and Offer Document), and the Offeror has already a majority control over the Company by having an interest in 69,221,740 Shares representing approximately 57.16 % of the total number of issued Shares (excluding treasury Shares); and (c) considering, inter-alia, the core business of the Group, earnings-based valuation ratios (being PER and EV/EBITDA) are likely more appropriate valuation benchmark as compared to asset-based valuation ratios. In addition, the valuation of the Group (as implied by the Offer Price) in terms of LTM P/Revenue as at 30 June 2019 is within the range, in line with the simple average, and higher than the median of the Selected Comparable Companies and appears to be comparable to the Selected Comparable Companies. Notwithstanding, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be more favourable than any of the Selected Comparable Companies.

- (ix) Fair or favourable comparison with the Selected Non-Privatisation MGO Transaction (except for historical premiums). The discount of approximately 56.2%, 54.4% and 54.4% as implied by the Offer Price from the last transacted price for the Shares prior to the Announcement Date, the VWAP for the Shares for 1-month period prior to the Announcement Date and the VWAP for the Share for 3-month period prior to the Announcement Date respectively are within the range, above the minimum but worse off than the median and the simple average for the Selected Non-Privatisation MGO Transactions, which are both at premiums for the 1-month and 3-month periods. We note that the offer price for all the Selected Non-Privatisation MGO Transactions are generally at premiums over the respective historical prices (last transacted prices prior to offer announcement, VWAP for 3-month and 1-month periods prior to offer announcement), save for the (i) last transacted price prior to announcement for the Cityneon Holdings Limited transaction, (ii) VWAP for the 1 month and 3 month periods prior to announcement for the CH Offshore Ltd. transaction, and (iii) the last transacted price, VWAP for the 1-month and 3-month periods prior to announcement for the Blumont transaction where the offer price is at a discount, all the other historical prices are at a premium.

We note that within the Selected Non-Privatisation MGO Transactions, only Blumont's offer price to its historical prices at the various time periods are consistently at a discount. Independent Directors should note that for the Blumont transaction, the financial position of the company and its subsidiaries was, inter-alia, weak with a disclaimer of opinion issued by the independent auditors of the said company (prior to the announcement of the takeover) relating to, inter-alia, the appropriateness of going concern assumption. Likewise we note there were statements made in the Group's 1HY2019 unaudited results announcement on 14 August 2019, regarding the Group's ability to operate as a going concern.

The liquidity of the Group is less than favourable as (i) the average daily traded volume as a percentage of free float for VWAP for 1 month period prior to announcement is lower than the minimum for or any of the Selected Non-Privatisation MGO Transactions; and (ii) the average daily traded volume as a percentage of free float for the VWAP for 3-month period prior to announcement is below the range, lower than the minimum for or any of the Selected Non-Privatisation MGO Transactions.

The valuation of the Group in terms of P/NTA as implied by the Offer Price and the Group's RNTA per Share of approximately 18.6 times is above the range, significantly higher than the maximum and more favourable than any of the Selected Non-Privatisation MGO Transactions.

In summary, the valuation of the Group as implied by the Offer Price appears to be very much less favourable than the Selected Non-Privatisation MGO Transactions in terms of historical premium and/or discount over/from historical prices. However this should be viewed in the context of the relatively low and poor liquidity of the Shares as compared to the shares of the other companies for the Selected Non-Privatisation MGO Transactions.

In addition, in terms of P/NAV multiple, the valuation of the Group as implied by the Offer Price appears to be above the range and more favourable than any of the Selected Non-Privatisation MGO Transactions. However, we note that this is attributable to the Group's low RNTA for reasons stated above and elsewhere in this Letter. As an illustration, in the event that the losses arising from writing off of trade and other receivables, provision for doubtful debts and foreseeable loss on contracts are added back to the NTA as at 30 June 2019, the Offer Price represents a premium of approximately 98.7% and 94.3% over the NTA per Share and RNTA per Share respectively.

We note that even in the absence of any write-offs of trade and other receivables, provision for doubtful debts, and foreseeable loss on contracts, the valuation of the Group (as implied by the Offer Price and RNAV or RNTA per Share as adjusted for such foreseeable loss or write-offs or provisions) is more favourable than any of the Selected Non-Privatisation MGO Transactions save for Cityneon Holdings Limited and Mary Chia Holdings Limited (and in fact higher than the median and the simple average for the Selected Non-Privatisation MGO Transactions).

Whilst the valuation of the Group as implied by the Offer Price in terms of comparison with the historical prices for the Shares for the Selected Non-Privatisation MGO Transactions, does not appear to be favourable in terms of historical premiums (as mentioned above, the Offer price is consistently at a discount to historical prices), this may be attributable to the low liquidity (in terms of number of Shares traded as a percentage of free float and frequency of trading). When viewed in the context of the poor liquidity of the Shares as compared to the liquidity for all the shares of the companies for the Selected Non-Privatisation MGO Transactions and the relatively lower percentage of interest held by the Offeror as compared to the interests of the various offerors under the Selected Non-Privatisation MGO Transactions as well as the significant premiums of the Offer Price above the RNAV and RNTA per Shares, it appears reasonable. The comparison with respect to P/NTA multiple, does appear to be significantly more favourable as compared to the Selected Non-Privatisation MGO Transactions.

- (x) *Relatively favourable comparison with the IPO Placement Price. In nominal terms, the Offer Price is substantially lower than the IPO Placement Price of S\$0.23 per Share. The valuation of the Group for the 2018 IPO Placement in terms of P/NTA (as implied by the IPO Placement Price) of approximately 6.8 and 3.7 times pre and post IPO respectively are lower and less favourable as compared to the valuation of the Group for the Offer in terms of P/NTA (as implied by the Offer Price and NTA per Share as at 30 June 2019) of approximately 23.5 times. We note that this is attributable to the low NTA as at 30 June 2019 due to the, inter-alia, losses in 1HY2019 of approximately S\$5.7 million arising from trade and other receivables written off of about S\$1.1 million, provision of doubtful debts of about S\$3.1 million (as a result of the termination of the Group's contract in Maldives), administrative expenses of about S\$0.8 million, gross loss of about S\$0.2 million, and foreseeable loss of about S\$0.25 million for various work that the Group had performed under the variation orders of one of the project whereby the corresponding revenue had been recognised in FY2018. The Group's would still record losses of approximately S\$4.3 million for the LTM 30 June 2019 if the total value written down from trade and other receivables*

of about S\$1.1 million, provision of doubtful debts of about S\$3.1 million (as a result of the termination of the Group's contract in Maldives), and foreseeable loss on project of approximately S\$0.25 million are added back. Please refer to Section 7.1 of this Letter for further details. As an illustration, in the event that the losses arising from writing off of trade and other receivables, provision for doubtful debts, and foreseeable loss on contracts are added back to the NTA as at 30 June 2019, the Offer Price represents a premium of approximately 98.7% over the NTA per Share. The valuation of the Group for the 2018 IPO Placement in terms of P/Revenue (as implied by the IPO Placement Price) of approximately 1.3 times is higher and more favourable as compared to the valuation of the Group for the Offer in terms of P/Revenue (as implied by the Offer Price and LTM Revenue as at 30 June 2019) of approximately 1.0 times. We note that this is attributable to, inter-alia, a decline in the Group's revenue from approximately S\$9.5 million for 1HY2018 to approximately S\$0.7 million for 1HY2019, due primarily to (i) an absence of revenue contribution by both the turnkey contracting services and project management services segment as a result of the termination of the Maldives Project on 5 February 2019, and (ii) a decrease in contribution from M&E segment of approximately S\$2.7 million. Please refer to Section 7.1 for further explanation. EBITDA for the LTM ended 30 June 2019 was approximately negative S\$8.9 million as compared to the positive EBITDA for the FY2017 based on the unaudited pro-forma consolidated financial information for the Group. Hence, a comparison of EV/EBITDA for the 2018 IPO placement against the Offer is not meaningful. We note that the EBITDA for LTM ended 30 June 2019 was negative due to a loss of approximately S\$8.9 million attributable to owners of the Company for the LTM ended 30 June 2019. It would still be negative even if the sum of approximately S\$4.5 million from the value written from trade and other receivables, provision of doubtful debts and foreseeable loss on project are added back. Accordingly comparisons on a PER is meaningless in view of the loss attributable to owners of the Company for LTM ended 30 June 2019.

We note that both Mr. Fan and Mr. Wong disposed their Sale Shares at prices above their average effective cash cost as disclosed in the IPO Prospectus of approximately S\$0.0284 and S\$0.0395 respectively, and the price for which the Sale Shares were sold of approximately S\$0.0809 is above the Post-IPO NTA per Share of S\$0.0615 (or Mr. Fan and Mr. Wong "cost" from a NTA perspective at IPO). However, the Offer Price (similar and slightly higher than the Sale Share price) is significantly lower than the IPO Placement Price. Thus we note that based on Mr. Fan and Mr. Wong "cost" from a NTA perspective there appears to be a "gain" with respect to the Sales Shares whilst for the investors at IPO, the Offer Price being lower than the IPO Placement Price appears to represent a "loss". The Offer Price of S\$0.081 is lower than the Placement Price of S\$0.23. Shareholders who have bought their Shares as at the IPO would have suffered a loss of S\$0.149 for each Share bought at IPO. In addition, we note that the NTA for the Group had been eroded since its IPO (from the Post-IPO NTA per Share of approximately S\$0.0615, to the NTA per Share as at 30 June 2019 of approximately S\$0.0035).

In summary, after taking into account the number of Shares issued and sold for the IPO and Acquisition of the Sale Shares respectively, the relative valuations of the Group as implied by the ratio of the Offer Price to the NTA per Share as at 30 June 2019, appears to be relatively more favourable as compared to the valuation of the Group as implied by the ratio of the IPO Placement Price to then prevailing Pre and Post-IPO NTA per Share, after taking into account the fact that the sale of the Sale Shares transferred approximately 57.16% of the total issued Share capital and as described in this Letter, thereby placing the Offeror in a position to, inter-alia, influence and control the Company. This is despite the fact that the 2018 IPO

Placement provided the Company with cash for usage of the purposes as described in the IPO Prospectus or as announced.

- (e) Our analysis as set out in Section 8.2 of this Letter suggests that the Company's dividend profile is worse off as compared to the Selected Comparable Companies in general (save for those which did not pay dividends). As the Company did not pay any dividend in respect of its most recent financial year, hence as compared to the STI ETF, the dividend yield for Company is less favourable.*
- (f) As at the Latest Practicable Date, the Offer is unconditional. As set out in Section 5 of the Offer Document, the Offeror believes, as at the date of the Offer Document, that the Acquisition represents a reasonably attractive mid to long term investment opportunity for the Offeror. Following the close of the Offer, the Offeror intends to undertake a comprehensive review of the businesses of the Group and such review will help the Offeror to determine the optimal business strategy for the Company. The Offeror presently has no intention to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Group, or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror regards to be in the interests of the Offeror and/or the Company. It is also noted from Section 3 of the Offer Document that the Offeror was incorporated in Singapore on 11 November 2018, and engaged in the business of management and business consultancy services. This appears to be completely different from the Group's existing business.*
- (g) We note that as set out in this Letter, there are numerous changes in the Board of Directors and Management since its IPO in July 2018 arising from, inter-alia, non re-election at the 2018 AGM, and resignations. Following the Group's reported loss of approximately S\$1.3 million for FY2018, some Shareholders (including Mr. Fan) were not satisfied and accordingly voted down the resolutions pertaining to the re-election of the Former Directors tabled during the 2018 AGM. Subsequent to the non re-election of the Former Directors and the "fall out" between Mr. Fan and Mr. Wong, the Group reported loss after tax attributable to owners of the Company of approximately S\$5.7 million for 1HY2019 and this was followed by the Acquisition of the Shares held by Mr. Wong and Mr. Fan, by the Offeror. We note that the cessations of the Former Directors (save for Dr Choong Chow Siong) were due to non re-election during the 2018 AGM. It is generally accepted that frequent changes to the Board of Directors and key executives maybe, inter-alia, be an indication of either financial distress or shareholders' disagreements over how the Company should be managed or shareholders' dissatisfaction with results achieved. It also indicates or is a signal of uncertainties with respect to the Group's directions with respect to its businesses and operations, financial performance and position or prospects, or weakness in controls.*
- (h) In particular we note from the notice of compliance issued by the SGX RegCo on 26 September 2019 that the Directors are required to engage the Offeror to set out their business plans and future directions for the Group, and to disclose this in the Circular in view of the Offeror's intentions to maintain the listing status of the Company following the completion of the Offer. The Directors confirmed that after having engaged the Offeror, save as disclosed in the Offer Document and the Circular, they are not aware of the Offeror's future plans and directions for the Group that are not disclosed or announced.*
- (i) As set out in the Offer Document, the Offer Price is final and the Offeror does not intend to increase the Offer Price save for the right to do so in a competitive situation.*
- (j) As stated in the Company's Responses dated 26 September 2019, the Company has represented that according to Mr. Fan, a few parties have spoken to him but none has given him any concrete proposal. In addition, Mr. Fan feels that this Offer*

gives minorities an opportunity for those who want to exit their investment in view of the recent poor financial results and illiquidity of the stock. As for Mr. Wong, the Directors have confirmed that save for the recent correspondence pertaining to Mr. Wong's rationale in entering into the SPA, none of the Directors (including Mr. Fan) has spoken to or corresponded with Mr. Wong on whether Mr. Wong has received any other offer(s).

- (k) The Directors' confirmation that apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date. We note that Mr. Fan has stated in the Company's Responses dated 26 September 2019 that the Offer Price of S\$0.081 is reasonable especially considering the illiquidity of the Shares and him having received no concrete proposal other than from the Offeror. As such, he has entered into the SPA on a willing buyer, willing seller basis.
- (l) The sale of the Sale Shares by both Mr. Fan and Mr. Wong (who were both named in the Prospectus and "promoters" of the Group as at IPO) representing approximately 57.16% of the issued Shares (excluding treasury Shares), after about two months from the lock-up periods for their Shares and announcement of the weak unaudited six-months financial performance, position and condition. We note that the aggregate number of Sale Shares represent a significant proportion of the Shares held by both of the Sellers prior to the Acquisition or approximately 72.1% of the total number of Shares held by both Mr. Fan and Mr. Wong. Accordingly after the Acquisition, the two "promoters" of the Company shortly after their lock-up periods and less than 3 months after the first anniversary of the IPO, will no longer be major shareholders of the Company.
- (m) Other relevant considerations are set out in Section 8 or other such sections of this Letter.

In summary, having regard to our analysis and the consideration in this Letter (including, inter-alia, its limitation and constraints) and after having considered carefully the information available to us and based on market, economic and other relevant considerations prevailing as at the Latest Practicable Date, and subject to our terms of reference, we are of the opinion that, in the absence of an alternative offer, the Offer is **FAIR** and **REASONABLE**.

For the purposes of evaluation of the Offer, we have adopted the approach that the term "fair and reasonable" comprises two distinct concepts:

- (i) Whether the Offer is "fair" relates to the value of the offer price which is based strictly on the evaluation of the Offer Price (i.e. by looking at the financial or fundamental analyses of the Offer Price as set out in this Letter and based on information known to us or which is publicly available).
- (ii) Whether the Offer is "reasonable", after taking into consideration the actual and potential financial impact of other circumstances surrounding the Offer and the Company which we consider relevant (being both quantitative and qualitative factors available and made known to us) including the value of the Shares.

We consider the Offer to be **FAIR**, after factoring, inter-alia, the following:

- (i) Fair or favourable valuation of the Group (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of both P/NAV or P/NTA ratios. The Offer Price represents a hefty premium over the NTA per Share or RNTA per Share despite the losses registered for the LTM 30 June 2019, which had significantly eroded the NTA since IPO. This should be viewed in the context of the Group's weak and deteriorating financial performance and position as at 30 June 2019 amidst the termination of various contracts since the IPO Date, and the limited pipeline of projects that has yet to be implemented and limited resources to secure or implement

new projects or track record to demonstrate that projects can be implemented with profits and without erosion of value.

- (ii) The Group's weak and deteriorating financial performance (inter-alia, revenues, profitability and EBITDA) and financial position (net current assets, ratio of total liabilities to Shareholders' equity and ratio of total borrowings to shareholders' equity as at 30 June 2019), amidst the termination of various contracts since the IPO, limited pipeline of projects that has yet to be implemented and limited resources to secure or implement new projects or track record to demonstrate that projects can be implemented with profits and without erosion of value.*
- (iii) Fair or favourable comparison with the valuation of the Selected Comparable Companies (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of both P/NAV or P/NTA ratios, and P/Revenue multiple. The comparison were made taking into account: (a) the Group's relatively weaker financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios), and the Group's weaker financial performance as well as the Group's valuation in terms of the LTM EV/EBITDA and LTM PER as compared to the Selected Comparable Companies as it registered negative EBITDA and loss of approximately S\$8.9 million. In the event that the losses arising from writing off of trade and other receivables, provision for doubtful debts and foreseeable loss on contracts for an aggregate of approximately S\$4.5 million are added back, the Group would still register a loss of approximately S\$4.3 million for the LTM 30 June 2019. Notwithstanding this, the Offer Price represents a hefty premium over the NTA per Share or RNTA per Share as compared to all the Selected Comparable Companies.*
- (iv) Fair or favourable comparison with the Selected Non-Privatisation MGO Transactions in terms of the valuation of the Group (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of P/NAV or the P/NTA ratio. It is above the range, significantly higher than the maximum and more favourable, than any of the Selected Non-Privatisation MGO Transactions. This should be viewed in conjunction with the fact that the Offeror has already a majority control over the Company as at the Offer Announcement Date.*
- (v) Relatively favourable comparison with the IPO Placement Price in terms of the valuation of the Group for the 2018 IPO Placement in terms of P/NTA (as implied by the IPO Placement Price) as compared to the valuation of the Group for the Offer in terms of P/NTA (as implied by the Offer Price and NTA per Share as at 30 June 2019). This should be viewed in the context of the Group's weak and deteriorating financial performance and position as at 30 June 2019 amidst inter-alia the termination of various contracts since the IPO Date, and the limited pipeline of projects that has yet to be implemented.*

*We consider the Offer to be, **REASONABLE**, after factoring, inter-alia, the following:-*

- (i) As set out in the Offer Announcement and the Offer Document, the Offeror had already a statutory control of the Company, which places the Offeror in a position to significantly influence, inter-alia, the management, operating and financial policies of the Company and is in a position to pass all ordinary resolutions on matters in which the Offeror do not have an interest, at general meetings of Shareholders.*
- (ii) The Group's weak and deteriorating financial performance (inter-alia, revenues, profitability and EBITDA) and financial position (net current assets, ratio of total liabilities to Shareholders' equity and ratio of total borrowings to shareholders' equity as at 30 June 2019), amidst the termination of various contracts since the IPO, limited pipeline of projects that has yet to be implemented and resources to secure new projects or track record to demonstrate that projects can be implemented with profits and without erosion of value.*

- (iii) *Favourable valuation of the Group (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of both P/NAV or P/NTA ratios. The Offer Price represents a hefty premium over the NTA per Share or RNTA per Share despite the losses registered for the LTM 30 June 2019, which had significantly eroded the NTA since IPO.*
- (iv) *Favourable comparison with the valuation of the Selected Comparable Companies (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of both P/NAV or P/NTA ratios, and in terms of P/Revenue multiple.*
- (v) *Favourable comparison with the Selected Non-Privatisation MGO Transactions in terms of valuation of the Group (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of P/NAV or the P/NTA ratio. This should be viewed in conjunction with the fact that the Offeror has already a majority control over the Company as at the Offer Announcement Date.*
- (vi) *Whilst the valuation of the Group as implied by the Offer Price and historical prices, appears to be very much less favourable than the Selected Non-Privatisation MGO Transactions in terms of premiums and/or discounts over/from historical prices, it is still comparable as it is within the range of the premiums and/or discounts over/from historical prices.*

The valuation of the Group as implied by the Offer Price and the discounts to historical prices should be viewed in the context of the Share's relatively low and poor liquidity as compared to the shares of the other companies for the Selected Non-Privatisation MGO Transactions (in terms of the low average daily traded volume as a percentage of free float and the absolute number of Shares that were traded, and the infrequent trading).

The Offer Price represents a discount of approximately 56.2% over the last transacted price of S\$0.185 per Share on the SGX-ST on 5 September 2019, being the Last Trading Day immediately preceding the Latest Practicable. We note that the trading for the Shares has been erratic, infrequent and the average daily trading volume of the Shares had been low in both absolute terms and also as a percentage of the free float. In addition, we note that Shares of the Company are tightly held with approximately 91.4% of the issued Shares being held by seven of the largest twenty Shareholders as at the Latest Practicable Date. In addition, the number of Shareholders is about 117 Shareholders as at the Latest Practicable Date.

Thus when viewed, inter-alia, in the context of the poor liquidity of the Shares when compared to the liquidity for all the shares of the companies for the Selected Non-Privatisation MGO Transactions and the relatively lower percentage of interest held by the Offeror as compared to the interests of the various offerors under the Selected Non-Privatisation MGO Transactions as well as the significant premiums of the Offer Price above the RNAV and RNTA per Shares, it appears reasonable.

- (vii) *Relatively favourable comparison with the IPO Placement Price in terms of the valuation of the Group for the 2018 IPO Placement in terms of P/NTA (as implied by the IPO Placement Price and the Pre-IPO NTA and/or Post-IPO NTA per Shares) as compared to the valuation of the Group for the Offer in terms of P/NTA (as implied by the Offer Price and NTA per Share as at 30 June 2019). This should be viewed in the context of the Group's weak and deteriorating financial performance and position as at 30 June 2019 amidst inter-alia the termination of various contracts since the IPO Date.*
- (viii) *The Director's confirmation that, save as disclosed in this Letter and announced, (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.*

In addition, as stated in the Company's Responses dated 26 September 2019, we note that the Company has represented that according to Mr. Fan, a few parties have spoken to him but none has given him any concrete proposal other than the Offeror. As the Offeror holds approximately 57.16% of the issued Shares, any competing offer for the Shares is unlikely to be forthcoming without the support of the Offeror in view of its majority control as represented by the percentage of the total number of Shares that the Offeror holds as at Latest Practicable Date. Accordingly, the possibility of an alternative offer from parties other than the Offeror will be significantly reduced.

- (ix) *In addition, as stated in the Company's Responses dated 26 September 2019, we note that the Company has represented that according to Mr. Fan, the Offer gives minorities an opportunity for those who want to exit in view of the recent poor financial results and illiquidity of the stock.*

Further in response to SGX RegCo on Mr. Fan's rationale for entering into the SPA to dispose his Shares, Mr. Fan has stated that the Offer Price is reasonable considering, inter-alia, illiquidity of the Shares, deterioration of the NAV per Share as at 30 June 2019, as well as the weak financial performance for 1HY2019. Separately, we note from representations by the Directors that Mr. Wong's rationale for the sale of his Shares was due to the fact that after he was ousted, he was disappointed and fell out with Mr. Fan. As such, there is no longer any interest for him to hold on to the Shares.

Whilst Mr. Fan has stated his intention as a Shareholder not to accept the Offer, we note from the Circular that he would like to remain as a Shareholder in the Company and continue in the business of mechanical and electrical engineering through the Company. Further Mr. Fan had concurred with the recommendation of the IFA in respect of the Offer, and accordingly, would recommend that Shareholders should accept the Offer.

- (x) *The sale of the Sale Shares by both Mr. Fan and Mr. Wong (who were both named in the Prospectus and "promoters" of the Group as at IPO) representing approximately 57.16% of the issued Shares (excluding treasury Shares), after about two months from the lock-up periods for their Shares and announcement of the weak unaudited six-months financial performance. We note that the aggregate number of Sale Shares represent a significant proportion of the Shares held by both of the Sellers prior to the sale.*

- (xi) *Numerous changes in the board Directors and Management (including those with responsibilities for, inter-alia, finance) since its IPO in July 2018. It is generally accepted that frequent changes to the Board of Directors and key executives maybe, inter-alia, be an indication of either financial distress or shareholders' disagreements over how the Company should be managed or shareholders' dissatisfaction with results achieved. It also indicates or is a signal of uncertainties with respect to the Group's directions with respect to its businesses and operations, financial performance and position or prospects, or weakness in controls.*

- (xii) *We note that there was no transaction for the Shares subsequent to the Offer Announcement Date and that as at the Latest Practicable Date the Offer Price was at a discount to the last transacted price (being on 5 September 2019). There is no assurance that the trading activities for the Shares will be maintained at such levels or that the transacted prices for the Shares will be maintained after the closing of the Offer. In particular, there is no assurance that interest in the Shares will be maintained after the Offer as the possibility of an alternative offer from parties other than the Offeror is low in view of the Offeror's majority control as represented by the percentage of the total number of Shares that it holds.*

- (xiii) *Low liquidity for the Shares, in terms of the frequency of trading, absolute number of Shares traded, relative number of Shares traded as a percentage of free float, tight holdings of Shares and spread of shareholdings as well as the relatively low and poor liquidity of the Shares as compared to shares for companies under the Selected Non-Privatisation MGO Transactions.*
- (xiv) *Realistic opportunity for Shareholders to realise their investments in view of, inter-alia, the low liquidity for the Shares (in terms of daily average trading volume and frequency of trading) prior to the Offer Announcement Date and the Group's, inter-alia, weak and deteriorating financial performance and position.*

ACA's Recommendation on the Offer

*Based on our assessment of the Offer as set out above, we advise the Independent Directors that they should recommend that Shareholders **ACCEPT** the Offer. In addition, the Offer represent a realistic opportunity for Shareholders to realise their entire investment in cash taking into account, inter-alia, the low liquidity for the Shares (in terms of daily average trading volume) prior to the Offer Announcement Date notwithstanding that the last transacted price for the Shares was above the Offer Price.*

We note that there was no transaction for the Shares subsequent to the Offer Announcement Date and that as at the Latest Practicable Date the Offer Price was at a discount to the last transacted price (being on 5 September 2019). There is no assurance that the trading activities for the Shares will be maintained at such levels or that the transacted prices for the Shares will be maintained after the closing of the Offer. In particular, there is no assurance that interest in the Shares will be maintained after the Offer as the possibility of an alternative offer from parties other than the Offeror is low in view of the Offeror's majority control as represented by the percentage of the total number of Shares that it holds.

In the event that Shareholders are concerned about the liquidity and the prices at which they can realise their investments in the Offer Shares (including whether they can realize their investments at prices higher than the Offer Price after deducting related expenses), acceptance of the Offer will provide certainty of exit at the Offer Price. However, in the event that Shareholders are able to dispose the Offer Shares in the open market and realise their investments at prices higher than the Offer Price after deducting related expenses, they should consider selling the Offer Shares in the open market. It should be noted that for the period commencing on the Market Day immediately after the Offer Announcement Date to the Latest Practicable Date, there has been no transactions for Shares."

Shareholders should read and consider carefully all the considerations relied upon by the IFA, in arriving at its advice to the Independent Directors, in conjunction with and in the context of the full text of the IFA Letter.

8.4 Recommendation of the Independent Directors

In arriving at the recommendation relating to the Offer, the Independent Directors have considered carefully, amongst other things, the terms of the Offer and the advice given by the IFA (including the factors set out in paragraphs 7 and 8 of the IFA Letter) in totality. In particular, the Independent Directors have taken into account, *inter alia*, the following key reasons:

- (a) The Offeror already has a statutory control of the Company, which places the Offeror in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company and is in a position to pass all ordinary resolutions on matters in which the Offeror do not have an interest, at general meetings of Shareholders.

- (b) Fair or favourable valuation of the Group (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of both P/NAV or P/NTA ratios. The Offer Price represents a hefty premium over the NTA per Share or RNTA per Share which should be assessed in the context of the Group's weak and deteriorating financial performance and position as at 30 June 2019 amidst the termination of various contracts since the IPO Date.
- (c) Fair or favourable valuation of the Group in terms of P/NAV or P/NTA ratios as compared to the Selected Comparable Companies, the Selected Non-Privatisation MGO Transactions and the IPO Placement.
- (d) Apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.
- (e) The Offer represents a realistic opportunity for Shareholders to realise their investments in view of *inter alia* the low liquidity for the Shares (in terms of daily average trading volume and frequency of trading) prior to the Offer Announcement Date and the Group's weak and deteriorating financial performance and position.

Unless otherwise defined, all terms and expressions used above shall have the same meanings as those defined in the IFA Letter.

Having taken the above matters into consideration, the Independent Directors concur with the recommendation of the IFA in respect of the Offer, and accordingly, recommend that Shareholders should accept the Offer. However, in the event that Shareholders are able to dispose their Shares in the open market and realise their investments at prices higher than the Offer Price after deducting related expenses, they should consider selling their Shares in the open market. If the Shareholders are considering to sell their Shares in the open market, they should be aware of the low liquidity of the Shares. It should be noted that for the period commencing on the market day immediately after the Offer Announcement Date to the Latest Practicable Date, there were no Shares traded.

Notwithstanding that Mr. Fan Chee Seng is also a Shareholder and does not intend to accept the Offer in respect of the Shares held by him, Mr. Fan Chee Seng, in his capacity as Independent Director, having considered carefully the terms of the Offer and the advice given by the IFA in the IFA Letter, concurs with the recommendation of the IFA in respect of the Offer, and accordingly, recommends that Shareholders should accept the Offer. As the founding Shareholder, Mr. Fan Chee Seng would like to remain as a Shareholder in the Company and continue in the business of mechanical and electrical engineering through the Company.

Shareholders should note that there is no assurance that the market prices and trading volume of the Shares will be maintained at current levels prevailing as at the Latest Practicable Date after the close of the Offer. Shareholders should note that the IFA's advice and the recommendation of the Independent Directors should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer. In making their recommendations, the Independent Directors have not taken into consideration nor had regard to the general or specific investment objectives, financial situation, risk profiles, tax position and/or particular or unique needs and constraints of any individual Shareholder. As different Shareholders may have different investment profiles and objectives, the Independent Directors recommend that any individual Shareholder who may require specific advice in relation to his or her investment objectives or portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Shareholders should read and consider carefully this Circular, including the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer as set out in Appendix I to this Circular in its entirety. Shareholders are also urged to read the Offer Document carefully (including Sections 5 and 6 of the Offer Document).

9. OVERSEAS SHAREHOLDERS

Section 10 of the Offer Document sets out information in relation to Overseas Shareholders, extracts of which are set out in italics below.

“10. OVERSEAS SHAREHOLDERS

10.1 Overseas Shareholders. *The availability of the Offer to Shareholders whose mailing addresses are outside Singapore, as appearing on the Register or, as the case may be, in the records of CDP (“Overseas Shareholders”, and each, an “Overseas Shareholder”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Shareholder should inform himself of, and observe, any applicable legal requirements in the relevant overseas jurisdictions. The Offer is not being proposed in any jurisdiction in which the introduction or implementation of the Offer would not be in compliance with the laws of such jurisdiction. **Where there are potential restrictions on sending this Offer Document, the FAA and/or the FAT to any overseas jurisdiction, the Offeror, CICF, CDP and the Receiving Agent cum Share Registrar each reserves the right not to send this Offer Document, the FAA and/or the FAT to Overseas Shareholders in any such overseas jurisdiction. For the avoidance of doubt, the Offer is made to all Shareholders holding Offer Shares, including those to whom the Offer Document, the FAA and/or the FAT have not been, or will not be, sent.***

Copies of this Offer Document and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a “Restricted Jurisdiction”) and the Offer will not be capable of acceptance by, any person within any Restricted Jurisdiction if the offer to and/or acceptance by such person will violate the laws of the Restricted Jurisdiction. Persons (including custodians, nominees and trustees) receiving such documents must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

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

This Offer Document shall not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document in any jurisdiction in contravention of applicable law. The release, publication or distribution of this Offer Document in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions

into which this Offer Document is released, published or distributed should inform themselves about and observe such restrictions.

10.2 Overseas Jurisdiction. It is the responsibility of an Overseas Shareholder who wishes to (a) request for this Offer Document, the FAA and/or the FAT, or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror, CICF, CDP, the Receiving Agent cum Share Registrar and/or any person acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror, CICF, CDP, the Receiving Agent cum Share Registrar and/or any person acting on their behalf may be required to pay. In (a) requesting for this Offer Document, the FAA and/or the FAT and any related documents, and/or (b) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror, CICF, CDP and/or the Receiving Agent cum Share Registrar that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all the necessary formalities or legal requirements.

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

10.3 Copies of the Offer Document, the FAA and the FAT. Subject to compliance with applicable laws, any Overseas Shareholders may, nonetheless, attend in person and obtain copies of this Offer Document, the FAA and/or the FAT (as the case may be) and/or any related documents, during normal business hours and up to 5.30 p.m. (Singapore time) on the Closing Date, from (a) CDP (if he is a Depositor) at **9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588**, or (b) the Receiving Agent cum Share Registrar (if he is a Scripholder) at **80 Robinson Road, #11-02, Singapore 068898**, as the case may be.

Alternatively, an Overseas Shareholder may, subject to compliance with applicable laws and regulations, write in to the Offeror at **QRC Pte. Ltd. c/o The Central Depository (Pte) Limited at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588** (if he is a Depositor), or (b) **QRC Pte. Ltd. c/o Tricor Barbinder Share Registration Services, 80 Robinson Road, #02-00, Singapore 068898** (if he is a Scripholder), to request for this Offer Document, the FAA and/or the FAT (as the case may be) and/or any related documents be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

Electronic copies of this Offer Document, the FAA and/or the FAT are available on the website of the SGX-ST at <https://www.sgx.com>.

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

10. INFORMATION PERTAINING TO CPFIS INVESTORS (IF APPLICABLE) AND SRS INVESTORS

Section 11 of the Offer Document sets out information pertaining to CPFIS Investors (if applicable) and SRS Investors, extracts of which are set out in italics below.

“11. INFORMATION RELATING TO CPFIS INVESTORS AND SRS INVESTORS

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

CPFIS Investors and SRS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks and SRS Agent Banks (as the case may be) by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks (as the case may be). CPFIS Investors and SRS Investors who validly accept the Offer will receive the payment for their Offer Shares in their respective CPF investment accounts and SRS investment accounts.”

11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than **5.30 p.m. (Singapore time) on 8 November 2019**, abiding by the procedures for the acceptance of the Offer as set out in Appendix B to the Offer Document, the FAA and/or the FAT.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by CDP (in respect of the FAA) or the Share Registrar (in respect of the FAT), as the case may be, not later than **5.30 p.m. (Singapore time) on 8 November 2019**.

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

12. CONSENTS

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and opinion in this Circular, the IFA Letter in Appendix I of this Circular, the IFA Statements of Prospects Report in Appendix IX of this Circular, and all references thereto in the form and context in which they appear in this Circular.

The Auditor has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, the independent auditor's report in relation to the audited financial statements of the Group for FY2018 in Appendix III of this Circular, the Auditor Statements of Prospects Report in Appendix VIII of this Circular, and all references thereto in the form and context in which they appear in this Circular.

The Valuer has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular and the Valuation Report set out in [Appendix VI](#) of this Circular, and all references thereto in the form and context in which they appear in this Circular.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular are fair and accurate, and that no material facts have been omitted from this Circular, the omission of which would make any statement in this Circular misleading, and they jointly and severally accept responsibility accordingly.

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

In respect of the IFA Letter, the Auditor Statements of Prospects Report, the IFA Statements of Prospects Report and the Valuation Report, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are, to the best of their knowledge and belief, fair and accurate in all material respects.

14. ADDITIONAL INFORMATION

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

Yours faithfully

For and on behalf of the Board

Mr. Chan Kam Loon
Lead Independent Non-Executive Director

APPENDIX I

LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

**LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD.
TO THE INDEPENDENT DIRECTORS OF DLF HOLDINGS LIMITED**

ASIAN CORPORATE ADVISORS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No: 200310232R)

160 Robinson Road #21-05
SBF Center
Singapore 068914

The Independent Directors (as hereinafter defined)
DLF Holdings Limited
140 Paya Lebar Road
#08-07, AZ @ Paya Lebar
Singapore 409015

25 October 2019

MANDATORY UNCONDITIONAL CASH OFFER (THE “OFFER”) BY CEL IMPETUS CORPORATE FINANCE PTE.LTD. (“CICF”) FOR AND ON BEHALF OF QRC PTE. LTD. (THE “OFFEROR”) FOR ALL THE ISSUED AND PAID UP ORDINARY SHARES IN THE CAPITAL OF DLF HOLDINGS LIMITED (“SHARES”), EXCLUDING TREASURY SHARES AND THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR (THE “OFFER SHARES”)

Unless otherwise defined or where the context otherwise requires, all terms used herein shall have the same meanings as defined in the circular dated 25 October 2019 (the “Circular”) issued by DLF Holdings Limited (“Company”).

1. INTRODUCTION

On 20 September 2019 (“**Offer Announcement Date**”), CICF announced, for and on behalf of the Offeror, that the Offeror had on 20 September 2019 entered into sale and purchase agreements (“**SPAs**”) with Mr Wong Ming Kwong (“**Mr. Wong**”) and Mr Manfred Fan Chee Seng (“**Mr. Fan**”) and together with Mr. Wong, the “**Sellers**”) pursuant to which, Offeror will purchase 45,000,000 and 24,221,740 ordinary shares (the “**Sale Shares**”) in the capital of the Company from Mr. Wong and Mr. Fan respectively (the “**Acquisition**”). The aggregate consideration for the total of 69,221,740 Sales Shares is S\$5,601,353.98 (the “**Consideration**”), being approximately S\$0.0809 for each Sale Share, and the total Sales Shares represents approximately 57.16% of the total number of 121,108,700 issued Shares (excluding treasury Shares) in the share capital of the Company.

Prior to the Acquisition, the Offeror did not own or control any Shares. As a result of the Acquisition, the Offeror owns or controls an aggregate of 69,221,740 Shares, representing approximately 57.16% of the total number of issued Shares. As a consequence of the Acquisition, the Offeror is required to make the Offer to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT (“**Offer**”) for all the issued and paid-up ordinary shares in the capital of the Company (“**Shares**”) other than any Shares held in treasury and those Shares already owned, controlled or agreed to be acquired by the Offeror as at the date of the Offer (“**Offer Shares**”), in accordance with Section 139 of the SFA and Rule 14 of The Singapore Code on Take-overs and Mergers (“**Code**”).

On 11 October 2019, CICF, for and on behalf of the Offeror announced that the offer document, dated 11 October 2019 has been issued by the Offeror (“**Offer Document**”), setting out, *inter alia*, the terms and conditions of the Offer, Appendices A to F, and enclosing the relevant form(s) for acceptance has been despatched to the shareholders of the Company (“**Shareholders**”). The offer price for each Offer Share is S\$0.081 in cash (“**Offer Price**”).

Asian Corporate Advisors Pte. Ltd. (“**ACA**”), has been appointed as the independent financial adviser (“**IFA**”) to advise the directors of the Company (“**Directors**”), who are considered independent for the purpose of making a recommendation to Shareholders in relation to the Offer (the “**Independent**”).

Directors”). We note from the Circular that all of the Directors, namely Mr. Fan, Mr. Chan Kam Loon, Mr. Low Chai Chong and Mr. Teo Choon Kow @ William Teo, are considered independent for the purposes of the Offer.

This letter (“**Letter**”) and any other document, which may be issued by ACA, in respect of the Offer for the purpose of revising, amending or supplementing or updating (as the case may be) and setting out, *inter-alia*, our views and evaluation of the financial terms of the Offer and our recommendations thereon, will form part of the Circular providing, *inter-alia*, details of the Offer and the recommendations of the Independent Directors with regard to the Offer. Unless otherwise defined or the context otherwise requires, all terms defined in the Offer shall have the same meaning ascribed herein.

2. TERMS OF REFERENCE

ACA has been appointed to advise the Independent Directors on the financial terms of the Offer and whether the Shareholders should accept or reject the Offer. We do not warrant the merits of the Offer other than to form a view, for the purposes of Rule 7.1 and 24.1 (b) of the Code, as to whether the financial terms of the Offer are fair and reasonable. We have confined our evaluation strictly and solely on the financial terms of the Offer and have not taken into account the commercial risks and/or merits (if any) of the Offer or their strategic merits or the future prospects of the Company and its subsidiaries (“**Group**”) including, *inter-alia*, the contracts that the Company and the Group has embarked upon or are about to embark upon or the comparison with other deals involving the issued and paid up Shares or the timing or the time extended for the Offer. Such evaluation or comment remains the responsibility of the Directors and the management of the Company (“**Management**”) although we may draw up on their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in this Letter. We do not express any opinion on the relative merits of the Offer as compared to any other alternative transaction. We were not requested or authorized to solicit, and we have not solicited, any indications of interest from any third party with respect to the Offer Shares or assets or businesses of the Group. In addition, we do not express any views or opinions on the legality of the Offer or all other matters pertaining to the Offer or documents for the Offer (the Circular and the Offer Document), *inter-alia*, the mechanism or processes of acceptances, its eligibility or validity or other alternatives (if any) or the sufficiency of information or any undertakings provided or rights of compulsory acquisition under the Companies Act, Chapter 50 of Singapore (“**Act**” or “**Companies Act**”) or the requirement for a forecast or prospect statement or its contents pursuant to the Code. Our scope does not include determining the independence of the Independent Directors for the purpose of making recommendation in respect of the Offer.

In the course of our evaluation, we have held discussions with Directors and Management regarding their assessment of the rationale for the Offer and have examined publicly available information collated by us, including the unaudited and audited financial statements as well as information, both written and verbal, provided to us by the Directors and Management and professional advisers of the Company, including its consultants or advisers, solicitors, auditors and valuers (where applicable). We have not independently verified such information but have made such reasonable enquiries and used our judgement as we deemed necessary on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of the information. Accordingly, we cannot and do not expressly or impliedly represent or warrant, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or the manner it has been classified or presented.

We have relied upon the assurance of the Directors and Management that all statements of fact, belief, opinion and intention made by the Directors and the Management in the Circular have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty, expressed and implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at 11 October 2019 (the “**Latest Practicable Date**”), and therefore does not reflect expected financial performance after the six (6) months financial period ended 30 June (“**1HY**”) 2019 (“**1HY2019**”) for the Group. Accordingly, we have not commented on or assessed the expected future performance or prospects of the Company or the Group or the Shares, irrespective of the outcome of the Offer. Accordingly, our evaluation and opinion and recommendation do not and cannot take into account the future or prospective performance and neither

are we responsible for it or for any updates pursuant to any announcements subsequent to the issuance of this Letter or the timing of the Offer or the dates for issuance of the Circular. Accordingly, any estimates or analysis or evaluation of the merits of the Company or the Group or the Shares in this Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety. The scope of our appointment does not require us to express, and we do not express, a view on the audited or unaudited financial statements of the Company or the Group as to whether these statements are properly drawn up in accordance to all applicable provisions of the Act and Singapore Financial Reporting Standards (International) so as to give a true and fair of the consolidated financial position of the Group as at relevant dates for which they are shown in this Letter and the Circular and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the relevant periods for which they are shown in this Letter and the Circular. We are therefore not expressing any view herein as to whether these statements or the components or items in each of these statements have been properly recorded, adjusted or valued where applicable. Our advice is not an opinion on the audit or review or agreed upon procedures, on any of the financial statements.

Our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or appraisal of the Group's assets and liabilities (including without limitation and where applicable, property, plant and equipment and investment properties held) or contracts entered into by the Company or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group save for the valuation report dated 11 October 2019 ("**Independent Valuation Report**") issued by Asian Appraisal Company Pte Ltd (the "**Independent Valuer**" or "**Valuer**") in respect of the market value of the Group's selected properties under property, plant and equipment (collectively, the "**Appraised Property**" as at 8 October 2019 ("**Valuation Date**"). The Independent Valuation Report is attached as Appendix VI to the Circular. With respect to such valuation, we are not experts in the evaluation or appraisal of assets and liabilities (including without limitation, property, plant and equipment and investment properties held where applicable) including, *inter alia*, where applicable, the contracts that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors. The Directors confirm that they are aware of and satisfied with the selection of the Valuer, the Appraised Property for the valuation exercise and having reviewed the Independent Valuation Report (*inter-alia*, the assumptions, methodology used and information relied upon by the Independent Valuer) as a whole and individually (where applicable), they are of the opinion after making due and careful enquiry that the assumptions and methodology of the Independent Valuation Report, and the values as ascribed by the Valuer for the Appraised Property, are reasonable.

The Directors are of the opinion that the financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International). To the best of the Directors' knowledge, nothing has come to their attention which may render the unaudited financial results for 1HY2019 to be false or misleading in any material aspect. In addition, the Directors have confirmed that, to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact, *inter-alia*, the valuation or appraisal of assets and liabilities, the contracts or agreements that the Group has embarked upon or are about to embark upon, the omission of which would render those statements or information to be untrue, inaccurate, incomplete or misleading.

The Directors further confirmed that, to the best of their knowledge, as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Group's audited financial statements for the financial year ("**FY**") ended 31 December 2018 ("**FY2018**"), the unaudited financial statements for 1HY2019, and the Company's announcements on the SGX-Net, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

Our opinion in this Letter is based on economic, market, industry, monetary and other conditions (if applicable), and the information provided to us, as at the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter-alia*, includes general as well as company-specific or industry-specific conditions or sentiments or factors or levels of acceptances after the Latest Practicable Date. The Independent Directors should note that our evaluation is based solely on publicly available information and such other

information provided by the Company or its Directors or Management as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after 1HY2019 for the Group or developments (both macro and company-specific) and that these factors do and will necessarily affect the evaluation of the Offer and our recommendation or opinion or views.

The Directors have collectively and severally accepted full responsibility, as set out in the Circular, for the truth, accuracy and completeness of all information and representations as provided by the Directors and contained herein. The Directors have confirmed to ACA that, to the best of their knowledge and belief, all material information including but not limited to plans or prospects or proposals involving acquisition or issuance of securities, or changes to its capital structure available to them and the Management in connection with the Company, the Group, the Offer or the Offeror or such other parties has been disclosed to ACA in its entirety and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the financial performance or expected future performance or future growth prospects or restructuring plans (if applicable) of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed by the Directors in the Circular or this Letter to be untrue, inaccurate or incomplete in any respect or misleading. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group before and after the Offer. We are therefore not expressing any view herein as to the returns that the Shareholders may have owning the Shares upon completion or close of the Offer or on the future financial performance of the Company or the Group or the plans (if any) that the Offeror may have for the Company. In rendering our advice and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints or particular circumstances of any individual Shareholder. As each Shareholder would have different investment profiles and objectives, horizons and risk profiles, we would advise Independent Directors to recommend that any Shareholder, who may require advice in the context of his specific investment objective(s), investment portfolio(s), including his investment in the Company, should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Accordingly, any factor or assumption or basis as well as the relative emphasis on any matter set out in this Letter on the Offer or the Company or the Group or the Shares which we used or may have used may differ from the relative emphasis accorded by any individual Shareholder or Independent Director, and as such, Independent Directors are advised to highlight to Shareholders as well as note for themselves that any reliance on our opinion or view or assessment, is subject to the contents of this Letter in its entirety. In addition, ACA will not be responsible or required to provide an updated assessment or opinion or views of the Offer or its recommendation, following the date of the issue of this Letter.

Accordingly, our Letter or opinion or views or recommendation should not be used or relied by anyone for any other purposes and should only be used by the Independent Directors, subject to our terms of reference and the contents of this Letter as one of the basis for their opinions or views or recommendation. In addition, any references to our Letter as one of the basis for their opinions, views or recommendation, should not be made except with our prior consent in writing and even if made with our prior consent in writing, shall be subject to the contents of this Letter in its entirety, *inter-alia*, the matters, conditions, assumptions, limitations, factors, and bases as well as our terms of reference for this Letter.

3. TERMS AND CONDITIONS OF THE OFFER

The principal terms and conditions of the Offer, as extracted from Section 2 of the Offer Document, are set out in italics below. We recommend that Shareholders read the terms and conditions contained therein carefully.

“2. THE OFFER

2.1 Mandatory Offer. *As a result of the Acquisition and subject to the terms and conditions set out in this Offer Document and its accompanying FAA and/or FAT, as the case may be, for and on behalf of the Offeror, CICF hereby makes the Offer to acquire all the Offer Shares in accordance with Section 139 of the SFA and Rule 14 of the Code.*

2.2 Offer Price.

For each Offer Share: S\$0.081 in cash (the “Offer Price”)

The Offeror does not intend to revise the Offer Price save for the right to do so in a competitive situation.

Offer Shares. *The Offer is extended, on the same terms and conditions, to all the Shares, excluding treasury shares and those owned, controlled or agreed to be acquired by the Offeror (the “Offer Shares”). For the avoidance of doubt, the Offer is also extended to the parties acting in concert with the Offeror.*

2.3 No Encumbrances. *The Offer Shares will be acquired:*

- (a) *fully paid-up;*
- (b) *free from all Encumbrances; and*
- (c) *together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights, return of capital and/or other distributions (the “Distribution”) (if any) which may be announced, declared, made or paid thereon by the Company on or after the Offer Announcement Date.*

*Accordingly, if any Distribution is announced, declared, made or paid by the Company on or after the Offer Announcement Date, the Offeror reserves its right to reduce the Offer Price payable in respect of such Offer Shares tendered in acceptance of the Offer by an amount equivalent to such Distribution as set out in **Section 2.4** immediately below.*

2.4 Adjustment for Distributions.

Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Offer Announcement Date.

Accordingly, in the event any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date to a Shareholder who validly accepts the Offer (the “Accepting Shareholder”), the Offer Price payable to such Accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by the Accepting Shareholder falls, as follows:

- (a) *if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “Books Closure Date”), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay the Accepting Shareholder the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or*

(b) if such settlement date falls after the Books Closure Date, the Offer Price payable for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the “**Adjusted Offer Price**”) and the Offeror shall pay the Accepting Shareholder the Adjusted Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

2.5 Unconditional Offer. Pursuant to the completion of the Acquisition, the Offeror and parties acting in concert with it hold more than 50% of the voting rights attributable to the Shares (excluding treasury shares). As such, the Offer is **unconditional in all respects**.

2.6 Warranty. A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to have unconditionally and irrevocably warrant that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid-up, (b) free from all Encumbrances and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all Distributions (if any) which may be announced, declared, made or paid thereon by the Company on or after the Offer Announcement Date.

2.7 Further Details of the Offer.

Appendix A to this Offer Document sets out further details on (a) the duration of the Offer, (b) the settlement of the consideration for the Offer, (c) the requirements relating to the announcement of the level of acceptances of the Offer and (d) the right of withdrawal of acceptances of the Offer.

2.8 Procedures for Acceptance.

Appendix B to this Offer Document sets out the procedures for acceptance of the Offer.

2.9 No Extension of Closing Date.

This Offer is open for acceptance by the Shareholders for 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person is released from any obligation incurred thereunder.

The Offer will close at 5.30 p.m. (Singapore time) on 8 November 2019, being the Closing Date. Notice is hereby given that the Offer will not be extended, revised or open for acceptance beyond 5.30 p.m (Singapore time) on the Closing Date.”

4. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS

The information on the Offeror and its shareholders is set out in italics below has been extracted from Section 3 of the Offer Document.

“3. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS

3.1 The Offeror and its Shareholders. *The Offeror is a private company incorporated in Singapore on 11 November 2018, engaged in the business of management and business consultancy services.*

As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$140,000 divided into 140,000 ordinary shares. The Offeror’s sole shareholder is Enomoto Hiroyuki. As at the date of this Offer Document, the directors of the Offeror are Mishima Yusaku, Enomoto Hiroyuki and Foo Kia Juah. As at 8 October 2019, Zhang Congxiu has resigned and Foo Kia Juah has been appointed as the resident director of the Offeror.

3.2 Additional Information.

Appendix C to this Offer Document sets out additional information on the Offeror.”

5. INFORMATION ON THE COMPANY

Information and additional general information on the Company are set out in Section 4 and Appendix D of the Offer Document as well as Appendices II, III, IV and V of the Circular.

6. RATIONALE FOR THE OFFER, THE OFFEROR'S INTENTION IN RELATION TO THE COMPANY, LISTING STATUS AND COMPULSORY ACQUISITION RIGHTS

The rationale for the Offer, the Offeror's intention relating to the Company and the listing status and compulsory acquisition, are set out in italics below has been extracted from Sections 5 and 6 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"5. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

- 5.1 Compliance with the Code.** *As a result of the Acquisition as set out in Section 1.1 of the Letter to Shareholders in this Offer Document, CICF is making the Offer, for and on behalf of the Offeror, in compliance with the requirements of the Code.*
- 5.2 Intentions for the Company.** *The Offeror believes, as at the date of this Offer Document, that the Acquisition represents a reasonably attractive mid to long term investment opportunity for the Offeror. Following the close of the Offer, the Offeror intends to undertake a comprehensive review of the businesses of the Group and such review will help the Offeror to determine the optimal business strategy for the Company. The Offeror presently has no intention to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Group, or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror regards to be in the interests of the Offeror and/or the Company."*

"6. LISTING STATUS AND COMPULSORY ACQUISITION

- 6.1 Listing Status.** *Under Rule 1104 of the Catalist Rules, upon the announcement by the Offeror that valid acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and the parties acting in concert with it to above 90% of the total number of issued Shares(excluding treasury shares), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time as it is satisfied that at least 10% of the total number of issued Shares (excluding treasury shares) are held by at least 200 Shareholders who are members of the public.*

Under Rule 1303(1) of the Catalist Rules, where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares), thus causing the percentage of the total number of issued Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Rule 723 of the Catalist Rules requires the Company to ensure that at least 10% of the total number of issued Shares (excluding treasury shares) is at all times held by the public. In addition, under Rule 724(1) of the Catalist Rules, if the percentage of the total number of issued Shares (excluding treasury shares) held in public hands falls below 10%, the Company must, as soon as practicable, notify its sponsor and announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Catalist Rules further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

- 6.2 Compulsory Acquisition.** *Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer and/or acquires such number of Offer Shares at the close of the Offer in respect of not less than 90% of the total number of issued Shares (excluding treasury shares and those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer), the Offeror will be entitled to exercise the right to compulsorily acquire all*

the Shares of Shareholders who have not accepted the Offer (the “**Dissenting Shareholders**”) on the same terms as those offered under the Offer.

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

It is the current intention of the Offeror to maintain the listing status of the Company on the SGX-ST following completion of the Offer. Accordingly, the Offeror, if and when entitled, does **not** intend to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act to acquire those Offer Shares not acquired by the Offeror pursuant to the Offer, or to delist the Company from the SGX-ST pursuant to the Catalist Rules. In the event that the trading of the Shares on the SGX-ST is suspended pursuant to Rule 724 or Rule 1104 of the Catalist Rules, the Offeror intends to undertake and/or support any action as may be necessary for any such trading suspension by the SGX-ST to be lifted.”

7. FINANCIAL ASSESSMENT OF THE OFFER

In assessing the financial terms of the Offer from a financial point of view, we have taken into account the following pertinent factors as well as others in the Letter, which we consider will have a significant bearing on our assessment:

- (i) historical financial performance and position of the Group;
- (ii) analysis of the Group's net asset value ("**NAV**") and net tangible assets ("**NTA**") attributable to owners of the Company or Shareholders;
- (iii) relative valuation analysis;
- (iv) market quotation and trading activities for the Shares;
- (v) comparison with recently completed selected non-privatisation mandatory general offers ("**MGOs**"); and
- (vi) such other relevant considerations which have significant bearing on our assessment.

These factors are discussed in detail in the ensuing sections.

As at the Latest Practicable Date, the Company only has one (1) class of shares, being ordinary Shares, with equal ranking rights to dividend, voting at general meetings and return of capital. We note from Appendix II of the Circular, the issued and paid-up share capital of the Company is S\$9,768,303.60 comprising 121,108,700 Shares (excluding treasury Shares), and the Company does not have any treasury Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company has not granted and has no outstanding instruments convertible into, rights to subscribe for and options or derivatives in respect of, the Shares or securities which carry voting rights affecting the Shares.

In our assessment of the Offer, we have applied certain valuation ratios in assessing the reasonableness of the Offer Price. A brief description of such valuation ratios are as follows:

- (i) **EV/EBITDA** "**EV**" or "**Enterprise Value**" is defined as the sum of a company's market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents. "**EBITDA**" stands for earnings before interest, tax, depreciation and amortisation but after share of associates' and joint ventures' income but excluding exceptional items.

The "**EV/EBITDA**" multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.

- (ii) **Price-to-Earnings (“PER”)** The PER is a widely used earnings-based valuation methodology that illustrates the ratio of the current market price of a company’s shares relative to its net earnings per share. Unlike the EV/EBITDA multiple, the PER is based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, the PER is affected by the capital structure of a company, tax position as well as its depreciation and goodwill policies.
- (iii) **Price-to-NTA (“P/NTA”)** The P/NTA ratio is the ratio of the relevant prices of the shares to the net tangible asset value of the relevant companies. It is an asset-based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its asset backing as measured in terms of its NTA value.
- The NTA of a company provides an estimate of its value assuming a hypothetical sale of all its tangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders. The NTA-based approach is widely used for valuing the shares of property-based companies as their tangible asset backings are perceived as providing support for the value of their shares.
- (iv) **Price-to-NAV (“P/NAV”)** The P/NAV ratio is the ratio of the relevant prices of the shares to the net asset value of the relevant companies. It is an asset based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its tangible and intangible asset backing as measured in terms of its NAV value.
- The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its tangible and intangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders.

In assessing the financial terms of the Offer, we have taken into account the following pertinent factors (as well as others in this Letter), which we consider will have a significant bearing on our assessment.

7.1 Historical financial performance and position of the Group

The following are extracts from the audited consolidated financial statements of the Group for the FY ended 31 December 2017 (“**FY2017**”), FY2018 and the unaudited consolidated financial statements for 6 months financial period ended 30 June 2018 (“**1HY2018**”) and 1HY2019.

The financial results of the Group for FY2017, have been prepared on the assumption that the Group’s structure following the completion of the Restructuring Exercise (as defined in the Group’s annual report for FY2018 (“**AR2018**”)) had in place since 1 January 2017.

For purpose of this Letter, we have also made reference to the Group’s financials for the period from 1 July 2018 to 31 December 2018 (“**Estimated 2HY2018**”), which have been derived and estimated from the Group’s audited consolidated financial statement for FY2018 and the Group’s unaudited consolidated financial statements for 1HY2018.

Summary of consolidated income statement

Figures in S\$'000⁽¹⁾	Unaudited 1HY2019	Unaudited 1HY2018	Audited FY2018	Audited FY2017
Revenue	741	9,537	18,250	21,512
Cost of sales	(961)	(6,484)	(14,652)	(16,045)
Gross (loss)/profit	(221)	3,054	3,598	5,468
Other operating income ⁽²⁾	11	9	66	224
Selling & distribution expenses	-	(9)	(28)	(21)
Administrative expenses ⁽³⁾	(770)	(764)	(4,042)	(1,629)
Impairment loss on trade receivables	-	-	(201)	-
Other operating expenses ⁽⁴⁾	(4,602)	(198)	(308)	(92)
Finance costs	(41)	(37)	(106)	(80)
(Loss)/Profit before income tax	(5,623)	2,055	(1,021)	3,869
(Loss)/Profit after tax attributable to owners of the company	(5,686)	1,766	(1,346)	3,367

Summary of statements of financial positions

Figures in S\$'000⁽¹⁾	Unaudited 1HY2019	Audited FY2018	Audited FY2017
Non-current assets	1,870	1,928	1,949
Current assets	1,991	8,505	7,110
Non-current liabilities	344	513	713
Current liabilities	2,977	3,696	5,493
Total borrowings ⁽⁵⁾	1,166	1,347	1,932
Shareholders' equity	418	6,104	2,853
Net current assets/(liabilities) ⁽⁶⁾	(986)	4,809	1,617

Summary of consolidated statements of cash flows

Figures in S\$'000⁽¹⁾	Unaudited 1HY2019	Unaudited 1HY2018	Audited FY2018	Audited FY2017
Net cash generated (used in)/from operating activities	(676)	29	(3,473)	906
Net cash generated (used in)/from investing activities	(37)	-(⁷)	(72)	(1,563)
Net cash generated (used in)/from financing activities	(170)	(317)	3,715	616
Cash and cash equivalents at end of FY or period	(349)	68	534	355

Notes:

- (1) *Figures and computation presented in this section are subject to rounding and have been confirmed by the Directors and the Management. Only extracts of statements are provided.*
- (2) *Other operating income comprises, inter-alia, government grants, interest income, exchange gain and sundry income.*
- (3) *Administrative expenses comprise, inter-alia, staff salaries, directors' remuneration, rental expenses, insurance premium, depreciation expenses, professional fees, etc.*
- (4) *Other operating expenses comprise, inter-alia, exchange loss, general expenses, office supply, property tax, property, plant and equipment written off, repair and maintenance, subscription fee, transportation etc.*
- (5) *Total borrowings include bank loans, bills payable, bank overdraft and finance lease liabilities. As at end of FY2017, it also includes a loan from third party of S\$250 thousands (bore interest of 18% per annum, unsecured and repayable in twelve equal instalments from July 2017).*
- (6) *Net current asset/(liabilities) is derived from current assets less current liabilities.*
- (7) *Net cash generated from investing activities was S\$68 for 1HY2018.*

The following should be reviewed in conjunction with the tables and notes above:

- (i) Decreasing revenue and gross profit margin

The Group's reportable business segments are as follows:-

- (a) Mechanical and electrical services ("**M&E**") segment relates to provision of solutions and services in fire protection systems, plumbing and sanitary systems, and heating, ventilation and air-conditioning systems. The Group's customers include main contractors, property developers, luxury hotels, statutory boards, listed companies and government bodies.
- (b) Turnkey contracting services segment relates to provision of one-stop solutions and services for the entire span of a construction project from planning and design, coordination and supervision and implementation.
- (c) Management services segment relates to provision of contract work management and fulfilment services.

The Group's revenue decreased from approximately S\$21.5 million in FY2017 to approximately S\$18.3 million in FY2018 (comprising revenue from M&E, turnkey contracting services, and management services segment amounted to approximately S\$3.6 million, S\$10.3 million, and S\$4.4 million respectively). The decrease in the Group's revenue for FY2018 was mainly due to significant decrease of approximately S\$7.6 million in revenue contribution from the M&E segment (which represents a decrease of approximately 68.0% as compared to FY2017), which was partially offset by an increase of approximately S\$4.4 million in revenue contribution from the Management services segment (which represents an increase of approximately 100.0% as compared to FY2017). The decrease in revenue for the M&E segment in FY2018 was due mainly to the completion of Sengkang Hospital as at end of December 2017. Revenue from the turnkey contracting services (which was derived from the building works for, *inter-alia*, lagoon villas, lagoon club, spa and specialty restaurants for Phase 3B of the Maldives Project which was awarded by Leisure Horizonz Private Limited ("**Maldives Project**")) amounted to approximately S\$10.3 million in FY2018, which is a slight decline from approximately S\$10.4 million in FY2017. Meanwhile, the revenue from management services segment was derived from the newly incorporated 80%-owned subsidiary, DLF Prosper Venture Pte. Ltd., in connection with a project management role for a work order in relation to a living quarters in Singapore.

The Group's revenue decreased significantly from approximately S\$9.5 million in 1HY2018 to approximately S\$0.7 million in 1HY2019, mainly due to no revenue contribution by both the turnkey contracting services segment and management services segment as well as a decrease in contribution from M&E segment of approximately S\$2.7 million. There was no revenue for the turnkey contracting services segment for 1HY2019 in view of the termination of the Maldives Project on 5 February 2019. We note that whilst the termination of the Maldives Project occurred prior to the issuance of the Group's AR2018, it was not mentioned in the Group's AR2018 and was announced only on 14 August 2019. It is

noted that the independent auditors named in the Group's AR2018 highlighted key audit matters pertaining to, *inter-alia*, accounting for projects – revenue recognition, recoverability of contract work balances, and impairment assessment of trade receivables.

The Group's gross profit decreased from approximately S\$5.5 million in FY2017 to approximately S\$3.6 million in FY2018, while the Group's gross profit margin decreased from approximately 25.4% in FY2017 to approximately 19.7% in FY2018 mainly due to higher material and labour costs incurred to meet the project deadlines.

We note that the Group recorded gross profit of approximately S\$3.1 million in 1HY2018 (with gross profit margin of approximately 32.0%) and gross loss of approximately S\$0.2 million in 1HY2019 (with negative gross profit margin of 29.8%). The gross loss in 1HY2019 was due to higher-than-expected cost incurred in one of the job orders under the M&E segment pertaining to the modification works under variation order.

(ii) Financial performance for FY2018 as compared to FY2017

The Group registered pre-tax loss of approximately S\$1.0 million in FY2018 as compared to pre-tax profit of approximately S\$3.9 million in FY2017. The decline was mainly attributable to (a) an absence of foreign exchange gain in FY2018 (FY2017: S\$0.2 million); (b) an increase in other operating expenses from approximately S\$92 thousand to S\$0.3 million in F2017 and FY2018 respectively; (c) "one-time" listing expenses of approximately S\$1.4 million in FY2018; and (d) impairment loss on trade receivables of S\$0.2 million in FY2018 (FY2017: nil).

The Group recorded profit after tax attributable to owners of the Company of approximately S\$3.4 million and loss after tax attributable to owners of the Company of approximately S\$1.3 million in FY2017 and FY2018 respectively.

In the event that the "one-time" listing expenses of approximately S\$1.4 million and impairment loss on trade receivables of approximately S\$0.2 million were excluded, the Group would record pre-tax profit of approximately S\$0.6 million in FY2018.

(iii) Financial performance for Estimated 2HY2018 and 1HY2019 (after listing on SGX) as compared to 1HY2018 (prior listing on SGX)

The Group's revenue decreased from approximately S\$9.5 million in 1HY2018 to approximately S\$8.7 million and S\$0.7 million in Estimated 2HY2018 and 1HY2019 respectively. The Group's gross profit decreased from approximately S\$3.1 million in 1HY2018 to approximately S\$0.5 million in Estimated 2HY2018 and incurred a loss of S\$0.2 million in 1HY2019. Correspondingly, the Group's gross profit margin decreased from approximately 32.0% in 1HY2018 to approximately 6.2% in Estimated 2HY2018 and further deteriorated to a negative 29.8% in 1HY2019.

The Group registered pre-tax loss of approximately S\$3.1 million in Estimated 2HY2018 as compared to pre-tax profit of approximately S\$2.1 million in 1HY2018, mainly due to "one-time" listing expenses of approximately S\$1.4 million in Estimated 2HY2018 and the presence of impairment loss on trade receivables of approximately S\$0.2 million in Estimated 2HY2018.

The Group registered pre-tax loss of approximately S\$5.6 million in 1HY2019 as compared to S\$3.1 million in Estimated 2HY2018. The higher pre-tax loss in 1HY2019 was mainly due to provision for doubtful debts of approximately S\$3.1 million resulted from the termination of contract for the Maldives Project, trade and other receivables written off of approximately S\$1.1 million (which relates to very old aging receivables of S\$0.6 million carried forward for which there were insufficient evidence to retain on the balance sheet, deposits for old project tenders and miscellaneous items of S\$0.2 million and consulting fee billed by previous CEO of approximately S\$0.3 million to a subsidiary) and foreseeable loss on project of approximately S\$0.3 million (which relates to the variation orders for the Sengkang Hospital project).

The Group recorded profit after tax attributable to owners of the Company of approximately S\$1.8 million in 1HY2018 and loss after tax attributable to owners of the Company of approximately S\$3.1 million and S\$5.7 million in Estimated 2HY2018 and 1HY2019 respectively.

In summary, following the listing of the Company on 25 July 2018, the financial performance had deteriorated in Estimated 2HY2018 with the Group posted a loss of S\$1.7 million even if the listing expenses of S\$1.4 million is excluded. In 1HY2019, the loss after tax attributable to owners of the Company worsened and widened to S\$5.7 million.

We presented in the table below the Group's adjusted pre-tax profit/(loss) after adding back "one-time" expenses ("**Adjusted Pre-tax Profit/(Loss)**")

(Figures are in S\$'000)⁽¹⁾	1HY2019	LTM⁽²⁾ ended 30 June 2019	FY2018
Pre-tax profit/(loss)	(5,623)	(8,634)	(1,021)
Adjustments:-			
(a) Listing expenses	NA	(1,371)	(1,371)
(b) Provision for doubtful debts	(3,139)	(3,139)	NA
(c) Trade and other receivables written off	(1,130)	(1,130)	NA
(d) Foreseeable loss on specific project	(247)	(247)	NA
(e) Allowance for impairment of trade and other receivables	NA	(201)	(201)
Adjusted Pre-tax Profit/(Loss)	(1,107)	(2,546)	551

Notes:

(1) Figures and computation presented in this Section are subject to rounding and have been confirmed by the Directors and the Management.

(2) LTM means Last Twelve Months.

The Directors confirmed that despite the financials for 1HY2019 is not audited and the provision for doubtful debts, trade and other receivables write off, and foreseeable loss booked in 1HY2019 are based on, *inter-alia*, Management's estimates, the said provision for doubtful debts, trade and other receivables write off, and foreseeable loss have been made after deliberation and due careful assessment of the matters and in accordance with the relevant accounting standards and the Group's accounting policy.

(iv) Assets and liabilities

As at 30 June 2019, the Group's total assets amounted to approximately S\$3.9 million, comprising current assets of approximately S\$2.0 million (or approximately 51.6% of the total assets) and non-current assets of approximately S\$1.9 million (or approximately 48.4% of the total assets).

Non-current assets as at 30 June 2019 comprised property, plant and equipment of approximately S\$1.9 million, and deferred tax assets of approximately S\$10 thousand.

Current assets as at 30 June 2019 comprised mainly of cash and cash equivalents of approximately S\$0.2 million, trade and other receivables of approximately S\$1.3 million, and contract assets of approximately S\$0.6 million. As at 30 June 2019, the Group's trade and other receivables of approximately S\$1.3 million (31 December 2018: approximately S\$6.1 million) comprised mainly:

- (i) trade receivables of approximately S\$63 thousand (31 December 2018: approximately S\$4.1 million) due from its customers. The significant decrease was due mainly to the provision for doubtful debts of approximately S\$2.7 million and trade receivables written off of approximately S\$0.6 million;
- (ii) loans to a contractor of approximately S\$0.5 million (31 December 2018: approximately S\$0.6 million) represent the amount paid to Prosper Environmental & Engineering Pte. Ltd. ("**PEE**") for the work order in relation to the joint venture, which was announced on 10 March 2019;
- (iii) unbilled receivables of approximately S\$0.4 million (31 December 2018: approximately S\$0.7 million). The decrease was due mainly to the foreseeable loss for the project made by the Group of approximately S\$0.3 million; and
- (iv) deposits and prepayment of approximately S\$0.2 million (31 December 2018: approximately S\$0.4 million) in relation to deposits for the performance bonds and tender deposits for projects secured.

The decrease was due mainly to the deposits written off of approximately S\$0.2 million as the Management was satisfied that these deposits were no longer collectible.

As at 30 June 2019, contract assets stood at approximately S\$0.6 million (31 December 2018: approximately S\$1.3 million). The decrease in the contract assets was due to the termination of the Maldives Project whereby provision for doubtful debts of approximately S\$0.4 million had been made against the contract assets. As at 30 June 2019, cash and bank balances amounted to approximately S\$0.2 million (31 December 2018: approximately S\$1.1 million). The significant decrease in the Group's cash and bank balances was due mainly to the disbursements made to support the operations of the Group.

As at 30 June 2019, the Group's total liabilities amounted to approximately S\$3.3 million; comprising current liabilities of approximately S\$3.0 million (or approximately 89.6% of the total liabilities) and non-current liabilities of approximately S\$0.3 million (or approximately 10.4% of the total liabilities).

Non-current liabilities as at 30 June 2019 comprised non-current bank loans of approximately S\$0.2 million, non-current finance lease of approximately S\$0.1 million and deferred tax liabilities of approximately S\$5 thousand.

Current liabilities as at 30 June 2019 comprised trade and other payables of approximately S\$1.0 million, bank overdraft of approximately S\$0.5 million, current bank loan of approximately S\$0.3 million and current tax liabilities of approximately S\$1.2 million.

As at 30 June 2019, trade and other payables of approximately S\$1.0 million (31 December 2018: approximately S\$2.1 million) comprised mainly:

- (i) trade payables to third parties of approximately S\$0.3 million (31 December 2018: approximately S\$1.2 million). The decrease was due mainly to the lower business activities during the period; and
- (ii) accrued expenses of approximately S\$0.7 million (31 December 2018: approximately S\$0.9 million) mainly relates to accrued operating expenses, audit fee, directors fee and other professional fee. The decrease was due to the reduced amount for accrued operating expenses as a result of lower business activities.

As at 30 June 2019, the Group's current tax liabilities of approximately S\$1.2 million (31 December 2018: approximately S\$0.7 million) constituted approximately 40.0% (31 December 2018: 20.0%) of the Group's total current liabilities. Included in the income tax payable as at 31 December 2018 was income tax receivable of approximately S\$0.4 million pertaining to ACMES-Power Building Services Pte Ltd, one of the subsidiaries. During 1HY2019, the Group received income tax refund of approximately S\$0.4 million but there was adjustment of under provision of income tax for prior years and income tax received for prior years.

(v) Net current asset/(liabilities)

The Group's net current asset improved from approximately S\$1.6 million as at the end of FY2017 to approximately S\$4.8 million as at the end of FY2018. However, the Group was in net current liabilities position of approximately S\$1.0 million as at 30 June 2019.

(vi) Shareholders' equity and borrowings

Shareholders' equity of the Group increased from approximately S\$2.9 million as at 31 December 2017 to approximately S\$6.1 million as at 31 December 2018, largely attributable to the increase of paid-up capital of approximately S\$4.6 million arising from the initial public offering ("IPO") in July 2018; and this was partially offset by deterioration of the retained earnings in view of the loss incurred during FY2018. As at 30 June 2019, shareholders' equity of the Group declined significantly to approximately S\$0.4 million, mainly due to the substantial loss after tax incurred during 1HY2019.

The Group's total borrowings (comprising, *inter-alia*, bank overdraft, bank loans and finance leases) have declined from approximately S\$1.7 million as at 31 December 2017 to approximately S\$1.3 million and S\$1.2 million as at 31 December 2018 and as at 30 June 2019, respectively. The Group's total borrowings as at 30 June 2019 comprised bank overdraft of approximately S\$0.5 million (secured by banker's

guarantee), bank loans of approximately S\$0.5 million (secured by, *inter-alia*, the Appraised Property and personal guarantee by one of the Directors, Mr. Fan), and finance lease liabilities of approximately S\$0.2 million.

As a result of the above movements, the Group's gearing ratio declined from approximately 0.7 times as at 31 December 2017 to approximately 0.2 times as at 31 December 2018 before increasing to approximately 2.8 times as at 30 June 2019.

The Directors have confirmed that as at the Latest Practicable Date, there have been no instances of breach of financial covenants, and there has been no demand for payment nor pressure from its lenders, financial lease creditor and all other creditors.

On 2 October 2019, the Company announced that it has on the same date, entered into a loan agreement (the "**Loan Agreement**") with the Chairman of the Board, Mr. Fan (the "**Lender**"), pursuant to which the Lender has agreed to grant the Company an interest free loan of S\$500,000, repayable within 6 months from the date of the Loan Agreement, subject to renewal. The Company intends to use the said loan for the Group's general corporate and working capital purposes.

(vii) Net cash flow from operating activities

The Group generated positive net cash flow from operating activities for FY2017 and 1HY2018 of approximately S\$0.9 million and S\$29 thousand respectively. However, it reported net cash outflow from its operating activities for FY2018 and 1HY2019 of approximately S\$3.5 million and S\$0.7 million respectively. This should be assessed in conjunction with, *inter-alia*, the Group's administrative expenses of approximately S\$4.0 million for FY2018, and an aggregate amount of S\$4.2 million of provision for doubtful debts and trade and other receivables written off for 1HY2019 respectively. The net cash flow used in operating activities for FY2018 has been adjusted with, *inter-alia*, share-based payments made for the IPO of approximately of S\$0.5 million.

The Directors confirmed that, to the best of their knowledge, as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Group's audited financial statements for FY2018, unaudited financial statements for 1HY2019, and the Company's announcements on the SGX-Net, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

(viii) Trade receivables and payables turnover

The Group's trade receivables turnover stood at 88 days and 97 days for FY2017 and FY2018 respectively. As mentioned earlier, in view of the write off and provision for doubtful debts provided during 1HY2019, the Group's trade receivables stood at minimal level of approximately S\$63 thousand. The Group's trade receivables turnover for 1HY2019 stood at 595 days or 938 days in the event that the write off and provision for doubtful debts were added back.

The Group's trade payables turnover stood at 91 days, 45 days, and 139 days for FY2017, FY2018 and 1HY2019 respectively.

(ix) Outlook

In the Group's results announcement for 1HY2019 (section 10), the Company stated the following commentary on the significant trends and competitive conditions of the industry in which the Group operates and factors or events that may affect the Group in the next reporting period and the next 12 months:

Extract from the Group's results announcement for 1HY2019

"Looking forward, while our results continue to be impacted by the challenging environment in which the Group operates, the Group expects to incur losses for the financial year ending 31 December 2019.

The Group is looking at securing more mechanical and electrical contracts to enhance the financial performance and position of the Group.

Notwithstanding the above, the Board is of the opinion that the Group will be able to operate as a going concern having regard to the following:

- (i) Cash to be generated from operations based on a cash flow forecast prepared by management;
- (ii) Mr. Manfred Fan, Chairman and substantial shareholder of the Group, has provided a letter of comfort to provide the financial support and assistance as may be required to ensure that the Group maintains capital and liquidity levels to enable it at all times to meet its financial obligations as and when its fall due within the next 12 months;
- (iii) The Group is optimistic that it is able to obtain funds from the sale of its property, if the need arises; and
- (iv) The Group is looking into corporate fund raising exercise(s)."

As the extract for 1HY2019 results announcement constitute a prospect statement, please note the assumptions on which the statement of prospect was made and the rationale behind the IFA opining that the statement of prospects was made after due and careful enquiry. Please refer to Appendices F and H of the Circular.

Projects

As set out in the Company's Offer Document dated 17 July 2018 ("**Prospectus**" or "**IPO Prospectus**"), the Group has completed the following major projects in the past three years:-

Contract party	Description of projects	Contract value (approximately)	Year completed
Leisure Horizon Private Limited	Supply and construction of, <i>inter-alia</i> , jetty and coastal works for Phase 2 of the Maldives Project	US\$5,973,000	2018
Penta-Ocean Construction Co. Ltd.	Supply, installation, testing, commissioning and maintenance of certain plumbing and sanitary systems for the Sengkang Hospital Project	S\$10,671,000	2017
Landscape Engineering Pte Ltd	Refurbishment works to new studio at Esplanade – Theatres on the Bay	S\$540,000	2017
Yan Pte Ltd	Provision of M&E engineering works to a bar and restaurant	S\$189,000	2017
Tat Hin Builders Pte Ltd	Supply and installation of gas, sanitary and plumbing system for a community club	S\$850,000	2016
The Singapore Resort & Spa Sentosa	Supply of labour, tools and materials for the replacement of fan cooling units in all the guestrooms	S\$470,000	2016

In addition, as at 11 June 2018 (being the latest practicable date for the Prospectus), the Group is carrying out the following major projects:-

Contract party	Description of projects	Contract value (approximately)	Status ⁽³⁾
Leisure Horizon Private Limited	Building works for, <i>inter-alia</i> , lagoon villas, lagoon club, spa and specialty restaurant for Phase 3B of the Maldives Project ⁽¹⁾	US\$8,300,000 or S\$11,073,030 ⁽²⁾	Terminated
TYE Engineering Pte Ltd	Supply of labour, tools & materials and the installation, testing and commissioning of electrical works at Nee Soon Camp	S\$1,278,000	Completed
Sheraton Towers Singapore Hotel	Replacement of hot and cold water pipe works and other associated works	S\$508,000	On-going
PCA Consulting Engineers	Provision of retrofitting and improvement works to the existing M&E systems at The Tanglin Club	S\$424,000	Completed
Wui Hong M&E Engineering Pte Ltd	Design and building of domestic water transfer pumps and motors, control valves and water tanks for basement upgrading works at The Pan Pacific Hotel	S\$271,780	Completed
The Plaza (MCST Plan No. 717)	Replacement of domestic water tank, transfer tank and wet riser makeup tank	S\$244,000	Completed
Total value of Contracts		S\$13,798,810	
Contract value that has been terminated as a percentage of total value of Contracts		78.8%	

Notes:

- (1) As disclosed in the 1HY2019 results announcement on 14 August 2019, the Phase 3B of the Maldives project was terminated on 5 February 2019.
- (2) Converted to S\$ based on exchange rate of US\$1:1.3341 as at 11 June 2018.
- (3) As confirmed by the Management.

Subsequent to the IPO Date (defined later), the Company has announced the following projects:-

- (i) On 10 March 2019, the Company entered into a joint venture agreement on 8 March 2019 with PEE to jointly co-operate and collaborate via a joint venture company “DLF Prosper Venture Pte. Ltd.” on the work order which was awarded to PEE by a leading player in the marine engineering industry in relation to the complete fabrication, erection and installation of all structural and associated steelwork related to the construction of a living quarters of a marine admiralty yard. As the contractor under the said work order, PEE is to fabricate, erect and install all structural and associated steelwork and provide the necessary management, labour, tools, equipment, services and consumables. The said work order has been completed on 17 July 2019.
- (ii) Acmes-Kings Corporation Pte. Ltd., a wholly-owned subsidiary of the Company, has on 3 September 2019 secured a S\$4,285,000 subcontract works – Pre-Fabricated MultiTrade services system work from Tech Onshore MEP-Prefabricators Pte. Ltd. in respect of the development of 6 blocks of 7-storey health campus comprising acute hospital, specialist outpatient clinics, community hospital, nursing home and 4 basement levels with 2 levels for carparking at Woodlands (“**Woodlands Project**”). The said contract for the subcontract work commenced in September 2019 and is expected to be completed in the first quarter of 2021.

We note that approximately 78.8% of the total value of the contracts for the Group of approximately S\$13,798,810, as at that 11 June 2018 (being the latest practicable date for the Prospectus) had been terminated. The terminated contracts for the Group comprises Phase 3B of the Maldives Project. We note that whilst the termination of the Maldives Project occurred prior to the issuance of the Group’s AR2018, it

was not mentioned in the Group's AR2018 and was disclosed in the Group's 1HY2019 which was announced on 14 August 2019.

We also note that in the Company's responses to the queries from the SGX-ST (which was announced on 26 September 2019), the Company disclosed the following key projects that the Group is working on:-

- (a) Sengkang General Hospital (plumbing & sanitary subcontract) – project completed, defects liability period and is in process of accounts closing.
- (b) Tanglin Club (retrofitting & improvement Works) – on 12 months defects liability period
- (c) Sheraton Tower (replacement of water pipes) – on-going about half completed
- (d) Woodlands Project (M&E subcontract) – awaiting confirmation to commence
- (e) Minor on-going projects at Esplanade Hotel, Royal Plaza on Scotts, 8 on Claymore

Save as disclosed above, the Directors have confirmed that there has been no other new contract or project secured by the Group as at the Latest Practicable Date.

The Directors further confirmed that as at the Latest Practicable Date, the Group has ceased bidding for new project in view of lack of funding and internal resources.

The Directors have confirmed that the successful realisation of the future economic benefits from the above mentioned projects/contracts for the Group will depend on, *inter-alia*, the due execution of contracts, timely and efficient execution and delivery of the projects as well as the fulfilment of conditions pursuant to such contracts, the industry prospects, the prevailing economic and market conditions in the markets. The Directors have further confirmed that in view of the above factors and that such contracts/projects may be subject to cancellation, deferral or rescheduling by customers, the impact of these contracts/projects on the Group's financial performance and financial position (including the estimated future profit or loss as well as the estimated costs to be incurred) cannot be measured with certainty as at the Latest Practicable Date. Accordingly, no views are being expressed with regard to the impact of the above contracts/projects on the NTA and the prospects of the Group in terms of, *inter-alia*, the estimated future profit or loss as well as the estimated costs to be incurred.

7.2 Analysis of the Group's NAV and NTA

The NAV based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and minorities' interests. The NAV based approach is meaningful as it shows the extent to which the value of each share is backed by both tangible and intangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NAV based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (including any intangible assets but not limited to goodwill, trademarks and brand names) in an orderly manner or over a reasonable period of time and at the aggregate value of the assets used in the computation of the NAV, the proceeds of which are used to settle the liabilities, minority interest and obligations of the company or group with the balance to be distributed to its shareholders. However, the NAV approach does not take into account the hypothetical sale of assets in a non-orderly manner or over a short period of time. In addition, it does not illustrate the values at which assets may actually be realized or disposed of.

The NTA based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities, minority interest and intangible assets of the company. The NTA based approach is meaningful as it shows the extent to which the value of each share is backed by tangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NTA based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (other than intangible assets) in an orderly manner over a reasonable period at the aggregate value of the assets used in the computation of the NTA, the proceeds of which are used to settle the liabilities, minority interest and obligations of the company or group, with the balance to be distributed to its shareholders. However, the NTA based approach does not take into account or consideration the presence of any intangible assets including but not limited to (where applicable) land use rights, goodwill, trademarks and brand names nor does it take into account the hypothetical sale of assets in a non-orderly manner or over a short period of time. It does not illustrate the values of which assets may actually be realized or disposed of.

NAV and NTA of the Group

In assessing the Offer Price of S\$0.081 for each Offer Share, in relation to the NAV and NTA per Share of the Group as at 30 June 2019, we have reviewed the unaudited statement of financial position of the Group as at 30 June 2019 to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach. Save as disclosed in the unaudited balance sheet of the Group as at 30 June 2019 as well as the Circular, the Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in such unaudited statement of financial position as at 30 June 2019 in accordance with Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Group as at the Latest Practicable Date.

The Directors have also confirmed that as at the Latest Practicable Date, there were, *inter-alia*, no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group as at 30 June 2019, save as disclosed in the unaudited financial statements of the Group as at 30 June 2019 and the Circular. In addition, the Directors are of the opinion that save as disclosed in the Circular, the values of the assets (other than those for which valuation has been conducted, where applicable), and liabilities as well as financial performance or condition of the Group as disclosed and reflected in the unaudited financial statements of the Group as at 30 June 2019 are true and fair, and made after due care and reasonable enquiry. Lastly, the Directors confirmed that, to the best of their knowledge or belief, such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete or misleading in any respect.

Consolidated unaudited statement of financial position as at 30 June 2019⁽¹⁾		S\$'000
<u>Non-current assets</u>		
Deferred tax assets		10
Property, plant and equipment ("PPE")		1,860
		1,870
<u>Current assets</u>		
Trade and other receivables		1,253
Contract assets		568
Cash and cash equivalents		170
		1,991
<u>Non-current liabilities</u>		
Borrowings		231
Finance lease liabilities		108
Deferred tax liabilities		5
		344
<u>Current liabilities</u>		
Trade and other payables		959
Borrowings		779
Finance lease liabilities		48
Current tax liabilities		1,191
		2,977
Net assets value including non-controlling interests		539
Less: Non-controlling interests		(121)
Net assets value attributable to owners of the Company		418
Less: Intangible assets		-
Net tangible assets attributable to owners of the Company		418
NAV and/or NTA per Share as at 30 June 2019 (S\$)⁽²⁾		0.0035
Offer Price (S\$)		0.0810
Premium of Offer Price over the Group's NAV and/or NTA per Share as at 30 June 2019 (%)		2,245.6

Notes:

(1) The figures above are based on the Group's unaudited financial statements for 1HY2019 and are subject to rounding.

(2) Based on the issued Share capital of the Company comprising 121,108,700 Shares as at 30 June 2019. As at the Latest Practicable Date there are no treasury Shares.

From the table above, we note that the Group's NAV and NTA attributable to owners of the Company as at 30 June 2019 amounted to approximately S\$0.4 million (or approximately S\$0.0035 on per Share basis).

Accordingly, the Offer Price represents a substantial premium of approximately 2,245.6% over the Group's NAV and NTA per Share as at 30 June 2019.

Revalued NAV ("RNAV") and Revalued NTA ("RNTA")

In our evaluation of the Offer Price, we have also considered whether there are any assets which should be valued at an amount that is materially different from that which are recorded in the unaudited statement of financial position of the Group as at 30 June 2019.

The Company had commissioned the Independent Valuer to determine the market value of the Appraised Property as at the Valuation Date, being 8 October 2019 for, *inter-alia*, the purposes of the Circular. In addition, the Directors have confirmed that the Fair Market Value of the Appraised Property as at the

Latest Practicable Date would not be materially different from that as at the Valuation Date, and are of the view that the Appraised Property of the Group are fairly stated.

Fair market value (“**Fair Market Value**”) is defined as being the amount, in terms of money, at which the property would exchange in the current real estate market, allowing a reasonable time to find a purchaser, as between a willing buyer and a willing seller, both having reasonable knowledge of all relevant facts, and with equity to both. The above definition assumes any transaction that may occur will be for cash or its equivalent consideration. The terms of sale, whether favourable or unfavourable, would undoubtedly influence the price of the property if it were offered for sale in the open market. It is further assumed that the title to the property is good and marketable, and that it would be transferable without unreasonable restriction.

From the Independent Valuation Report, the Appraised Property has been mortgaged to one of the Group’s lending banks for the Group’s financing facilities from that bank.

The Directors and the Management represented and confirmed that the Fair Market Value of the Appraised Property of the Group is approximately S\$1.4 million, which is slightly higher than its aggregate book value of approximately S\$1.3 million as at 30 June 2019.

We note that the above Appraised Property with an aggregate net book value of approximately S\$1.3 million as at 30 June 2019 accounted for approximately 69.3% of the aggregate book value for the Group’s PPE as at 30 June 2019 of approximately S\$1.9 million. The remaining assets under the Group’s PPE as at 30 June 2019, for which no valuation was conducted, comprised mainly motor vehicles, computers, office equipment, furniture, fixture and fittings, air conditioners and renovations.

We note from the Independent Valuation Report that in general market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and with equity.

The valuations have been made on the assumption that the owner sells the property on the open market in their existing state taking into account the terms of the existing occupancy arrangements, where appropriate, but without the benefit of any other deferred term contract, joint venture or any similar arrangement which would affect the value of the property. As at the Valuation Date, the Appraised Property is owner-occupied.

We note that the Independent Valuer for the Appraised Property has stated that the valuation is for the specific purpose of inclusion in the Circular to be issued by the Company. They have provided a summary of the valuation of the Appraised Property together with the key factors that have been considered in determining the market values of the Appraised Property. The value conclusions reflect all information known by the Independent Valuer who worked on the valuations in respect to the Appraised Property, market conditions and available data. Please refer to Appendix VI of the Circular for details.

The approach used by, *inter-alia*, the Independent Valuer for the Appraised Property is comparison method. In this method, a comparison is made between recent sales of similar properties in the vicinity. Due adjustments have been made for any difference in location, size, Master Plan Zoning, design and layout, tenure, age and conditions of buildings, and dates of transactions, amongst other relevant factors which may affect value.

The Directors represented and confirmed the following:

- (i) The Directors are aware of and satisfied with the selection of the Group's assets for the valuation exercise, being the Appraised Property. The Appraised Property in aggregate accounted for approximately 69.0% and 33.4% of the Group's non-current assets and total assets respectively as at 30 June 2019.
- (ii) Having reviewed the Independent Valuation Report (*inter-alia*, the assumptions, methodology used and information relied upon by the Independent Valuer) as a whole and individually, the Directors are of the opinion that the assumptions and methodology of the Independent Valuation Report are reasonable. We note from Appendix II of the Circular that pursuant to Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the Appraised Property, which are subject of a valuation given in connection with an offer, were to be sold at the amount of valuation. As at the Latest Practicable Date, the Company has no current plans to immediately dispose of its interests in the Appraised Property, and such disposal if the need arises will be undertaken in conjunction with a review of the Group's business plans and its cash flow and asset management strategies and in discussion with its lending bank who has a mortgage on the said Appraised Property. We note that the Group has disclosed in Appendix VII of the Circular that the Statement of Prospects has been made on the assumptions, *inter-alia*, there will be no material acquisitions or disposals of subsidiaries by the Group, save for the disposal of the Group's Appraised Property if the need arises; and sale of certain property of the Group at or about fair market values after taking into transaction costs on a willing buyer and seller and without duress.

Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if properties, which are the subject of a valuation given in connection with the Offer, were to be sold at the amount of the valuation. We note the Directors' confirmation (based on, *inter-alia*, advice from tax agent) that there is no potential tax liabilities that may be incurred by the Group on the hypothetical disposal of the Appraised Property on an "as is" basis.
- (iii) To their best knowledge and belief, as at the Latest Practicable Date, save as disclosed in the unaudited financial statements of the Group as at 30 June 2019, the announcements released by the Company on the SGX-Net and the Circular, there have been no known material events that have or will have material impact to the unaudited statement of financial position of the Group, *inter-alia*, assets or liabilities of the Group since 30 June 2019.
- (iv) As at the Latest Practicable Date, save as disclosed in this Letter or the Circular, the Directors have confirmed that, *inter-alia*, there will be no material acquisitions or disposals of subsidiaries by the Group, save for the disposal of the Group's Appraised Property if the need arises, and no firm offer for the Appraised Property.
- (v) As at the Latest Practicable Date, save for the Appraised Property which are subject to valuation, there are no material differences between the estimated market values of the assets of the Group for which no valuation was performed and their respective book values as at 30 June 2019, which would have a material impact on the NAV and/or NTA of the Group.

We have not made any independent evaluation or appraisal of the Group's assets and we have been furnished by the Company with the Independent Valuation Report in respect of the Fair Market Value of the Appraised Property. With respect to such valuations, we are not experts in the evaluation or appraisal of the Appraised Property and have relied on the Independent Valuation Report for the Fair Market Value of the Appraised Property, and opinion of and confirmation from the Directors.

The Fair Market Value of the Appraised Property as ascribed by the Independent Valuer as at the Valuation Date is approximately S\$1.4 million.

For illustrative purpose only, the revaluation surplus for the Appraised Property has been calculated and presented in the table below, assuming a hypothetical sale of the Appraised Property at the Fair Market Value as ascribed by the Independent Valuer above as indicated and confirmed by the Directors.

The Directors represented and confirmed the table as shown below that, to the best of their knowledge and based on (i) the information made available to them by the Management, and (ii) advice from the tax agent for the estimated potential tax liabilities for the Appraised Property which are subject to valuation in the event that such asset(s) were to be sold at the market values as ascribed by the Independent Valuer and as determined by the Directors respectively.

Furthermore, we note that the aforesaid tax liabilities if any in respect of the Appraised Property may not crystallise as the Directors have confirmed there will be no material acquisitions or disposals of subsidiaries by the Group, save for the disposal of the Group's Appraised Property if the need arises.

RNAV and RNTA⁽¹⁾	S\$'000
Fair Market Value of the Appraised Property as at the Valuation Date ⁽³⁾	1,400
Less: aggregate net book value of the Appraised Property as at 30 June 2019	(1,290)
Less: estimated potential tax liabilities ⁽²⁾	-
Revaluation surplus after potential tax liabilities from the Appraised Property ⁽³⁾	110
NAV and/or NTA	418
Add: Revaluation surplus from the Appraised Property	110
RNAV and/or RNTA	528
RNAV and/or RNTA per Share (S\$)⁽⁴⁾	0.0044
Premium of Offer Price over the Group's RNAV and/or RNTA per Share	1,755.7%

Notes:

(1) Figures and computations are subject to rounding.

(2) The Directors and the Management confirmed that there will be no potential tax liabilities.

(3) The Directors and the Management confirmed that there is no change to the figures as at the Latest Practicable Date.

(4) Based on the issued Share capital of the Company comprising 121,108,700 Shares. There are no treasury Shares held as at the Latest Practicable Date.

After taking into account the Fair Market Value of the Appraised Property, the Group's RNAV and/or RNTA per Share, is approximately S\$0.0044. The Offer Price of S\$0.081 for each Offer Share represents a premium of approximately 1,755.7% over the Group's RNAV and/or RNTA per Share respectively.

However, we note that premium is attributable to the Group's low RNTA caused by, *inter alia*, losses after tax attributable to owners of the Company in 1HY2019 of approximately S\$5.7 million, arising from trade and other receivables written off of about S\$1.1 million, provision of doubtful debts of about S\$3.1 million (as a result of the termination of the Group's contract in Maldives), administrative expenses of about S\$0.8 million, gross loss of about S\$0.2 million and foreseeable loss of about S\$0.25 million for various work that the Group had performed under the variation orders of one of the project, whereby the corresponding revenue had been recognised in FY2018. Please refer to Section 7.1 of this Letter for further details.

As an illustration, in the event that the losses arising from writing off of trade and other receivables, provision for doubtful debts and foreseeable loss on contracts of an aggregate of approximately S\$4.5 million is added back to the NAV and/or NTA as at 30 June 2019, the Offer Price represents a premium of approximately 98.7% and 94.3% over the NTA per Share and RNTA per Share respectively.

While the RNAV and/or RNTA per Share is a relevant basis for comparison, Independent Directors should note that it is not necessarily a realisable value as the Fair Market Value of the Appraised Property and any tax liabilities arising from the sale of the Appraised Property may vary depending on, *inter-alia*, prevailing market, tax rates and economic conditions prevailing at the time of sale. We wish to highlight that the Group's RNAV and/or RNTA shown above include the revaluation surplus arising from the hypothetical sale of the Appraised Property. Shareholders should note that the Group has not realized the surplus on such assets as at the Latest Practicable Date, and that there is no assurance that

the revaluation surplus or deficit eventually recorded by the Group on the Appraised Property (in the event they are disposed) will be the same as indicated above.

As set out in Section 5 of the Offer Document, we note that the Offeror intends to undertake a comprehensive review of the businesses of the Group and such review will help the Offeror to determine the optimal business strategy for the Company. The Offeror presently has no intention to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Group, or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror regards to be in the interests of the Offeror and/or the Company.

The above computations and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Group is as stated above. It also does not imply that the assets or properties of the Group can be disposed of at the estimated values indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated is realisable or distributable to Shareholders. It should be noted that the NTA basis of valuation provides an estimate of the value of a hypothetical sale of all its tangible assets over a reasonable period of time and is only relevant in the event that the Group decides to change the nature of its business or to release or convert the uses of all its assets. The NTA basis of valuation, however, does not necessarily reflect the value of the Group as a going concern nor can it capture or illustrate any value for the Group's goodwill or branding. In addition, it does not illustrate the values at which the assets may actually be realized or disposed.

7.3 Relative valuation analysis

In evaluating the Offer Price, we have considered the financial performance, financial positions and valuation statistics of selected comparable companies (the “**Selected Comparable Companies**”) that may, in our view, be broadly comparable to the core businesses of the Group which is mechanical and electrical business.

The Selected Comparable Companies have been identified after a search was carried out on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and evaluation of the companies operating in the same industry as the Group. We have had discussions with the Directors and Management, who confirmed the suitability and reasonableness of these Selected Comparable Companies acting as a basis for comparison with the core businesses of the Group. Independent Directors should note that no two companies can be totally comparable.

Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. Notwithstanding our use of these companies for peer analysis, the Selected Comparable Companies may or may not have similar business or operations or similar assets or geographical markets as the Group, and their accounting policies with respect to the values for which the assets or the revenue or cost are recorded or the relevant financial period compared may differ from the Group. In addition, the trading of the shares of the Selected Comparable Companies may differ from that of the Shares and shares of the Selected Comparable Companies may be caused by any actual perceived or fundamentally determined risk premiums.

We advise Independent Directors to note that there may not be any company listed on any relevant stock exchange that is directly comparable to the Group in terms of size, diversity of business activities and products/services, branding, geographical spread, track record, prospects, end-customers, supply and/or value chain, core competence, resources, revenue drivers and models, operating and financial leverage, risk profile, quality of earnings and accounting, listing status and such other relevant criteria. We wish to highlight that it may be difficult to place reliance on the comparison of valuation statistics for the Selected Comparable Companies as the markets and businesses of the Selected Comparable Companies, its capital structures, growth rates, operating and financial leverage, taxation and accounting policies as well as the liquidity of these shares and the demand/supply conditions for these shares and that of the Group may differ. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Group as at the Latest Practicable Date.

We also wish to highlight that the NAV or NTA based approach for valuing a company is dependent on factors that may differ for each of the Selected Comparable Companies including, *inter-alia*, factors where applicable such as accounting or depreciation policies or whether land use rights is a tangible or intangible asset or in the case where unaudited financial statements are used or reliance is placed on directors and management adjustments or provisions or impairments or revaluations or write downs. As such, the comparison of the consolidated NAV or NTA of the Group with those of the Selected Comparable Companies is necessarily limited and such comparison is made for illustrative purposes only. In addition, as all the ratios and tools used invariably uses the price of the shares, they may or may not take into account any relative or perceived or actual risk premium or demand and supply conditions for those shares which may or may not have been fundamentally justified. In addition, as these are tools or ratios that are based on historical financial performance or position, they may or may not reflect the anticipated financial performance and the mix of their activities or their relative contributions in terms of assets, financial performance may differ.

Independent Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter-alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity and the market capitalisation or the relative sentiments of the market for the shares.

Selected Comparable Companies	Principal Activities
Progen Holdings Ltd (“ Progen ”) <i>Listed on SGX-ST</i>	The group trades, contracts, and engineers works and rents building space. It also supplies and installs air-conditioners and cooling towers, cleans and re-packages industrial packaging containers, and trades, imports, and exports cooling towers, fans, and related equipment.
Natural Cool Holdings Ltd (“ Natural Cool ”) <i>Listed on SGX-ST</i>	The group provides installation, maintenance, repair and replacement services for air-conditioning systems to residential households, both public and private, and the commercial sector which include factories, offices, condominiums, schools and hospitals, in Singapore. It manufactures and sells switchgears through M&E contractors to public and private property developments.
Koyo International Limited (“ Koyo Intl ”) <i>Listed on SGX-ST</i>	The group is a M&E engineering specialist service providers and provides services to all industries, including those in the construction, marine, oil and gas, industrial and pharmaceutical industries as well as to the public sector.
King Wan Corporation Limited (“ King Wan ”) <i>Listed on SGX-ST</i>	The group is principally in the business of providing M&E engineering services. Its customers are mainly contractors in Singapore who are engaged in property development in public and private residential sectors.

Source: Bloomberg, SGX-ST and the respective company's website.

The following tabulates the salient ratios for comparative financial performance and position for the Selected Comparable Companies:

Selected Comparable Companies ⁽¹¹⁾	LTM ROE (%) ⁽¹⁾	LTM net profit margin ("NPM") (%) ⁽²⁾	LTM asset turnover (times) ⁽³⁾	Total liabilities ⁽⁴⁾ /shareholder equity ⁽⁵⁾ (times)	Total borrowings ⁽⁶⁾ /shareholder equity ⁽⁵⁾ (times)
Progen	n.m. ⁽⁷⁾	n.m. ⁽⁷⁾	0.1	0.1	0.0 ⁽⁸⁾
Natural Cool	5.4	0.8	1.3	3.8	2.4
Koyo Intl	3.3	2.5	1.0	0.4	0.0 ⁽⁹⁾
King Wan	2.4	2.0	0.7	0.8	0.5
MAXIMUM	5.4	2.5	1.3	3.8	2.4
MINIMUM	2.4	0.8	0.1	0.1	0.0
MEDIAN	3.3	2.0	0.8	0.6	0.3
SIMPLE AVERAGE	3.7	1.8	0.8	1.3	0.7
The Group	n.m.⁽¹⁰⁾	n.m.⁽¹⁰⁾	2.4	7.9	2.8

Source: The latest annual reports and the announced unaudited financial statements of the respective companies.

Notes:

- (1) The last twelve months ("LTM") return on equity ("ROE") is based on the ratio of the most recent twelve months consolidated net profits after tax attributable to the equity holders to the consolidated shareholders equity (excluding minority interest) of the respective companies.
- (2) LTM net profit margin is the ratio of the most recent twelve months consolidated net profits after tax attributable to shareholders to the most recent twelve months total consolidated revenue of the respective companies.
- (3) LTM asset turnover is the ratio of the most recent twelve months total consolidated revenue to the total consolidated assets of the respective companies as at the relevant dates.
- (4) Total liabilities include, inter-alia, all the liabilities of the respective companies but exclude contingent liabilities, if any.
- (5) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies.
- (6) Total borrowings include all bank loans and borrowings as well as hire purchase obligations, bills payable and interest bearing debts, where applicable.
- (7) Progen incurred a loss of approximately S\$1.8 million for the LTM ended 30 June 2019. Hence, the group's LTM ROE and LTM net profit margin ratios are negative and not meaningful.
- (8) Progen's total borrowings for the LTM 30 June 2019 was approximately S\$1.5 million while its equity attributable to shareholder's was approximately S\$33.1 million.
- (9) Koyo Intl's total borrowings for the LTM ended 30 June 2019 was approximately S\$0.1 million while its equity attributable to shareholder's was approximately S\$19.7 million.
- (10) The Group incurred a loss after tax attributable to owners of the Company of approximately S\$8.9 million for the LTM ended 30 June 2019. Hence, the Group's LTM ROE and LTM net profit margin ratios are negative and not meaningful.
- (11) Figures and computation presented in this section are subject to rounding.

For illustrative purposes only, we note the following:-

- (i) The Group's LTM ROE and LTM NPM are not meaningful as the Group incurred a net loss after tax of approximately S\$8.9 million for the LTM ended 30 June 2019. Progen, which incurred a net loss after tax of approximately S\$1.8 million for the LTM ended 30 June 2019, is the only loss making companies amongst the Selected Comparable Companies, which are all profitable during the period reviewed. The Group's financial performance is less favourable as compared to its Selected Comparable Companies, save for Progen.
- (ii) The Group's LTM asset turnover ratio was approximately 2.4 times, which is above the range and more favourable than any of the Selected Comparable Companies. However, this may be attributable to the significant decline in 1HY2019 of the Group's total assets.

- (iii) The Group's ratio of total liabilities to shareholders' equity and total borrowings to shareholders' equity as at 30 June 2019, was approximately 7.9 times and 2.8 times respectively. Both ratios are above and less favourable than any of the Selected Comparable Companies.

In summary, the Group's LTM asset turnover appears to be above the range and more favourable than any of the Selected Comparable Companies. As the Group was loss making for the LTM ended 30 June 2019, its LTM ROE and LTM NPM ratios are not meaningful. In terms of financial position, the Group's ratio of total liabilities to shareholders' equity and total borrowings to shareholders' equity as at 30 June 2019 appears to be above the range and less favourable than any of the Selected Comparable Companies.

The following valuation statistics for the Selected Comparable Companies are based on their respective last transacted prices as at the Latest Practicable Date, while those for the Group are based on the Offer Price. We note that the last transacted price for the Shares as at the Latest Practicable Date is significantly higher than the Offer Price. All the valuation statistics of the Selected Comparable Companies are computed on a historical basis using financial data and information obtained from their latest publicly available unaudited financial statements or audited financial statements from their annual reports or result announcements.

The following table tabulates the comparative valuation statistics for the Selected Comparable Companies and the Group and should be evaluated in the context of their relative financial performance.

Selected Comparable Companies ⁽⁹⁾	Market Capitalisation (\$ million)	LTM EV/EBITDA ⁽¹⁾ (times)	LTM PER ⁽²⁾ (times)	P/Revenue ⁽³⁾ (times)	P/NAV ⁽⁴⁾ (times)	P/NTA ⁽⁵⁾ (times)	Premium/ (discount) over/ from NTA (%)
Progen	10.5	n.m. ⁽⁶⁾	n.m. ⁽⁶⁾	3.1	0.3	0.3	(67.9)
Natural Cool	13.5	11.8	11.7	0.1	0.6	0.7	(31.0)
Koyo Intl	13.3	n.m. ⁽⁶⁾	20.4	0.5	0.7	0.7	(32.6)
King Wan	29.7	18.1	18.1	0.4	0.4	0.4	(57.2)
MAXIMUM	29.7	18.1	20.4	3.1	0.7	0.7	(31.0)
MINIMUM	10.5	11.8	11.7	0.1	0.3	0.3	(67.9)
MEDIAN	13.4	14.9	18.1	0.4	0.5	0.6	(44.9)
SIMPLE AVERAGE	16.8	14.9	16.7	1.0	0.5	0.5	(47.2)
The Group	9.8	n.m.⁽⁷⁾	n.m.⁽⁷⁾	1.0	18.6⁽⁸⁾	18.6⁽⁸⁾	1,755.7⁽⁸⁾

Source: The latest annual reports and the announced unaudited financial statements of the respective companies.

Notes:

- (1) The LTM EV/EBITDA for the Selected Comparable Companies is based on the most recent twelve months EBITDA as reported by the respective companies.
- (2) The LTM PERs for the Selected Comparable Companies are based on the most recent twelve months earnings after tax attributable to shareholders as reported by the respective companies.
- (3) The LTM P/Revenue for the Selected Comparable Companies are based on the most recent twelve months revenue as reported by the respective companies.
- (4) The P/NAV ratios for the Selected Comparable Companies are based on their respective NAV values as set out in their latest available announced audited or unaudited financial statements, as may be applicable.
- (5) The P/NTA ratios for the Selected Comparable Companies are based on their respective NTA values as set out in their latest available announced audited or unaudited financial statements, as may be applicable.
- (6) Progen's LTM EV/EBITDA and LTM PER as at 30 June 2019 is not meaningful as its LTM EBITDA is approximately negative S\$1.8 million and LTM loss after tax attributable to shareholders is approximately S\$1.8 million. Koyo Intl's LTM EV/EBITDA is not meaningful as its EV is negative as its cash and cash equivalents, is greater than the sum of the market capitalization, non-controlling interest and debt.
- (7) For the Group, the computations for LTM PER, LTM EV/EBITDA ratios are based on market capitalisation as implied by the Offer Price for the Shares. The earnings after tax attributable to owners of the Company, EBITDA, for the Group are based on the results for latest 12 months ending 30 June 2019. Both LTM PER and LTM EV/EBITDA are not meaningful as the Group incurred losses of approximately S\$8.9 million and registered negative EBITDA of approximately S\$8.9 million.
- (8) Based on the Group's RNAV and RNTA per Share of approximately S\$0.0044.
- (9) Figures and computation presented in this section are subject to rounding.

For illustrative purposes only, we note:

- (i) The market capitalisation of the Group as implied by the Offer Price is lower than any of the Selected Comparable Companies. We note that the trading statistics for companies with higher market capitalisation may be different than those with lower market capitalisation and this may be attributable to the relative liquidity in terms of number or value of shares traded as well as relative interest in the shares of companies with larger market capitalisation.
- (ii) The valuation of the Group (as implied by the Offer Price) in terms of LTM EV/EBITDA and LTM PER as at 30 June 2019 is not meaningful as the Group registered negative EBITDA and losses attributable to owners of the Company of approximately S\$8.9 million. Progen's LTM EV/EBITDA and LTM PER as at 30 June 2019 is not meaningful as it registered negative EBITDA and losses attributable to shareholders. We note that Koyo Intl's LTM EV/EBITDA as at 30 June 2019 is not meaningful as it was in a net cash position with negative EV.
- (iii) The valuation of the Group (as implied by the Offer Price) in terms of LTM P/Revenue as at 30 June 2019 is approximately 1.0 times, which is within the range, in line with the simple average, and higher than the median of the Selected Comparable Companies.
- (iv) The valuation of the Group (as implied by the Offer Price and RNAV or RNTA of approximately S\$0.0044 per Share) in terms of both P/NAV and P/NTA ratios are above the range and more favourable than any the Selected Comparable Companies. This is attributable to the low RNAV and RNTA as at 30 June 2019 due to, *inter-alia*, losses after tax attributable to owners of the Company in 1HY2019 of approximately S\$5.7 million, arising from trade and other receivables written off of about S\$1.1 million, provision of doubtful debts of about S\$3.1 million (as a result of the termination of the Group's contract in Maldives), administrative expenses of about S\$0.8 million, gross loss of about S\$0.2 million and foreseeable loss of about S\$0.25 million for various work that the Group had performed under the variation orders for one of the project whereby the corresponding revenue had been recognised in FY2018. Please refer to Section 7.1 of this Letter for further details. As an illustration, in the event that the losses arising from writing off of trade and other receivables, provision for doubtful debts and foreseeable loss on contracts for an aggregate of approximately S\$4.5 million is added back to the NTA as at 30 June 2019, the Offer Price represents a premium of approximately 98.7% and 94.3% over the NTA per Share and RNTA per Share respectively. We note that even in the absence of any write-offs of trade and other receivables and provision for doubtful debts and foreseeable loss on contracts, the valuation of the Group (as implied by the Offer Price and RNAV or RNTA per Share as adjusted for, *inter-alia*, such foreseeable loss or write-offs or provisions) is more favourable than any of the Selected Comparable Companies.

In summary, the valuation of the Group (as implied by the Offer Price) in terms of P/Revenue is within the range and in line with the simple average for the Selected Comparable Companies. The valuation of the Group (as implied by the Offer Price) in terms of both P/RNAV and P/RNTA is above the range and more favourable than any of the Selected Comparable Companies. However, we note that this is attributable to the Group's low RNAV or RNTA caused, *inter-alia*, by a write-down of current assets. Please refer to Section 7.1 of this Letter for further explanation.

Independent Directors are advised to review the Offer and the comparison of the Group's valuation ratios with the Selected Comparable Companies in conjunction with the following facts:

- (i) The Group's relatively weaker financial position (in terms of the ratio of total liabilities to shareholders' equity and total borrowings to shareholders' equity), despite the Group's favourable LTM Asset turnover which may be due to the significant decline in the Group's total assets. The Group's relatively weaker financial performance (in terms of the LTM ROE and LTM NPM) as compared to the Selected Comparable Companies as it registered negative EBITDA and loss of approximately S\$8.9 million as at 30 June 2019. In the event that the losses arising from writing off of trade and other receivables, provision for doubtful debts and foreseeable loss on contracts for an aggregate of approximately S\$4.5 million is added back, the Group would still register a loss of approximately S\$4.3 million for the LTM 30 June 2019.
- (ii) the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in an acquisition of control whilst for the Offer, the Offeror, *inter-alia*,

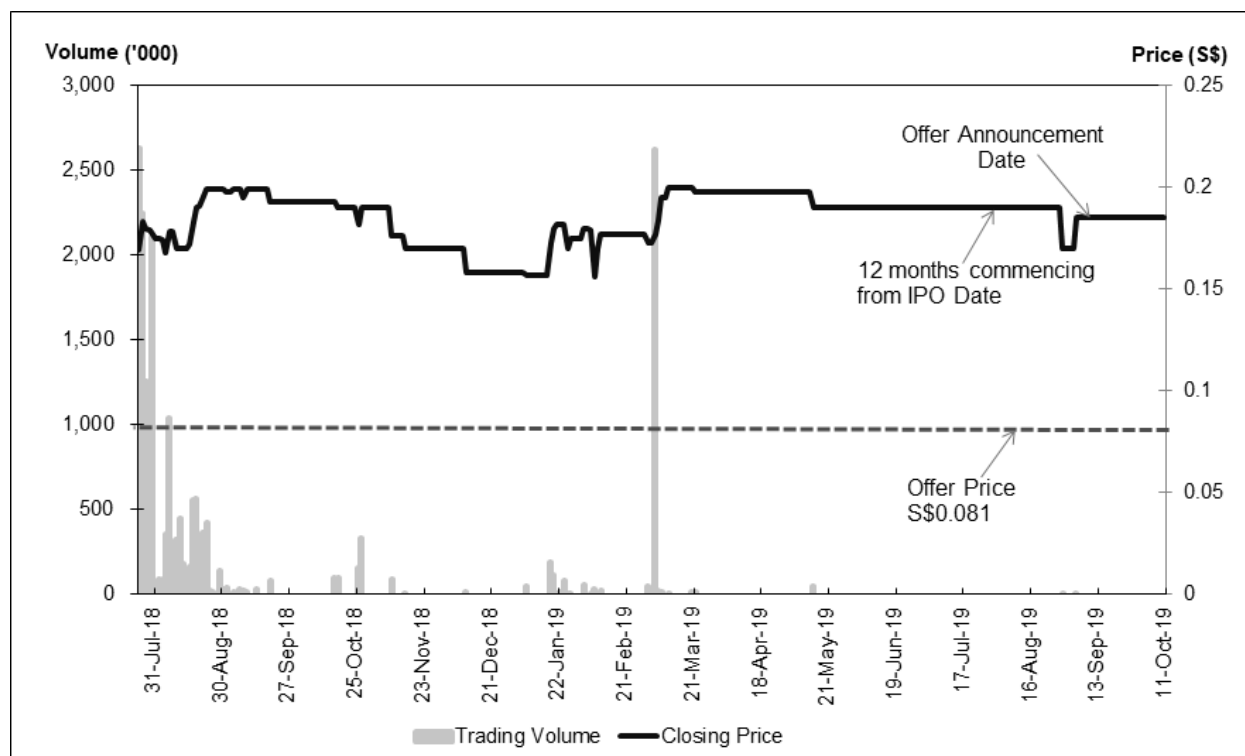
intends to maintain the listing status of the company on completion and to undertake any action as may be necessary for such trading suspension by the SGX-ST to be lifted in the event the free float requirement is not satisfied and SGX-ST may suspend trading pursuant to Rule 724 or Rule 1104 of the Listing Manual Section B: Rules of the Catalist of the SGX-ST (“**Catalist Rules**”). In addition, the Offeror has stated it, *inter-alia*, does not intend to exercise its rights of compulsory acquisition, or to delist the Company from the SGX-ST. As disclosed in the Offer Announcement and the Offer Document, the Offeror holds an aggregate interest of approximately 57.16% in the Share capital of the Company

We also wish to highlight that the NAV and NTA based approach of valuing a company is dependent on factors that may differ for each Selected Comparable Companies including, *inter-alia*, factors such as depreciation policies. As such, the comparison of the NAV and NTA of the Group with those of the Selected Comparable Companies is necessarily limited and such comparison is made for illustrative purposes only. In addition, as all the ratios and tools used invariably uses the price of the shares, they may or may not take into account any relative or perceived or actual risk premiums or demand and supply conditions for those shares which may or may not have been fundamentally justified. In addition, as these are tools or ratios that are based on historical financial performance or position, they may or may not reflect the anticipated financial performance and the mix of its activities or the relative contributions in terms of assets, the financial performance may differ.

Independent Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter-alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity of the shares and the market capitalisation or the relative sentiments of the market for the shares.

7.4 Market quotation and trading activities for the Shares

The historical price and volume charts for the Shares (based on the closing prices together with the number of Shares traded on a daily basis) for the period commencing from the 25 July 2018, being the date that the Company was listed on the Catalist of the SGX-ST (“**IPO Date**”) to 20 September 2019 (being the last market day immediately preceding the Offer Announcement Date) and ending on the Latest Practicable Date is set out below:



Source: Bloomberg

For the period commencing from 25 July 2018 and ending on the Offer Announcement Date (both dates inclusive), we note that the Shares were only traded on 61 Market Days out of a total 290 Market Days (or approximately 21.0%) and the closing prices for the Shares during the said periods were always above the Offer Price.

For the period commencing on the Market Day immediately after the Offer Announcement Date to the Latest Practicable Date, the Shares have not been traded on any of the total 15 Market Days and the closing prices for the Shares were maintained at S\$0.185 as at the Latest Practicable Date since the Offer Announcement Date.

As a general market comparison and observation, the FTSE Straits Times Catalist Index (“**Catalist Index**”) decreased by approximately 33.7% for the period commencing from 25 July 2018 and ending on 20 September 2019, being the Offer Announcement Date. Subsequently, the Catalist Index increased by approximately 0.5% from the Offer Announcement Date to the Latest Practicable Date. For the same period commencing from 25 July 2018 and ending on 20 September 2019, being the Offer Announcement Date (“**Period Since IPO**”) the closing prices for the Shares decreased by approximately 19.6% from its IPO Placement Price (defined later) of S\$0.23 for each Placement Share and subsequently maintained at S\$0.185 as at the Latest Practicable Date. We observed that the Shares appeared to have underperformed the Catalist Index for the period commencing immediately after the Offer Announcement Date till the Latest Practicable Date. For the 12 months period prior to the Offer Announcement Date, closing prices for Shares declined by approximately 4.1% but outperformed the Catalist Index which recorded a loss of approximately 28.2%.

The above chart and the analysis below is presented for illustrative purposes only, and they are by no means representative of the future trading performance or prices of the Shares.

	VWAP per Share (\$) ⁽¹⁾	(Discount) of the Offer Price over the VWAP per Share (%)	Lowest transacted price (\$)	Highest transacted price (\$)	Average daily trading volume ⁽²⁾	Average daily trading volume as % of free float ⁽³⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾ (%)
For the period prior to the Offer Announcement Date						
Since IPO	0.177	(54.3)	0.013	0.220	60,642	0.31 ⁽⁵⁾
Last 12 months	0.169	(51.9)	0.013	0.200	16,549	0.07 ⁽⁶⁾
Last 6 months	0.185	(56.2)	0.155	0.200	577	0.002 ⁽⁷⁾
Last 3 months	0.178	(54.4)	0.170	0.190	94	0.0004 ⁽³⁾
Last 1 month	0.178	(54.4)	0.170	0.190	261	0.001 ⁽³⁾
Last transacted price on 5 September 2019 (being the Last Trading Day prior to the Offer Announcement Date) ⁽⁴⁾	0.185	(56.2)	0.185	0.185	3,000	0.01
For the period commencing on the Market Day immediately after the Offer Announcement Date up to the Latest Practicable Date						
Till the Latest Practicable Date	n.a. ⁽⁹⁾	n.a. ⁽⁹⁾	-	-	-	n.a. ⁽⁹⁾
Last transacted price on 5 September 2019 (being the Last Trading Day prior to the Latest Practicable Date) ⁽⁸⁾	0.185	(56.2)	0.185	0.185	3,000	0.01

Source: Bloomberg

Notes:

- (1) The VWAP had been weighted based on the average prices of the Shares and traded volumes for the relevant trading days for each of the periods.
- (2) The average daily trading volume of the Shares is calculated based on the total number of Shares traded during the period divided by the number of Market Days during that period.
- (3) Free float refers to approximately 25,108,700 Shares or approximately 20.73% of the issued Shares held by Shareholders, other than the Substantial Shareholders (including the Offeror) and Directors as at the Latest Practicable Date.
- (4) This represents the last transacted price instead of VWAP for the Shares on 5 September 2019, being the last transacted price for the Shares on the Last Trading Day prior to the Offer Announcement Date.
- (5) Free float is derived for the period commencing from the IPO Date till the Announcement as follows. Free float refers to approximately 18,500,000 Shares or approximately 15.28% of the issued Shares held by Shareholders, other than the Substantial Shareholders, Directors, PrimePartners Corporate Finance Pte. Ltd. ("PPCF") and Wong Yai Mow ("WYM") 100% shareholding (as at the IPO Date), from IPO Date to 24 October 2018, being 3 months commencing from the Company's date of admission to Catalist; Free float refers to approximately 21,108,700 Shares or approximately 17.43% of the issued Shares held by Shareholders, other than the Substantial Shareholders, Directors and 100% of WYM shareholding (as at the IPO Date) from 25 October 2018, being the day immediately after 3 months from IPO Date to 24 January 2019, being 6 months from IPO Date; Free float refers to approximately 23,108,700 Shares or approximately 19.08% of the issued Shares held by Shareholders, other than the Substantial Shareholders, Directors, and 50% of WYM shareholding (as at the IPO Date) from 25 January 2019, being the day immediately after 6 months from IPO Date to 24 July 2019, being 12 months commencing from IPO Date; Free float refers to approximately 25,108,700 Shares or approximately 20.73% of the issued Shares held by Shareholders, other than the Substantial Shareholders (including the Offeror) and Directors from 25 July 2019, being the day immediately after the end of moratorium period ("Moratorium Period"), being the period commencing from the IPO Date and ending 12 months from IPO Date, to the Offer Announcement Date. The average daily trading volume as a % of free float is based on the simple average for the said periods.
- (6) Free float is derived for the 12 month period prior to Announcement as follows. Free float refers to approximately 18,500,000 Shares or approximately 15.28% of the issued Shares held by Shareholders, other than the Substantial Shareholders, Directors, PPCF and 100% of WYM shareholding (as at the IPO Date) from 21 September 2018 to 24 October 2018, being 3 months from IPO Date; Free float refers to approximately 21,108,700 Shares or approximately 17.43% of the issued Shares held by Shareholders, other than the Substantial Shareholders, Directors and 100% of WYM shareholding (as at the IPO Date) from 25 October 2018, being the day immediately after 3 months from IPO Date to 24 January 2019, being 6 months from IPO Date; Free float refers to approximately 23,108,700 Shares or approximately 19.08% of the issued Shares held by Shareholders, other than the Substantial Shareholders, Directors, and 50% of WYM shareholding (as at IPO Date) from 25

January 2019, being the day immediately after 6 months from IPO Date to 24 July 2019; Free float refers to approximately 25,108,700 Shares or approximately 20.73% of the issued Shares held by Shareholders, other than the Substantial Shareholders (including the Offeror) and Directors from 25 July 2019 to the Offer Announcement Date. The average daily trading volume as a % of free float is based on the simple average for the said periods.

- (7) Free float refers to approximately 23,108,700 Shares or approximately 19.08% of the issued Shares held by Shareholders, other than the Substantial Shareholders, Directors, and 50% of WYM shareholding (as at IPO Date) from 25 January 2019, being the day immediately after 6 months from IPO Date to 24 July 2019; Free float refers to approximately 25,108,700 Shares or approximately 20.73% of the issued Shares held by Shareholders, other than the Substantial Shareholders (including the Offeror) and Directors from 25 July 2019, being the day immediately after the end of Moratorium Period to the Offer Announcement Date. The average daily trading volume as a % of free float is based on the simple average for the said periods.
- (8) This represents the last transacted price instead of VWAP for the Shares on 5 September 2019, being the last transacted price for the Shares on the Last Trading Day prior to the Latest Practicable Date.
- (9) Not applicable as the Shares have not been traded since 5 September 2019, being the date prior to the Offer Announcement Date.

Based on a general observation of the chart above and after taking into account the summary of the transacted prices for the Shares, we note the Offer Price:

- (i) represents a discount of approximately 56.2% over the last transacted price of S\$0.185 per Share for the Shares on the SGX-ST on 5 September 2019, being the Last Trading Day immediately preceding the Offer Announcement Date ;
- (ii) represents a discount of approximately 54.3%, 51.9%, 56.2%, 54.4% and 54.4% over the VWAP for the Shares for the Period Since IPO, 12-month, 6-month, 3-month and 1-month prior to the Offer Announcement Date respectively; and
- (iii) represents a discount of approximately 56.2% over the last transacted price of S\$0.185 per Share on the SGX-ST on 5 September 2019, being the Last Trading Day immediately preceding the Latest Practicable Date.

For illustrative purpose only, based on the number of Shares traded on a daily basis during the period commencing from 25 July 2018 and ending on the Latest Practicable Date, we note that:

- (i) from 25 July 2018 to 20 September 2019, being the Offer Announcement Date (both dates inclusive), Shares were traded on 61 Trading Days (approximately 21.0%) out of the total 290 Market Days during the period, with the total number of Shares traded being approximately 17.6 million Shares and an average daily trading volume (based on a total of 290 Market Days) of approximately 60,642 Shares, which represents approximately 0.050% of the issued Shares as at the Latest Practicable Date or approximately 0.32% of the issued Shares held by Shareholders other than the Substantial Shareholders (including the Offeror), Directors, PPCF (for the period of 3 months from the IPO Date), WYM (for 100% of his shareholding for the period of 6 months commencing from the IPO Date and 50% of his shareholding for the period commencing, from the date immediately after 6 months from the IPO Date and ending on date falling 12 months from the IPO Date).
- (ii) from 21 September 2018 to 20 September 2019, being the Offer Announcement Date (both dates inclusive), Shares were traded on 30 Trading Days (approximately 12.0%) out of the total 250 Market Days during the period, with the total number of Shares traded being approximately 4.1 million Shares and an average daily trading volume (based on a total of 250 Market Days) of approximately 16,549 Shares, which represents approximately 0.014% of the issued Shares as at the Latest Practicable Date or approximately 0.07% of the issued Shares held by Shareholders other than the Substantial Shareholders (including the Offeror), Directors, PPCF (for the period of 3 months from the IPO Date), WYM (for 100% of his shareholding for the period of 6 months commencing from the IPO Date and 50% of his shareholding for the period commencing from the date immediately after 6 months from the IPO Date and ending on date falling 12 months from the IPO Date).
- (iii) From 21 September 2019 to 11 October 2019, being the Latest Practicable Date (both dates inclusive), no Shares were traded during the period.

We note that trading for the Shares is erratic and that the daily average number of Shares traded during the 12 months period prior to the Offer Announcement Date is relatively low as compared to the number of

issued Shares held by Shareholders other than, *inter-alia*, the Substantial Shareholders (including the Offeror) and the Directors as at the Latest Practicable Date. The trading activities for the Shares appear to be relatively inactive in the context of number of Market Days wherein Shares were traded, as Shares were traded only on 61 Trading Days out of the total 290 Market Days since IPO date to the Offer Announcement Date and 30 Trading Days out of the total 250 Market Days during the 1 year period prior to the Offer Announcement Date. It is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value in view of the lack of liquidity for the Shares (in terms of number of Shares traded on daily basis), they nonetheless represent the prices for transactions between willing buyer and willing seller.

Moreover we observed that since the announcement of the Group's unaudited financial statements for the six months ended 30 June 2019, on 14 August 2019, till the Latest Practicable Date only an aggregate of 6,000 Shares were traded (and for only two Market Days with prices of between S\$0.17 to S\$0.185 for each Share).

We also note that there is no Share traded for the period commencing on the Market Day immediately after Offer Announcement Date till the Latest Practicable Date and this should be compared to the number of Shares that were traded on a daily basis during the 1 year period prior to the Offer Announcement Date. As mentioned earlier, the prices for the Shares had underperformed the Catalist Index for the period commencing on the Market Day immediately after Offer Announcement Date to the Latest Practicable Date. There is no assurance that the observed trends for the trading for the Shares will be maintained or that the transacted prices for the Shares will be the same and at the levels prevailing during the period commencing on the Offer Announcement Date and ending on the Latest Practicable Date in the event that the Offer closes.

In addition, we note that except for the periods shortly after the IPO Date (being the period commencing from the IPO Date till 20 September 2018 (before the commencement of the 12-month period prior to the Announcement Date), wherein the total number of Shares traded was approximately 13.4 million Shares with an average daily trading volume (based on a total of 40 Market Days) of approximately 336,228 Shares), the average volume of Shares traded on a daily basis had in general declined significantly thereafter to as low as 94 Shares for the 3-month period prior to the Offer Announcement Date. We observed that the Shares are not frequently traded. Since the IPO Date till the Latest Practicable Date, Shares were traded for only 61 Market Days. For these 61 Market Days, we note that approximately 76.5% of the total number of Shares traded and approximately 50.8% of the number of Market Days the Shares were traded, occurred for the period commencing from the IPO Date till 20 September 2018 or just before the commencement of the 12-month period prior to the Offer Announcement Date. We also note that the low liquidity may be attributable to the fact that whilst there were only 274 Shareholders at the point in time of the Company's admission on the Catalist, there were only 117 Shareholders as at 22 March 2019 and as at the Latest Practicable Date.

In addition, we note that as at 22 March 2019 (being the date the statistics of shareholdings of the Company are disclosed in the Group's AR2018):

- (a) approximately 98.1% of the Shares issued were held by the twenty-largest shareholders, with seven of the largest shareholders holding approximately 91.4% of the Shares, and
- (b) approximately 0.5% of the Shares issued were held by Shareholders whose size of shareholdings are 10,000 or less Shares; whilst approximately 4.4% of the Shares issued were held by Shareholders whose size of shareholdings are between 10,001 to 1,000,000 Shares. The balance or about 95.1% of the Shares issued are held by Shareholders whose size of shareholdings are 1,000,001 Share and above.

In summary, we note that the trading for the Shares has been erratic, infrequent and the average daily trading volume of the Shares had been low in both absolute terms and also as a percentage of the free float. In addition, we note that as at the Latest Practicable Date, Shares of the Company are still tightly held with approximately 91.4% of the issued Shares being held by seven of the largest Shareholders. The number of Shareholders had declined by more than half from its IPO to about 117 Shareholders as at 22 March 2019 and the Latest Practicable Date.

Independent Directors should note that given the low liquidity of the Shares (in terms of number of Shares traded on daily basis) during the periods observed, the Offer may represent a realistic exit opportunity for the Shareholders to realise their entire investment for cash although the Offer Price is at a significant discount below market prices of Shares for periods prior to the Offer Announcement Date. It is noted that the Offer Price is way below closing prices for the Shares in the twelve months prior to the Offer Announcement Date and up to and including the Last Trading Day. In the absence of the Offer, such an exit for all Shareholders other than the Offeror may not be readily available due to the low trading liquidity for the Shares. For illustrative purpose only, based on the average daily trading volume of 16,549 Shares for the period 12 months prior to the Offer Announcement Date, it would take approximately 1,517 Market Days or close to 6.1 years (based on 250 Market Days per year) for the public Shareholders to be able to sell off their 25,108,700 Shares in the market.

Independent Directors should also note that past trading performance for the Shares may not be relied upon as an indication of the fair value of the Company's securities.

7.5 Comparison with recently completed selected non-privatisation MGOs

For the purpose of providing an illustrative guide as to whether the financial terms of the Offer are fair and reasonable, we have compared the financial terms of the Offer with selected recently completed mandatory takeovers for companies listed on SGX-ST, which were announced since January 2017 to the Latest Practicable Date and wherein offerors had indicated their intention to preserve the listing status of the target companies and these companies continued to be listed after the close of their respective offers (“**Selected Non-Privatisation MGO Transactions**”).

In making the comparison herein, we wish to highlight that the companies selected and covered herein (the “**Selected Takeover Companies**”) are not directly comparable to the Company and may largely differ from the Company in terms of, *inter-alia*, size and scale of operations, type and/or composition of business activities and specialisation, asset base, geographical spread, track record, financial performance, capital structure, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Likewise they involve shares of companies which are quoted, listed and tradeable on the stock exchange.

We wish to highlight that other than the criteria mentioned above, the premium or discount that an offeror pays in any particular take-over varies in different specific circumstances depending on, *inter-alia*, factors such as the potential synergy the offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target’s business and assets, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of the target company’s shares, the presence of competing bids for the target company, the going concern status of the target company and the existing and desired level of control in the target company.

The data used in the table and the companies listed below have been compiled from publicly available information and serves as a guide as to comparative valuations in connection with takeovers of companies listed on the SGX-ST without regard to their specific industry characteristics or other considerations. Each of the offers in the list of Selected Non-Privatisation MGO Transactions must be reviewed on its own commercial and financial merits. The lists of Selected Takeover Companies involved in the Selected Non-Privatisation MGO Transactions are by no means exhaustive and as such any comparison made only serves as an illustration.

Selected Non-Privatisation MGO Transactions

Selected Takeover Companies	Date of announcement	% shareholding of the offeror and concert parties at the start of transaction ⁽¹⁾	Premium/ (discount) of offer price over/from last transacted price prior to announcement (%)	Premium/ (discount) of offer price over/from VWAP for 1 month period prior to announcement (%)	Average daily traded volume as a percentage of free float for 1 month period prior to announcement (%)	Premium/ (discount) of offer price over/from VWAP for 3 month period prior to announcement (%)	Average daily traded volume as a percentage of free float for 3 month period prior to announcement (%)	P/NTA ⁽²⁾ (times)
International Highway Corporation	16-Feb-17	59.1	1.9	14.2	10.32	20.6	2.44	0.9 ⁽³⁾
China Kangda Food Company Limited	2-May-17	69.2	44.6	38.8	n.a. ⁽⁴⁾	n.a. ⁽⁴⁾	n.a. ⁽⁴⁾	0.8 ⁽⁵⁾
CMC Infocomm Limited	7-May-17	74.4	18.8	34.6	0.03	30.5	0.03	1.7 ⁽⁶⁾
Cityneon Holdings Limited ⁽⁷⁾	12-May-17	52.5	(5.4)	0.6	2.70	3.9	2.30	3.2 ⁽⁸⁾
Blumont Group Limited ("Blumont")	24-Aug-17	69.6	(81.8)	(87.9)	0.03	(86.0)	0.20	0.6 ⁽⁹⁾
Mary Chia Holdings Limited	24-Aug-17	60.98	68.2	93	0.07	96.1	0.03	2.8 ⁽¹⁰⁾
TMC Education Corporation Ltd.	14-Dec-17	51	68.8	50	0.00	29.8	0.02	1.5 ⁽¹¹⁾
CH Offshore Ltd.	26-Jul-18	52.7	0	(11.0)	0.07	(11.6)	0.03	0.5 ⁽¹²⁾
Chew's Group Limited	8-Oct-18	68.14	26.2	30.9	0.35	33.4	0.65	1.23 ⁽¹³⁾
Ying Li International Real Estate Limited	3-Apr-19	58.91	0.7	5.7	0.58	10.5	0.52	0.3 ⁽¹⁴⁾
MAXIMUM		74.4	68.8	93.0	10.32	96.1	2.44	3.2
MINIMUM		51.0	(81.8)	(87.9)	0.00	(86.0)	0.02	0.3
MEDIAN		60.0	10.4	22.6	0.07	20.6	0.20	1.2
SIMPLE AVERAGE		61.7	14.2	16.9	1.57	14.1	0.69	1.4
Group	20-Sep-19	57.2	(56.2)	(54.4)	0.001	(54.4)	0.0004	18.6⁽¹⁵⁾

Source: SGX-ST announcements, offer documents and circulars to shareholders in relation to the respective transactions

Notes:

- (1) Where applicable, it includes the percentage shareholding of the undertaking shareholder(s) as at the date of the offer document.
- (2) P/NTA ratios are based on the offer price and NTA per share for the respective companies.
- (3) Based on revalued NAV per share of S\$0.1163 as at 30 September 2016.
- (4) No data available from the offer document and the circular.
- (5) Based on the audited NAV as at 31 December 2016.
- (6) Based on the unaudited NTA as at 30 November 2016.
- (7) Based on the pre-conditional offer announcement dated 12 May 2017. The conditions for the pre-conditional offer was fulfilled on 17 July 2017.

- (8) Based on the audited NTA as at 31 December 2016.
- (9) Based on RNAV as at 30 June 2017.
- (10) Based on RNAV as at 31 March 2017.
- (11) Based on the adjusted NAV as at 30 June 2017.
- (12) Based on RNAV as at 30 June 2018.
- (13) Based on the Group's adjusted NAV per share of S\$0.172 as at 31 March 2018.
- (14) Based on RNAV as at 31 December 2018.
- (15) Based on Group's RNAV per share of S\$0.0044.

For illustrative purposes only, we noted the following from the above table:

- (i) As announced on 20 September 2019, the Offer was triggered as the Offeror acquired a total of 69,221,740 Shares from the Sellers pursuant to sale and purchase agreements on 20 September 2019. The Offeror holds approximately 57.16 % equity interest in the Company as at the Announcement Date and this is within the range, lower than the median and simple average percentage of shareholding interest for each of the offeror and concert parties at the start for the relevant Selected Non-Privatisation MGO Transactions. Subsequent to the Announcement Date to the Latest Practicable Date, the Offeror did not make any further announcement in connection with changes in its shareholding in the Company or further purchases of Shares.

The discount of approximately 56.2%, 54.4% and 54.4% as implied by the Offer Price from the last transacted price for the Shares prior to the Announcement Date, the VWAP for the Shares for 1-month period prior to the Announcement Date and the VWAP for the Share for 3-month period prior to the Announcement Date respectively are within the range, above the minimum but worse off than the median and the simple average for the Selected Non-Privatisation MGO Transactions, which are both at premiums. We note that save for Cityneon Holdings Limited, Blumont and CH offshore Ltd. (for its last transacted prices or historical prices prior to offer announcement), the offer price for all the Selected Non-Privatisation MGO Transactions are generally at premiums from the respective historical prices (last transacted prices prior to offer announcement, VWAP for 3-month and 1-month periods prior to offer announcement), save for the (i) last transacted price prior to announcement for the Cityneon Holdings Limited transaction, (ii) VWAP for the 1 month and 3 month periods prior to announcement for the CH Offshore Ltd. transaction, and (iii) the last transacted price, VWAP for the 1 month and 3 month periods prior to announcement for the Blumont transaction where the offer price is at a discount, all the other historical prices are at a premium.

We note that within the Selected Non-Privatisation MGO Transactions, only Blumont's offer price to its historical prices at the various time periods are consistently at a discount. Independent Directors should note that for the Blumont transaction, the financial position of the company and its subsidiaries was, *inter-alia*, weak with a disclaimer of opinion issued by the independent auditors of the said company (prior to the announcement of the takeover) relating to, *inter-alia*, the appropriateness of going concern assumption. In addition, Independent Directors should note that we were the independent financial adviser for the Blumont transaction. Likewise we note there were statements made in the Group's 1HY2019 unaudited results announcement on 14 August 2019, regarding the Group's ability to operate as a going concern. The board is of the opinion that the group will be able to continue as a going concern due to the factors as listed out on page 16 of the said 1HY2019 results announcement.

- (ii) The liquidity of the Group is less than favourable as (i) the average daily traded volume as a percentage of free float for VWAP for 1 month period prior to announcement is within the range, lower than the minimum for or any of the Selected Non-Privatisation MGO Transactions; and (ii) the average daily traded volume as a percentage of free float for the VWAP for 3 Month period

prior to announcement is below the range, lower than the minimum for or any of the Selected Non-Privatisation MGO Transactions.

- (iii) The valuation of the Group in terms of P/NTA as implied by the Offer Price and the Group's RNTA per Share of approximately 18.6 times is above the range, significantly higher than the maximum and more favourable than any of the Selected Non-Privatisation MGO Transactions.

In summary, the valuation of the Group as implied by the Offer Price appears to be very much less favourable than the Selected Non-Privatisation MGO Transactions in terms of premium and/or discount over/from historical prices. In addition, in terms of P/NAV multiple, the valuation of the Group as implied by the Offer Price appears to be above the range and more favourable than any of the Selected Non-Privatisation MGO Transactions.

However, we note that this is attributable to the Group's low RNTA caused by, *inter-alia*, losses in 1HY2019 of approximately S\$5.7 million arising from trade and other receivables written off of about S\$1.1 million, provision of doubtful debts of about S\$3.1 million (as a result of the termination of the Group's contract in Maldives), administrative expenses of about S\$0.8 million, gross loss of about S\$0.2 million and foreseeable loss of about S\$0.25 million for various work that the Group had performed under the variation orders of one of the project whereby the corresponding revenue had been recognised in FY2018. As an illustration, in the event that the losses arising from writing off of trade and other receivables, provision for doubtful debts and foreseeable loss on contracts are added back to the NTA as at 30 June 2019, the Offer Price represents a premium of approximately 98.7% and 94.3% over the NTA per Share and RNTA per Share respectively. We note that even in the absence of any write-offs of trade and other receivables, provision for doubtful debts, and foreseeable loss on contracts, the valuation of the Group (as implied by the Offer Price and RNTA per Share as adjusted, *inter-alia*, for such foreseeable loss or write-offs or provisions) is more favourable than any of the Selected Comparable Transactions save for Cityneon Holdings Limited and Mary Chia Holdings Limited.

Whilst the valuation of the Group as implied by the Offer Price in terms of comparison with the historical prices for the Shares for the Selected Non-Privatisation MGO Transactions, is within the range in terms of premiums or discounts over/from historical prices for the Selected Non-Privatisation MGO Transactions, it does not appear to be favourable in terms of historical premiums (as mentioned above, the Offer price is consistently at a discount to historical prices). However when viewed in the context of the poor liquidity of the Shares when compared to the liquidity for all the shares of the companies for the Selected Non-Privatisation MGO Transactions and the relatively lower percentage of interest held by the Offeror as compared to the interests of the various offerors under the Selected Non-Privatisation MGO Transactions as well as the significant premiums of the Offer Price above the RNTA and RNTA per Shares, it appears reasonable. The comparison with respect to P/NTA multiple, does appear to be significantly more favourable as compared to the Selected Non-Privatisation MGO Transactions.

8. OTHER RELEVANT CONSIDERATIONS

8.1 Existing shareholding structure of the Company

The shareholding structure of the Company as at the Latest Practicable Date is outlined below:

	Direct Interests	Deemed Interests	Total interests	% of the issued Share Capital as at the Latest Practicable Date ⁽¹⁾
Offeror⁽²⁾				
QRC Pte. Ltd.	69,221,740	-	69,221,740	57.16%
Directors other than the Offeror				
Mr. Fan	26,778,260		26,778,260	22.11%
Substantial Shareholders (other than the Offeror)				
Nil				
Public Shareholdings			25,108,700	20.73%
Total			121,108,700	100%

Notes:

- (1) Based on 121,108,700 issued Shares (excluding treasury Shares) as at the Latest Practicable Date. As at the Latest Practicable Date there are no treasury Shares.
- (2) Subsequent to the Announcement Date to the Latest Practicable Date, the Offeror did not make any further announcement in connection with changes in its shareholding in the Company or further purchases of Shares. In addition, both the Offer Document and the Circular did not mention of any party acting in concert with the Offeror who holds Shares.

As at the Announcement Date, the Offeror held approximately 69,221,740 Shares or approximately 57.16% of the total issued Shares. Accordingly, the Offeror already has statutory control over the Company, which places the Offeror in a position to have significant influence, *inter-alia*, the management, operating and financial policies of the Company and ability to pass all ordinary resolution on matters in which the Offeror does not have an interest, at general meetings of Shareholders. Furthermore, acceptance of the Offer by Shareholders will further reduce the free float, number of Shares available for trading and Shareholders. This may further exacerbate the illiquidity, volatility and the bid and ask spreads for the Shares and increase transactional or trading cost (other than commissions where applicable). Subsequent to the Announcement Date to the Latest Practicable Date, the Offeror did not make any further announcement in connection with changes in its shareholding in the Company or further purchases of Shares.

We note from Section 4.5 of Appendix II of the Circular that save for Mr. Fan none of the Directors has any direct or deemed interests in any Company securities as at the Latest Practicable Date.

As set out in the Circular, as at the Latest Practicable Date, Mr. Fan who has an interest in 26,778,260 Shares has confirmed and represented that he has NO intention to accept the Offer in respect of all the Shares held directly or for which he is deemed interested in. We note that Mr. Fan has stated in the Company's Responses dated 26 September 2019 that the Offer Price of S\$0.081 is reasonable especially considering the illiquidity of the Shares and him having received no concrete proposal other than from the Offeror. As such, he has entered into the SPA on a willing buyer, willing seller basis. We note from the Circular that Shareholder, Mr. Fan Chee Seng would like to remain as a Shareholder in the Company and continue in the business of mechanical and electrical engineering through the Company. In addition we note that the Independent Directors, *inter-alia*, Mr. Fan, concur with the recommendation of the IFA in respect of the Offer, and accordingly, recommend that Shareholders should accept the Offer.

Shareholders should note that if the percentage of the Shares (excluding any Shares held in treasury) held in public hands falls below 10%, the Company must, as soon as possible, announce that fact and

the SGX-ST may suspend trading of all the Shares on the SGX-ST. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be delisted.

Rule 1104 of the Catalist Rules states that, upon the announcement by the Offeror that valid acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and the parties acting in concert with it to above 90% of the total number of issued Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares until it is satisfied at least 10% of the total numbers of issued Shares (excluding treasury shares) are held by at least 200 Shareholders who are members of the public. We note from the Group's AR2018 that as at 22 March 2019, and also as at the Latest Practicable Date, the total number of Shareholders is only 117, of which the top 20 Shareholders constitute approximately 98.1% of the total number of Shares. We further note that, as at the Latest Practicable Date, the top seven (7) of the top twenty (20) Shareholders, in aggregate holds 91.4% of the total issued Share capital of the Company.

In addition, Rule 1303(1) of the Catalist Rules states that when the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares), thus causing the percentage of the total number of issued Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer. We note from the Offer Document that it is the current intention of the Offeror to maintain the listing status of the Company on the SGX-ST following completion of the Offer.

The Offeror has also highlighted that it **does not intend** to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act to acquire those Offer shares not acquired by the Offeror pursuant to the Offer, or to delist the Company from the SGX-ST pursuant to the Catalist Rules. In the event that the percentage of Shares (excluding any Shares held in treasury) held in public hands falls below 10% and the SGX-ST suspends trading of the Shares, the Offeror intends to undertake any action as may be necessary for any such trading suspension by the SGX-ST to be lifted.

Furthermore given that Mr. Fan, who has an interest in 26,778,260 Shares or approximately 22.11% of the issued Shares, has represented that he has NO intention to accept the Offer in respect of all the Shares held directly or for which he is deemed interested in approximately 22.11% of the issued Shares will not tender for acceptance pursuant to Mr. Fan statement of intention. Even if all the public Shareholders were to accept the Offer, the Offeror would hold approximately 77.89% of the issued Shares, which is way below the 90% level for dissenting shareholder to be entitled to exercise their rights pursuant to Section 215(3) of the Companies Act. Thus the Shareholders may not be able to rely on the compulsory acquisition rights accorded for their "protection" pursuant to Section 215(3) of the Act.

However, there is a requirement pursuant to Rule 723 for the Company to ensure that at least 10% of the total number of issued Shares (excluding treasury Shares) is at all times held by the public. In addition, under Rule 406(1) of the Catalist Rules for admission to Catalist, there is a need for a shareholding spread of a minimum of 200 shareholders who are members of the public. As mentioned above, as at 22 March 2019 and as at the Latest Practicable Date, the total number of Shareholders is only 117.

In the event that all the Shareholders (save for Mr. Fan) were to accept the Offer, then technically there would only be two (2) Shareholders, including the Offeror. Under this scenario, the Company may be subject to suspension, till, *inter-alia*, the shareholding spread of 10% is achieved.

Thus, the Company may be required to meet both the 10% public float requirements and the number of public shareholders to remain listed after the close of the Offer. We note that it is the current intention of the Offeror to maintain the listing status of the Company on the SGX-ST following completion of the Offer.

We further note that the Offeror, if and when entitled, does not intend to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act to acquire those Offer Shares not acquired by the Offeror pursuant to the Offer, or to delist the Company from the SGX-ST pursuant to

the Catalist Rules. In the event that the trading of the Shares on the SGX-ST is suspended pursuant to Rule 724 or Rule 1104 of the Catalist Rules, the Offeror intends to undertake and/or support any action as may be necessary for any such trading suspension by the SGX-ST to be lifted.

8.2 Dividend track record

For the purposes of assessing the Offer, we have considered the dividend track record of the Company against the Selected Comparable Companies and those from selected alternative investments.

Historical dividends paid by the Company

We note that the Company has not declared and paid any dividends in the past two (2) financial years, being FY2017 and FY2018. Based on confirmations from Directors, we understand that the Company does not have a fixed dividend policy and the form, frequency, and/or dividend pay out will depend, *inter-alia*, on the Company's financial performance and position, project capital expenditure, future investment plans and any other factors that the Directors consider relevant.

We note from page 46 of the IPO Prospectus that the Company has stated that *"Our ability to declare dividends to our Shareholders in the future will be contingent on our future financial performance and distributable reserves of our Company. This is in turn dependent on our ability to implement our future plans, and on regulatory, competitive, technical and other factors such as general economic conditions, demand for and selling prices of our products and services and other factors exclusive to the M&E industry. Any of these factors could have a material adverse effect on our business, financial position and results of operations, and hence there is no assurance that we will be able to pay dividends to our Shareholders after the completion of the Placement. As at the Latest Practicable Date, our existing banking facilities do not contain covenants which restrict the declaration and payment of dividends. However, there is no assurance that our future loan arrangements with any financial institutions will not limit when and how much dividends we can declare and pay out"*.

Investments in selected alternative investments

In evaluating the Offer, we have made comparison of dividend yields that may arise from investments in the Selected Comparable Companies and selected alternative equity investments and/or a broad market index instrument such as the STI Exchange Traded Fund ("**STI ETF**").

As certain of the Selected Comparable Companies had paid dividends in their respective last financial year, the median and simple average for the net dividend yield for the Selected Comparable Companies would necessarily be higher and more favourable than the Company.

For illustrative purposes only, the dividend yield for the selected alternative equity investments based on their ordinary cash dividends as declared for each of their most recent financial year are as follows:

STI ETF	30-Jun-19	3.8%
The Company	31-Dec-18	0.0%

Notes:

- (1) *Net dividend yield for each selected alternative equity investment is based on the net dividend per share divided by the closing market price for each share on the Latest Practicable Date (or where there was no trading on such date, the last available closing market price prior thereto). The aforementioned net dividend yield computed may differ from the actual dividend yield which will vary depending on the actual cost of investment paid by the individual investor.*

We note that the Company's dividend profile is worst off as compared to the Selected Comparable Companies in general (save for those which did not pay dividends). As the Company did not pay any dividend in respect of its most recent financial year, hence as compared to the STI ETF, the dividend yield for Company is less favourable. The above analysis is on the assumption that the Company, Selected Comparable Companies and STI ETF maintain their respective net dividend per share at the same level as that in their last financial year.

We wish to highlight that the above dividend analysis serves only as an illustrative guide and is not an indication of the future dividend policy for the Company or the Selected Comparable Companies or the STI ETF. Furthermore, an investment in the equities of the Selected Comparable Companies or the STI ETF also presents different risk-return profiles as compared to an investment in the Shares. Moreover, there is no assurance that the Company or any of the above selected alternative equity investments will continue to pay or not to pay any dividends in the future and/or maintain the level of dividends paid in past periods.

8.3 Comparison with IPO undertaken by the Company

The Company was listed on the Catalist on 25 July 2018. Since its listing, the Company has not engaged in any fund-raising activities. We note the following.

- (a) The Company had on 17 July 2018 entered into an IPO placement agreement (“**2018 IPO Placement**”) pursuant to which the Company had agreed to allot and issue 18,500,000 IPO, placement shares (“**Placement Shares**”) at an issue price of S\$0.23 for each Placement Share (“**IPO Placement Price**”), amounting to an aggregate gross consideration of approximately S\$4.3 million, pursuant to the terms and conditions of the 2018 IPO Placement. The Placement Price (as described on page 33 of the IPO Prospectus) represents a (i) premium of approximately 582.5% to the adjusted NTA per Share as at 31 December 2017 before adjusting for the estimated net proceeds from the IPO placement and based on Company’s pre placement Share capital of 102,608,700 Shares (“**Pre-IPO NTA per Share**”) of S\$0.0337; and (ii) a premium of approximately 274.0% to the adjusted NTA per share as at 31 December 2017 after adjusting for the estimated net proceeds from the IPO placement and based on Company’s post placement Share capital of 121,108,700 shares (“**Post-IPO NTA per Share**”) of S\$0.0615. Prior to the IPO placement, Mr. Fan and Mr. Wong held 51,000,000 and 45,000,000 Shares in the Company at an average effective cost per Share of S\$0.0284 and S\$0.0395 respectively.
- (b) On 20 September 2019 as part of the SPA, Mr. Fan and Mr. Wong sold an aggregate of 69,221,740 Shares to the Offeror for a consideration of S\$5,601,353.98; this translates to approximately S\$0.0809 for each Sale Share. Whilst the Offer Price is slightly higher than the Sale Share price, it is almost similar. The Sale Share price of approximately S\$0.0809 represents a premium of approximately 184.9% and 104.9% over the average effective cost of Mr. Fan and Mr. Wong respectively. The Offer Price of S\$0.081 per Share represents (i) a premium of approximately 31.7% to the Post-IPO NTA of S\$0.0615 per Share; and (ii) a premium of approximately 2,245.6% to the unaudited NTA per Share as at 30 June 2019.
- (c) As shown in the Company’s IPO Prospectus, the PER for the Company are 8.3 times (based on the Group’s unaudited proforma consolidated statement of comprehensive income for FY2017 and the post placement Share capital of 121,108,700 Shares) and 10.3 times (based on the Group’s unaudited proforma consolidated statement of comprehensive income for FY2017, the post placement share capital of 121,108,700 Shares and assuming that the service agreements as described in the IPO Prospectus have been in place since 1 January 2017). As the Company suffered LTM net losses attributable to owners of the Company of approximately S\$8.9 million as at 30 June 2019, LTM PER as at 30 June is not meaningful.

We tabulate below the comparison between the 2018 IPO Placement, and the Offer.

Transactions	Date of announcement	Placement Price/Offer Price (S\$)	Premium/ (Discount) over/from last transacted price prior to announcement (%)	P/NTA (times)	P/Revenue (times)
2018 IPO Placement	25-July-18	0.23	-	6.8 ⁽¹⁾	1.3 ⁽³⁾
				3.7 ⁽²⁾	
Offer	20-Sep-19	0.081	(56.2)% ⁽⁴⁾	23.5 ⁽⁵⁾	1.0 ⁽⁶⁾

Notes:

- (1) P/NTA is computed based on, *inter-alia*, the Group's adjusted NTA of S\$0.0337 and pre-placement Share capital of 102,608,700 Shares as shown in the Company's IPO Prospectus.
- (2) P/NTA is computed based on, *inter-alia*, the Group's adjusted NTA of S\$0.0615 and post-placement share capital of 121,108,700 Shares as shown in the Company's IPO Prospectus.
- (3) P/Revenue is computed based on, *inter-alia*, the Group's IPO Placement Price of S\$0.23 and post placement Share capital of 121,108,700 Shares as shown in the Company's IPO Prospectus. Revenue is based on the unaudited proforma financial performance for FY2017 from the IPO Prospectus.
- (4) As disclosed in the Offer Document announcement dated 11 October 2019, the Offer Price represents a discount of approximately 56.2% from the last transacted price of S\$0.185 per Share on 5 September 2019.
- (5) The Group recorded net tangible equity attributable to owners of the Company of approximately S\$418 thousand and S\$0.0035 per Share as at 30 June 2019.
- (6) P/Revenue is computed based on the Offer price of S\$0.081 per Share and LTM Revenue for 30 June 2019 of approximately S\$9.5 million.

For illustrative purposes only, we note the following:-

- (i) In nominal terms, the Offer Price is substantially lower than the IPO Placement Price of S\$0.23 per Share.
- (ii) The valuation of the Group for the 2018 IPO Placement in terms of P/NTA (as implied by the IPO Placement Price) of approximately 6.8 and 3.7 times pre and post IPO respectively are lower and less favourable as compared to the valuation of the Group for the Offer in terms of P/NTA (as implied by the Offer Price and NTA per Share as at 30 June 2019) of approximately 23.5 times. We note that this is attributable to the low NTA as at 30 June 2019 due to the, *inter-alia*, losses in 1HY2019 of approximately S\$5.7 million arising from trade and other receivables written off of about S\$1.1 million, provision of doubtful debts of about S\$3.1 million (as a result of the termination of the Group's contract in Maldives), administrative expenses of about S\$0.8 million, gross loss of about S\$0.2 million and foreseeable loss of about S\$0.25 million for various work that the Group had performed under the variation orders of one of the project whereby the corresponding revenue had been recognised in FY2018. The Group's would still record losses of approximately S\$4.3 million for the LTM 30 June 2019 if the total value written down from trade and other receivables (of about S\$1.1 million) and provision of doubtful debts of about S\$3.1 million (as a result of the termination of the Group's contract in Maldives) of approximately S\$4.2 million and foreseeable loss on project of approximately S\$0.25 million are added back. Please refer to Section 7.1 of this Letter for further details. As an illustration, in the event that the losses arising from writing off of trade and other receivables, provision for doubtful debts and foreseeable loss on contracts are added back to the NTA as at 30 June 2019, the Offer Price represents a premium of approximately 98.7% over the NTA per Share.
- (iii) The valuation of the Group for the 2018 IPO Placement in terms of P/Revenue (as implied by the IPO Placement Price) of approximately 1.3 times is higher and more favourable as compared to the valuation of the Group for the Offer in terms of P/Revenue (as implied by the Offer Price and LTM Revenue as at 30 June 2019) of approximately 1.0 times. We note that this is attributable to, *inter-alia*, a decline in the Group's revenue from approximately S\$9.5 million for 1HY2018 to approximately S\$0.7 million for 1HY2019 due to (i) an absence of

revenue by both the turnkey contracting services and management services segment as a result of the termination of the Maldives Project on 5 February 2019, and (ii) a decrease in contribution from M&E segment of approximately S\$2.7million. Please refer to Section 7.1 for further explanation.

- (iv) EBITDA for the LTM ended 30 June 2019 was approximately negative S\$8.9 million as compared to the positive EBITDA for the FY2017 based on the unaudited pro-forma consolidated financial information for the Group. Hence, a comparison of EV/EBITDA for the 2018 IPO placement against the Offer is not meaningful. We note that the EBITDA for LTM ended 30 June 2019 was negative due to a loss of approximately S\$8.9 million attributable to owners of the Company for the LTM ended 30 June 2019. It would still be negative even if the sum of approximately S\$4.5 million from the value written from trade and other receivables, provision of doubtful debts and foreseeable loss on project are added back. Likewise comparisons on a PER basis is meaningless in view of the loss attributable to owners of the Company for the LTM ended 30 June 2019.

The Offer was announced on 20 September 2019 about 13-14 months after the Shares were listed on Catalist on 25 July 2019. This was shortly (about 1-2 months) after the expiry of the lock up arrangements for both Mr. Fan and Mr. Wong, which ended 12 months from the Company's date of admission to Catalist. We note that both Mr. Fan and Mr. Wong were promoters of the Company and prior to the SPAs, did not sell any Shares subsequent to the lock up period. Collectively they held directly 96,000,000 Shares or approximately 79.3% of the Share capital from the period commencing the date of admission to Catalist till the sale of the Sale Shares. Whilst Mr. Wong sold all his direct interests in the Shares, we note that Mr. Fan holds as at the Latest Practicable Date, 26,778,260 Shares and sold only approximately 47.5% of his original holdings.

We note that both Mr. Fan and Mr. Wong disposed of their Sale Shares at prices above their average effective cash cost as disclosed in the IPO Prospectus of approximately S\$0.0284 and S\$0.0395 respectively, and the price for which the Sale Shares were sold of approximately S\$0.0809 is above the Post-IPO NTA per Share of S\$0.0615 (or Mr. Fan and Mr. Wong "cost" from a NTA perspective). However, the Offer Price (similar and slightly higher than the Sale Share price) is significantly lower than the Placement Price.

In summary, after taking into account the number of Shares issued and sold for the IPO and Acquisition of the Sale Shares respectively, the relative valuations of the Group as implied by the ratio of the Offer Price to the NTA per Share as at 30 June 2019, appears to be relatively more favourable as compared to the valuation of the Group as implied by the ratio of the Placement Price to then prevailing Pre and Post-IPO NTA per Share, after taking into account the fact that the sale of the Sale Shares transferred approximately 57.16% of the total issued Share capital and as described in this Letter, thereby placing the Offeror in a position to, *inter-alia*, influence and control the Company. This is despite the fact that the 2018 IPO Placement provided the Company with cash for usage of the purposes as described in the IPO Prospectus or as announced.

We note based on announcements that such proceeds did not result in an improvement in, *inter-alia*, the earnings, NTA and market capitalisation for the Group post IPO, and that Mr. Wong sold all his interests in his Shares whilst Mr. Fan sold close to half of his interests in his Shares shortly only after the lock up period. Furthermore, we note Mr. Fan's statement as announced on his reasons for the sale of some of his Shares which was announced on 26 September 2019, being that the Offer Price of S\$0.081 is reasonable especially considering the illiquidity of this stock and him having received no concrete proposal other than from the Offeror. As such he has entered into the SPA on a willing buyer, willing seller basis. The Offer Price of S\$0.081 for each Offer Share is lower than the IPO Placement Price of S\$0.23 per Placement Share. Shareholders who have bought their Shares as at the IPO would have suffered a loss of S\$0.149 per Share.

The above comparison is limited and has to be assessed in the context of the fact that the economic or company specific or general market conditions for Shares or the prices for which Shares were traded at the time then prevailing may have been different from the Offer and the Group's financial performance and position for 1HY2019, which had in general deteriorated significantly since its IPO. Hence, the comparison between the Offer with the 2018 IPO Placement above is necessarily limited and meant for illustrative purpose.

8.4 The Offer is unconditional

We note from the Offer Document that the Offer is unconditional in all respects.

8.5 No revision of the Offer Price

We note from Section 2.2 of the Offer Document that the Offer Price is final and the Offeror will not revise the Offer Price save for the right to do so in a competitive situation. It is also noted from Section 2.4 of the Offer Document that in the event that any dividends, rights and other distributions declared, paid or made by the Company in respect of Shares ("**Distribution**"), the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution as follows, depending on when the date on which the Offer Shares tendered in acceptance by Shareholders pursuant to the Offer are transferred to the Offeror (the "**Offer Settlement Date**") falls: (a) if the Offer Settlement Date falls on or before the date on which Shareholders must be registered with the Company or with CDP, as the case may be, in order to participate in such Distributions (the "**Distribution Record Date**"), the Offeror will pay the relevant accepting Shareholders the unadjusted Offer Price of S\$0.081 in cash for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; and (b) if the Offer Settlement Date falls after the Distribution Record Date, the Offer Price payable for such Offer Shares tendered in acceptance shall be reduced by an amount which is equal to the Distribution in respect of such Offer Shares, as the Offeror will not receive such Distribution from the Company.

8.6 Rationale for the Offer and the Offeror's intention for the Company

Background of the Acquisition

We note from the Company's Responses dated 26 September 2019 that sometime in early September 2019, after the results were announced on 14 August 2019, Mr. Fan was approached by the Offeror. The Offeror has expressed interest to purchase shares from Mr. Fan. However, Mr. Fan did not agree to sell at that time. It was not until 20 September 2019 that both sides agreed on the price of S\$0.081.

The Directors confirmed that the results as announced on 14 August 2019 for the 6 months period ended 30 June 2019, *inter-alia*, losses attributable to owners of the Company for 1HY2019 of approximately S\$5.7 million (arising from trade and other receivables written off of about S\$1.1 million, provision of doubtful debts of about S\$3.1 million (as a result of the termination of the Group's contract in Maldives), administrative expenses of about S\$0.8 million, gross loss of about S\$0.2 million and foreseeable loss of about S\$0.25 million for various work that the Group had performed under the variation orders of one of the project whereby the corresponding revenue had been recognised in FY2018), were not made in contemplation of the Acquisition or the Offer.

The Company's Responses dated 26 September 2019 also stated that during the time when the Offeror approached Mr. Fan, it happened that both Mr. Fan and Mr. Wong have not been on good terms for some time. This was more apparent from the 2018 AGM where Mr. Wong was not re-elected. Mr. Wong also stood down as the CEO immediately after the 2018 AGM.

As for Mr. Wong, the Directors have confirmed that save for the recent correspondence pertaining to Mr. Wong's rationale in entering into the SPA, none of the Directors (including Mr. Fan) has spoken to or corresponded with Mr. Wong on the circumstances, when and how the Offeror approached Mr. Wong.

As set out in Section 1.1 of the Offer Document, on 20 September 2019, CICF announced, for and on behalf of the Offeror, that the Offeror had on 20 September 2019 entered into sale and purchase agreements with Mr. Wong and Mr. Fan pursuant to which, Offeror will purchase 45,000,000 and 24,221,740 Sale Shares in the capital of the Company from Mr. Wong and Mr. Fan respectively. The aggregate Consideration for the total of 69,221,740 Sales Shares is S\$5,601,353.98, being approximately S\$0.0809 for each Sale Share, and the total Sales Shares represent approximately 57.16% of the total number of 121,108,700 issued Shares (excluding treasury Shares) in the share capital of the Company. We note that Mr. Wong sold all his direct interests in the Shares, whilst Mr.

Fan sold approximately 47.5% of his original holdings since IPO, thus as at the Latest Practicable Date, Mr. Fan holds only 26,778,260 Shares or approximately 22.11% of the total number of issued Shares in the capital of the Company.

The Directors confirmed that there are no minimum shareholding restrictions or covenants under any of the Group's financing arrangements, save for the fact that the existing banking facilities of the Group were secured by land and personal guarantee provided by Mr. Fan.

Prior to the Acquisition, the Offeror did not own or control any Shares. In the Company's Responses dated 26 September 2019, the Company has confirmed that there are no relationships, business or otherwise between the Offeror, the Group, Directors, key management and/or their associates.

As a result of the Acquisition, the Offeror owns or controls an aggregate of 69,221,740 Shares, representing approximately 57.16% of the total number of issued Shares. As a consequence of the Acquisition, the Offeror is required to make the Offer for all the Offer Shares, in accordance with Section 139 of the SFA and Rule 14 of the Code.

Rationale for Mr. Wong and Mr. Fan entering into the SPAs for the Acquisition

We note that the Singapore Exchange Regulation ("**SGX RegCo**") in its notice of compliance dated 26 September 2019 has noted that Mr. Fan is the founder of the Group, and currently is the sole Executive Director of the Company; whilst Mr. Wong was formerly the Executive Director cum CEO of the Company. The SGX RegCo is of the view that the rationale for Mr. Wong and Mr. Fan entering into the SPAs to sell their Shares at the Sale Price to the Offeror constitutes important information for Shareholders in deciding whether to accept the Offer.

It is noted from the Company's Responses dated 26 September 2019 that Mr. Fan feels that the Offer Price is reasonable especially considering the illiquidity of the Shares and the following factors:-

- (i) Based on the Company's results announcement on 14 August 2019, its NAV/Share as at 31 December 2018 (5 months after listing) was S\$0.0515. However, its NAV/Share has dropped significantly (>90%) to S\$0.0045 as at 30 June 2019.
- (ii) On the Income Statement side, the Group registered a loss of approximately S\$5.7 million for 1HY2019 versus a profit of approximately S\$1.8 million for the corresponding result ended 30 June 2018.

Mr. Fan further stated that both the balance sheet and income statement have deteriorated significantly since IPO. Based on the above factors, Mr. Fan feels that the Offer Price of S\$0.081 is reasonable considering the illiquidity of the stock.

As such, Mr. Fan has entered into the SPA on a willing buyer, willing seller basis. In addition in the Company's response dated 26 September 2019, Mr. Fan has stated that the MGO gives minorities an opportunity for those who want to exit in view of the recent poor financial results and illiquidity of the Shares.

As for Mr. Wong, the Directors have confirmed and represented to us that based on the information provided by Mr. Wong, after he was ousted as CEO and Executive Director of the Company at the 2018 AGM, he was disappointed and fell out with Mr. Fan. As such, there is no longer an interest for him to hold on to the Shares.

Independent Directors should note, *inter alia*, the analysis in Section 7 of this Letter that the low NAV per Share or RNAV per Share or the significant premiums of the Offer Price over the NAV per Share or RNAV per Share is attributable to the Group's low RNTA caused by, *inter alia*, losses attributable to owners of the Company in 1HY2019 of approximately S\$5.7 million, arising from trade and other receivables written off of about S\$1.1 million, provision of doubtful debts of about S\$3.1 million (as a result of the termination of the Group's contract in Maldives), administrative expenses of about S\$0.8 million, gross loss of about S\$0.2 million and foreseeable loss of about S\$0.25 million for various work that the Group had performed under the variation orders of one of the project whereby the corresponding revenue had been recognised in FY2018. Please refer to Section 7.1 of this Letter for

further details.

The Directors confirmed that the trade and other receivables write-off of about S\$1.1 million, provision of doubtful debts of about S\$3.1 million, and foreseeable loss of about S\$0.25 million for various work that the Group had performed under the variation orders of one of the project whereby the corresponding revenue had been recognised in FY2018, were not made in contemplation of the Acquisition or the Offer.

As an illustration, in the event that the losses arising from writing off of trade and other receivables, provision for doubtful debts and foreseeable loss on contracts of an aggregate of approximately S\$4.5 million is added back to the NAV and/or NTA as at 30 June 2019, the Offer Price represents a premium of approximately 98.7% and 94.3% over the NTA per Share and RNTA per Share respectively.

Rationale for the Offer

We note from Section 5 of the Offer Document that as a result of the Acquisition, the Offeror owned, controlled or agreed to acquire not less than 30% of the total number of Shares as at the Announcement Date. Accordingly, the Offer is being made by the Offeror in compliance with the requirements of the Code.

The Offeror's intention for the Company

As set out in Section 5 of the Offer Document, the Offeror believes, as at the date of the Offer Document, that the Acquisition represents a reasonably attractive mid to long term investment opportunity for the Offeror. Following the close of the Offer, the Offeror intends to undertake a comprehensive review of the businesses of the Group and such review will help the Offeror to determine the optimal business strategy for the Company. The Offeror presently has no intention to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Group, or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror regards to be in the interests of the Offeror and/or the Company.

It is also noted from Section 3 of the Offer Document that the Offeror was incorporated in Singapore on 11 November 2018, and engaged in the business of management and business consultancy services. This is completely different from the Group's existing business.

In particular we note from the notice of compliance issued by the SGX RegCo on 26 September 2019 that the Directors are required to engage the Offeror to set out their business plans and future directions for the Group, and to disclose this in the Circular in view of the Offeror's intention to maintain the listing status of the Company following the completion of the Offer. The Directors confirmed that after having engaged the Offeror, save as disclosed in the Offer Document and the Circular, they are not aware of the Offeror's future plans and directions for the Group that are not disclosed or announced. We note, from Section 10.6 of Appendix II of the Circular, that the directors of the Offeror as stated have not listed any prior experience in M&E.

8.7 Alternative takeover offer

As stated in the Company's Responses dated 26 September 2019, the Company has represented that according to Mr. Fan, a few parties have spoken to him but none has given him any concrete proposal. In addition, Mr. Fan feels that this Offer gives minorities an opportunity for those who want to exit in view of the recent poor financial results and illiquidity of the stock. As for Mr. Wong, the Directors have confirmed that save for the recent correspondence pertaining to Mr. Wong's rationale in entering into the SPA, none of the Directors (including Mr. Fan) has spoken to or corresponded with Mr. Wong on whether Mr. Wong has received any other offers.

The Directors confirmed that apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.

As at the Announcement Date, the Offeror holds approximately 57.16% of the total number of issued Shares and subsequent to the Announcement Date to the Latest Practicable Date, the Offeror did not make any further announcement in connection with changes in its shareholding in the Company or further purchases of Shares. Under such circumstances, any competing offer for Shares is unlikely to be forthcoming without the support of the Offeror in view of its majority control as represented by the percentage of the total number of Shares that the Offeror holds as at the Latest Practicable Date. Thus, the possibility of an alternative offer from parties other than the Offeror will be significantly reduced.

8.8 Control of the Company

As at the Latest Practicable Date, the Offeror has statutory control of the Company, which places the Offeror in a position to significantly influence, *inter-alia*, the management, operating and financial policies of the Company and ability to pass all ordinary on matters in which the Offeror do not have an interest, at general meetings of Shareholders.

8.9 Material Litigation and Material Contracts

Material Litigation

As disclosed in Section 7 of Appendix II of the Circular, as at the Latest Practicable Date, save as disclosed in publicly available information on the Group, the Directors are not aware of any material litigation, claims or proceedings pending or threatened against, or made by, the Company or any of its subsidiaries or any facts likely to give rise to any such material litigation, claims or proceedings, which might materially and adversely affect the financial position of the Group, taken as a whole.

Material Contracts

As disclosed in Section 6 of Appendix II of the Circular, as at the Latest Practicable Date, save as disclosed in publicly available information on the Group (including but not limited to the Loan Agreement with Mr. Fan as announced on 2 October 2019), neither the Company nor any of its subsidiaries has entered into material contracts with persons who are Interested Persons (other than those entered into in the ordinary course of business) during the period beginning three (3) years before the Offer Announcement Date.

8.10 Changes to the Board of Directors and Key Executives

We note from the announcements made by the Company that there were numerous changes to the Board of Directors and the key executives of the Company notwithstanding the fact that the Company is newly listed on 25 July 2018. We have tabulated the changes to the Board and key executives below.

Names	Position	Tenure since IPO or date of appointment whichever is later	Reasons for cessation (where applicable)
Directors			
Fan Chee Seng ⁽¹⁾	Executive Chairman	Present	N.A.
Wong Ming Kwong ⁽²⁾	Chief Executive Officer & Executive Director	9 – 10 months	Not re-elected at AGM 2019.
Choong Chow Siong ⁽³⁾	Lead Independent Director	5 – 6 months	Health reasons.
Yong Siak Hoong ⁽⁴⁾	Independent Director	9 – 10 months	Not re-elected at AGM 2019.
Yip Shee Yin ⁽⁴⁾	Independent Director	9 – 10 months	Not re-elected at AGM 2019.
Wu Chiaw Ching ⁽⁵⁾	Lead Independent Director	3 – 4 months	Not re-elected at AGM 2019.
Chan Kam Loon ⁽⁶⁾	Lead Independent Director	Present	N.A.
Low Chai Chong ⁽⁶⁾	Independent Director	Present	N.A.
Teo Choon Kow @ William Teo ⁽⁶⁾	Independent Director	Present	N.A.
Key Executives			
Koh Seng Chye ⁽⁷⁾	Chief Operating Officer (“COO”)	9 – 10 months	Intended to resign and provided 6 months notice in accordance with the terms of his employment.
Yeo Gek Eng ⁽⁸⁾	Financial Controller	11 – 12 months	To pursue other career opportunities.
Lam Kok Weng ⁽⁹⁾	Financial Controller	1 – 2 months	To pursue other career opportunities.
Chong Kwang Shih ⁽⁸⁾	Group Chief Financial Officer (“CFO”)	Present	N.A.

Notes:

- (1) Mr. Fan Chee Seng was appointed as Director on 3 May 2018, which is prior to the IPO Date.
- (2) Mr. Wong Ming Kwong was appointed as Director on 13 September 2017, which is prior to the IPO Date, and subsequently ceased as Director on 30 April 2019.
- (3) Dr Choong Chow Siong was appointed as Director on 18 June 2018, which is prior to the IPO Date and subsequently ceased as Director on 7 January 2019.
- (4) Mr. Yong Siak Hoong and Mr. Yip Shee Yin were appointed as Director on 18 June 2018, which is prior to the IPO Date and subsequently ceased as Director on 30 April 2019.
- (5) Mr. Wu Chiaw Ching was appointed as Director on 7 January 2019 and subsequently ceased as Director on 30 April 2019.
- (6) Mr. Chan Kam Loon, Mr. Low Chai Chong and Mr. Teo Choon Kow @ William Teo were appointed as Director on 30 May 2019.
- (7) Mr. Koh Seng Chye was appointed as COO on 1 November 2017 which is prior to the IPO Date, and subsequently resigned on 30 April 2019.
- (8) Ms Yeo Gek Eng was appointed as Financial Controller on 1 October 2017, which is prior to the IPO Date and subsequently ceased as Financial Controller on 3 July 2019.

(9) *Mr. Lam Kok Weng was appointed as Financial Controller on 3 July 2019 and subsequently ceased as Financial Controller on 15 August 2019.*

(10) *Mr. Chong Kwang Shih was appointed as CFO on 30 September 2019.*

Based on the above table and the respective announcements for cessation as Directors and/or key executives as well as the announcement dated 15 May 2019 and 29 August 2019 in connection with the Company's responses to the SGX-ST's queries (collectively, the "**Company's Responses**"), we note the following:-

(i) Save for Dr Choong Chow Siong who ceased as Director for health reasons, the remaining of Directors who have ceased their appointment ("**Former Directors**") were due to non re-election during the annual general meeting of the Company ("**AGM**") on 30 April 2019 ("**2018 AGM**"). Save for Mr. Wu Chiaw Ching, these Former Directors (being Mr. Wong, Mr. Yong Siak Hoong and Mr. Yip Shee Yin) were appointed as Director prior to the IPO Date. We note from the Company's Responses dated 15 May 2019 that the Shareholders present at the 2018 AGM did not raise any question and the reason for the entire Board (save for Mr. Fan) being voted down at the 2018 AGM was due to the fact that the Group reported a loss of approximately S\$1.24 million for FY2018 versus a profit of approximately S\$3.37 million for FY2017. As stated in the said Company's Responses dated 15 May 2019, some shareholders (including Mr. Fan) were not satisfied with the performance of the Executive Director cum CEO and had accordingly voted against the resolution relating to the re-election of the CEO as the Director of the Company. These Shareholders had also decided to restructure the entire Board in line with the change in management.

The non re-election of the Former Directors occurred prior to the results announcement for the Group for 1HY2019 (on 14 August 2019) wherein we note that the Group recorded loss after tax attributable to owners of the Company of approximately S\$5.7 million for 1HY2019 as compared to profit after tax attributable to owners of the Company of approximately S\$1.8 million for 1HY2018.

(ii) All the Former Directors and the key executives who have resigned ("**Former Executives**") have stated in their respective cessation announcements that (a) there are no unresolved differences in opinion on material matters between the person and the Board including matters which would have a material impact on the Group or its financial reporting; (b) there is no matter in relation to the cessation that needs to be brought to the attention of the Shareholders; and (c) there is no relevant information that needs to be provided to the Shareholders.

(iii) Specifically for the cessation of Mr. Wong, the Company has represented in its responses to the SGX-ST's queries that (a) following the departure of Mr. Wong, Mr. Fan will take over/assume the role and responsibilities of the CEO and Mr. Fan has confirmed that the operations of the Group's business are not expected to be materially affected with the departure of Mr. Wong; (b) Mr. Fan has confirmed that the departure of Mr. Wong as the Executive Director cum CEO is not expected to result in any breach of the banking covenants by the Group as the existing banking facilities of the Group were secured by land and personal guarantee provided by Mr. Fan. The loan covenants did not make reference to Mr. Wong's directorship or management role in the Company or Mr. Wong's shareholdings in the Company.

(iv) Specifically for the cessation of Mr. Lam Kok Weng and Ms Yeo Gek Eng as Financial Controller, the Company has represented in its responses to the SGX-ST's queries that (a) Mr. Lam resigned to pursue other career opportunities; (b) to the best of its knowledge, the Board is not aware of any differences in opinion or concerns/issues raised by Mr. Lam and Ms Yeo on the Group's operations, financial reporting or any other matters; (c) Based on information and representations received from Mr. Fan and Ms Yeo, there are no information that should be brought to the attention of Shareholders.

(v) It is also stated in the Company's Responses dated 16 August 2019 that for departures before 30 May 2019, to the best of his knowledge, Mr. Fan, as sole remaining director of the board of directors of the Company as at the date of those departures and the date of the said

Company's Response, confirms that there are no material concerns in the Group which led to such departures. The then new Independent Directors having only been appointed on 30 May 2019 were unable to comment.

For departures after 30 May 2019, to the best its knowledge, the Board confirms that there are no material concerns in the Group which led to such departures. Based on the information and representations received from Mr. Fan and Ms Yeo, there are no information that should be brought to the attention of shareholders.

- (vi) Save as announced by the Company, departures before 30 May 2019, Mr. Fan, as sole remaining director of the board of directors of the Company as at the date of those departures and the date of the said Company's Responses, is satisfied that there are no other reasons for such departures. The then new Independent Directors having only been appointed on 30 May 2019 were unable to comment.

For departures after 30 May 2019, to the best of its knowledge, the Board is satisfied that there are no other reasons for such departures. Based on information and representations received from Mr. Fan and Ms Yeo, there are no information that should be brought to the attention of shareholders. In relation to the departures from the Board, these Former Directors were voted out by Mr. Fan at the 2018 AGM. In relation to the departures of the executive officers there were no interactions with the then new Independent Directors save as stated in the Company's Responses.

- (vii) The sponsor for the Company having reviewed the announcements for the various cessations was satisfied that, other than disclosed in the respective cessation announcements, there are no other material reasons for the cessation of any of the Former Directors and/or Former Executives.

Whilst we note that the cessations of the Former Directors (save for Dr Choong Chow Siong) were due to non re-election during the 2018 AGM, it is generally accepted that frequent changes to the Board of Directors and key executives maybe, *inter-alia*, an indication of either financial distress or shareholders' disagreements over how the Company should be managed or shareholders' dissatisfaction with results achieved. It also indicates or is a signal of uncertainties with respect to the Group's directions with respect to its businesses and operations, financial performance and position or prospects, or weakness in controls.

Following the Group's reported loss of approximately S\$1.24 million for FY2018, some Shareholders (including Mr. Fan) were not satisfied and accordingly voted down the resolutions pertaining to the re-election of the Former Directors tabled during the 2018 AGM. Subsequently, the Group reported loss after tax attributable to owners of the Company of approximately S\$5.7 million for 1HY2019 and this was followed by the Acquisition of the Shares held by Mr. Wong and Mr. Fan by the Offeror.

8.11 Listing Status and Compulsory Acquisition

We note from Section 6 of the Offer Document that pursuant to Rule 1104 of the Catalist Rules, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and parties acting in concert to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until it is satisfied that at least 10% of the total number of Shares (excluding any Shares held in treasury) are held by at least 200 Shareholders who are members of the public. Rule 1303(3) of the Catalist Rules provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

In addition, under Rule 723 of the Catalist Rules, if the percentage of the total number of Shares (excluding any Shares held in treasury) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares (excluding any Shares held in treasury) in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

We note that in the event all the public Shareholders were to accept the Offer and given Mr. Fan's intention not to accept the Offer, the Offeror will not hold above 90% of issued Share capital, but as the percentage of the Company's total number of issued Shares excluding treasury Shares held in public hands will have fallen below 10%, and in accordance with Rule 723 of the Catalist Rules, SGX-ST may suspend the Shares pursuant to Rule 1303 of the Catalist Rules. In addition in this case, the number of shareholders will fall below the minimum number of 200 required.

It is the current intention of the Offeror to maintain the listing status of the Company on the SGX-ST following completion of the Offer. In the event that the percentage of Shares (excluding any Shares held in treasury) held in public hands falls below 10% and the SGX-ST suspends trading of the Shares, the Offeror will undertake and/or support any action may be necessary for any such trading suspension by the SGX-ST to be lifted.

Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total number of issued Shares as at the close of the Offer (excluding treasury shares and those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer at a price equal to the Offer Price. In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares as at the close of the Offer, the Dissenting Shareholders who have not accepted the Offer have a right to require the Offeror to acquire their Shares at the Offer Price. Dissenting Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

As stated above, the Offeror intends to maintain the listing status of the Company, and does not intend to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act to acquire those Offer Shares not acquired by the Offeror pursuant to the Offer, or to delist the Company from the SGX-ST pursuant to the Catalist Rules.

9. OPINION

In arriving at our opinion in respect of the Offer, we have taken into account, *inter-alia*, the following factors which we consider to have a significant bearing on our assessment as summarised below and as elaborated elsewhere in this Letter. Save for the Independent Valuation Report in connection with the market value of the Appraised Property, we have not been furnished with the valuation for the remaining PPE or assets and have relied on the Directors' confirmation that as at the Latest Practicable Date, on an aggregate basis, there are no material differences between the estimated market value of the remaining PPE or assets for which no valuation was obtained and their respective book values as at 30 June 2019. In addition, we have relied on the Directors' confirmation that despite the fact that financial statements for 1HY2019 is not audited, the provision for doubtful debts, trade and other receivables written off, and foreseeable loss recorded for 1HY2019 are based on, *inter-alia*, Management's estimates, the said provision for doubtful debts, trade and other receivables written off, and foreseeable loss have been made after deliberation, due and careful enquiry and assessment of the matters and in accordance with the relevant accounting standards and the Group's accounting policy. Our views, recommendation and opinion are thus necessarily limited and subject to these matters.

This is purely a summary of the factors that have been highlighted in this Letter and Shareholders are advised to read the following in conjunction with, and in the context of, the full text of this Letter (including the limitations and the fact that the unaudited NTA for the Group as at the end of 1HY2019 is substantially lower as compared to the audited NTA for the Group as at the end of FY2018).

- (a) The rationale for the Offer, intention of the Offeror for the Company as well as the listing status and compulsory acquisition as set out in Section 5 and 6 of the Offer Document.
- (b) The historical financial performance and position of the Group as set out in Section 7.1 of this Letter including, *inter-alia*, the "sudden" and material adverse changes of, *inter-alia*, the Group's financial performance and position. For the period prior to the IPO Date, the Group was profitable with net profit attributable to owners of the Company of approximately S\$3.4 million and S\$1.8 million for FY2017 and 1HY2018 respectively. However, subsequent to the IPO Date, the Group was in loss making position with net loss attributable to owners of the Company of approximately S\$3.1 million, S\$1.3 million and S\$5.7 million for Estimated 2HY2018, FY2018 and 1HY2019 respectively. The losses for Estimated 2HY2018 were attributable to "one-time" listing expenses and impairment loss on trade receivables, whilst the losses for 1HY2019 was due to provision for doubtful debts, trade and other receivables written off, and foreseeable loss. After adjustments of these "one-time" expenses, the Group would still record pre-tax loss of approximately S\$1.4 million and S\$1.1 million for Estimated 2HY2018 and 1HY2019 respectively. Moreover, we note that approximately 78.8% of the total value of the contracts for the Group of approximately S\$13,798,810, as at 11 June 2018 (being the latest practicable date for the Prospectus) had been terminated. The terminated contracts for the Group comprise Phase 3B of the Maldives Project. We note that whilst the termination of the Maldives Project occurred prior to the issuance of the Group's AR2018, it was not mentioned in the Group's AR2018 and was disclosed in the Group's 1HY2019 which was announced on 14 August 2019.

The Group's financial position has deteriorated after the IPO with net current liabilities of approximately S\$1.0 million and high gearing ratio of 2.8 times as at 30 June 2019. The Group also reported net cash outflow from its operating activities for FY2018 and 1HY2019 of approximately S\$3.5 million and S\$0.7 million respectively. This should be assessed in conjunction with, *inter-alia*, the Group's administrative expenses of approximately S\$4.0 million for FY2018, and an aggregate amount of approximately S\$4.2 million of provision for doubtful debts and trade and other receivables written off for 1HY2019 respectively.

The Directors confirmed that: (i) as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Group's audited financial statements for FY2018, the Group's unaudited financial statements for 1HY2019, and the Company's announcements on the SGX-Net, there has been no material changes to the assets and liabilities, financial position, condition and performance; (ii) save as disclosed above, the Directors have confirmed that there has been no other new contract or project secured by the Group as at the Latest

Practicable Date; and (iii) as at the Latest Practicable Date, the Group has ceased bidding for new project in view of lack of funding and internal resources.

- (c) The historical financial performance and position of the Group *vis a vis* the Selected Comparable Companies. The Group as compared to the Selected Comparable Companies is in a relatively less favourable financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios). The Group's LTM asset turnover appears to be above the range and more favourable than any of the Selected Comparable Companies. As the Group was loss making for the LTM ended 30 June 2019, its LTM ROE and LTM NPM ratios are not meaningful. Overall, the Group's financial performance is generally weak as compared to the Selected Comparable Companies (save for Progen).
- (d) The Offer Price (as set out in Section 7 of this Letter) after taking into account, *inter-alia*, the following factors:-
- (i) The Offer Price represents a premium of approximately 2,245.6% over the Group's NAV per Share and NTA per Share respectively as at 30 June 2019.
 - (ii) The Offer Price represents a premium of approximately 1,755.7% over the Group's RNAV and RNTA per Share.
 - (iii) The Offer Price represents a discount of approximately 56.2% over the last transacted price of S\$0.185 per Share for the Shares on the SGX-ST on 5 September 2019, being the Last Trading Day immediately preceding the Offer Announcement Date.
 - (iv) The Offer Price represents a discount of approximately 54.3%, 51.9%, 56.2%, 54.4% and 54.4% over the VWAP for the Shares for the Period since IPO, 12-month, 6-month, 3-month and 1-month prior to the Offer Announcement Date.
 - (v) From 21 September 2019 (after the Announcement) to 11 October 2019, being the Latest Practicable Date (both dates inclusive), we note that no Shares were traded during this period. In addition, we observed that since the announcement of the Group's unaudited financial statements for the six months ended 30 June 2019, on 14 August 2019, till the Latest Practicable Date only an aggregate of 6,000 Shares were traded (and for only 2 Market Days out of a total of 42 Market Days with prices of between S\$0.17 to S\$0.185 for each Share).
 - (vi) The Offer Price represents a discount of approximately 56.2% over the last transacted price of S\$0.185 per Share on the SGX-ST on 5 September 2019, being the Last Trading Day immediately preceding the Latest Practicable Date.
 - (vii) Low liquidity with infrequent trading. Except for the periods shortly after the IPO Date (being the period commencing from the IPO Date till 20 September 2018 whereby the lock up period of the IPO ranges from 3 months, 6 months and 12 months from the date of the IPO) and wherein the total number of Shares traded was approximately 13.4 million Shares with an average daily trading volume (based on a total of 40 Market Days) of approximately 336,228 Shares), the average volume of Shares traded on a daily basis had in general declined significantly thereafter to as low as 94 Shares for the 3-month period prior to the Offer Announcement Date. We observed that the Shares are not frequently traded. Since the IPO Date till the Latest Practicable Date, Shares were traded for only 61 Market Days. For these 61 Market Days, we note that approximately 76.5% of the total number of Shares traded and approximately 50.8% of the number of Market Days the Shares were traded, occurred for the period commencing from the IPO Date till 20 September 2018 or just before or about the commencement of the 12-month period prior to the Offer Announcement. We also note that the low liquidity may be attributable to the fact that whilst there were only 274 Shareholders at the point in time of the Company's admission on the Catalist, but there were only 117 Shareholders as at 22 March 2019 and as at the Latest Practicable Date.

In addition, we note that as at 22 March 2019 (being the date the statistics of shareholdings of the Company are disclosed in the Group's AR018): approximately 98.1% of the Shares issued were held by the twenty-largest shareholders, with seven (7) of the twenty largest shareholders holding approximately 91.4% of the Shares. Approximately 0.5% of the Shares issued were held by Shareholders whose size of shareholdings are 10,000 or less Shares; whilst approximately 4.4% of the Shares issued were held by Shareholders whose size of shareholdings are between 10,001 to 1,000,000 Shares. The balance or about 95.1% of the Shares issued are held by Shareholders whose size of shareholdings, are 1,000,001 Shares and above.

In summary, we note that trading for the Shares has been erratic, infrequent and the average daily trading volume of the Shares had been low in both absolute terms and also as a percentage of the free float. In addition, we note that Shares of the Company as at the Latest Practicable Date are still tightly held with approximately 91.4% of the issued Shares being held by seven of the twenty largest Shareholders as at the Latest Practicable Date. The number of Shareholders had declined by more than half from its IPO to about 117 Shareholders as at 22 March 2019 and the Latest Practicable Date.

- (viii) Generally fair or favourable comparison with the valuation of the Selected Comparable Companies. The valuation of the Group (as implied by the Offer Price) in terms of LTM EV/EBITDA and LTM PER as at 30 June 2019 is not meaningful as the Group registered EBITDA and losses attributable to owners of the Company of approximately S\$8.9 million. Progen's LTM EV/EBITDA and LTM PER as at 30 June 2019 is not meaningful as it registered negative EBITDA and losses attributable to owners of the Company. We note that Koyo Intl's LTM EV/EBITDA as at 30 June 2019 is not meaningful as it was in a net cash position with negative EV. The valuation of the Group (as implied by the Offer Price) in terms of LTM P/Revenue as at 30 June 2019 is approximately 1.0 times, is within the range, in line with the simple average and higher than the median for the Selected Comparable Companies. The valuation of the Group (as implied by the Offer Price and RNAV or RNTA of approximately S\$0.0044 per Share) in terms of both P/NAV and P/NTA ratios are above the range and more favourable than any the Selected Comparable Companies. This is attributable to the low RNAV and RNTA as at 30 June 2019 due to, *inter-alia*, losses attributable to owners of the Company in 1HY2019 of approximately S\$5.7 million, arising from trade and other receivables written off of about S\$1.1 million, provision of doubtful debts of about S\$3.1 million (as a result of the termination of the Group's contract in Maldives), administrative expenses of about S\$0.8 million, gross loss of about S\$0.2 million and foreseeable loss of about S\$0.25 million for various work that the Group had performed under the variation orders for one of the project whereby the corresponding revenue had been recognised in FY2018. Please refer to Section 7.1 of this Letter for further details.

As an illustration, in the event that the losses arising from writing off of trade and other receivables, provision for doubtful debts, and foreseeable loss on contracts for an aggregate of approximately S\$4.5 million are added back to the NTA as at 30 June 2019, the Offer Price represents a premium of approximately 98.7% and 94.3% over the NTA per Share and RNTA per Share respectively. We note that even in the absence of any write-offs of trade and other receivables, provision for doubtful debts, and foreseeable loss on contracts, the valuation of the Group (as implied by the Offer Price and RNAV or RNTA per Share as adjusted for, *inter-alia*, such foreseeable loss or write-offs or provisions) is more favourable than any of the Selected Comparable Companies. Such comparison should be reviewed in conjunction with the following: (a) the Group is in a relatively weak financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios) and the Group's financial performance in terms of the LTM ROE and LTM net profit margin appears to be less favourable as compared to the Selected Comparable Companies (save for Progen); (b) the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in acquisition of control whilst for the Offer, and although the Offeror's intention is not to delist the Company and (as stated in the Offer Announcement and Offer Document), and the Offeror has already a majority control over the Company by having an interest in 69,221,740 Shares representing approximately

57.16 % of the total number of issued Shares (excluding treasury Shares); and (c) considering, *inter-alia*, the core business of the Group, earnings-based valuation ratios (being PER and EV/EBITDA) are likely more appropriate valuation benchmark as compared to asset-based valuation ratios. In addition, the valuation of the Group (as implied by the Offer Price) in terms of LTM P/Revenue as at 30 June 2019 is within the range, in line with the simple average, and higher than the median of the Selected Comparable Companies and appears to be comparable to the Selected Comparable Companies. Notwithstanding, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be more favourable than any of the Selected Comparable Companies.

- (ix) Fair or favourable comparison with the Selected Non-Privatisation MGO Transaction (except for historical premiums). The discount of approximately 56.2%, 54.4% and 54.4% as implied by the Offer Price from the last transacted price for the Shares prior to the Announcement Date, the VWAP for the Shares for 1-month period prior to the Announcement Date and the VWAP for the Share for 3-month period prior to the Announcement Date respectively are within the range, above the minimum but worse off than the median and the simple average for the Selected Non-Privatisation MGO Transactions, which are both at premiums for the 1-month and 3-month periods. We note that the offer price for all the Selected Non-Privatisation MGO Transactions are generally at premiums over the respective historical prices (last transacted prices prior to offer announcement, VWAP for 3-month and 1-month periods prior to offer announcement), save for the (i) last transacted price prior to announcement for the Cityneon Holdings Limited transaction, (ii) VWAP for the 1 month and 3 month periods prior to announcement for the CH Offshore Ltd. transaction, and (iii) the last transacted price, VWAP for the 1-month and 3-month periods prior to announcement for the Blumont transaction where the offer price is at a discount, all the other historical prices are at a premium.

We note that within the Selected Non-Privatisation MGO Transactions, only Blumont's offer price to its historical prices at the various time periods are consistently at a discount. Independent Directors should note that for the Blumont transaction, the financial position of the company and its subsidiaries was, *inter-alia*, weak with a disclaimer of opinion issued by the independent auditors of the said company (prior to the announcement of the takeover) relating to, *inter-alia*, the appropriateness of going concern assumption. Likewise we note there were statements made in the Group's 1HY2019 unaudited results announcement on 14 August 2019, regarding the Group's ability to operate as a going concern.

The liquidity of the Group is less than favourable as (i) the average daily traded volume as a percentage of free float for VWAP for 1 month period prior to announcement is lower than the minimum for or any of the Selected Non-Privatisation MGO Transactions; and (ii) the average daily traded volume as a percentage of free float for the VWAP for 3-month period prior to announcement is below the range, lower than the minimum for or any of the Selected Non-Privatisation MGO Transactions.

The valuation of the Group in terms of P/NTA as implied by the Offer Price and the Group's RNTA per Share of approximately 18.6 times is above the range, significantly higher than the maximum and more favourable than any of the Selected Non-Privatisation MGO Transactions.

In summary, the valuation of the Group as implied by the Offer Price appears to be very much less favourable than the Selected Non-Privatisation MGO Transactions in terms of historical premium and/or discount over/from historical prices. However this should be viewed in the context of the relatively low and poor liquidity of the Shares as compared to the shares of the other companies for the Selected Non-Privatisation MGO Transactions.

In addition, in terms of P/NAV multiple, the valuation of the Group as implied by the Offer Price appears to be above the range and more favourable than any of the Selected Non-Privatisation MGO Transactions. However, we note that this is attributable to the Group's

low RNTA for reasons stated above and elsewhere in this Letter. As an illustration, in the event that the losses arising from writing off of trade and other receivables, provision for doubtful debts and foreseeable loss on contracts are added back to the NTA as at 30 June 2019, the Offer Price represents a premium of approximately 98.7% and 94.3% over the NTA per Share and RNTA per Share respectively.

We note that even in the absence of any write-offs of trade and other receivables, provision for doubtful debts, and foreseeable loss on contracts, the valuation of the Group (as implied by the Offer Price and RNAV or RNTA per Share as adjusted for such foreseeable loss or write-offs or provisions) is more favourable than any of the Selected Non-Privatisation MGO Transactions save for Cityneon Holdings Limited and Mary Chia Holdings Limited (and in fact higher than the median and the simple average for the Selected Non-Privatisation MGO Transactions).

Whilst the valuation of the Group as implied by the Offer Price in terms of comparison with the historical prices for the Shares for the Selected Non-Privatisation MGO Transactions, does not appear to be favourable in terms of historical premiums (as mentioned above, the Offer price is consistently at a discount to historical prices), this may be attributable to the low liquidity (in terms of number of Shares traded as a percentage of free float and frequency of trading). When viewed in the context of the poor liquidity of the Shares as compared to the liquidity for all the shares of the companies for the Selected Non-Privatisation MGO Transactions and the relatively lower percentage of interest held by the Offeror as compared to the interests of the various offerors under the Selected Non-Privatisation MGO Transactions as well as the significant premiums of the Offer Price above the RNAV and RNTA per Shares, it appears reasonable. The comparison with respect to P/NTA multiple, does appear to be significantly more favourable as compared to the Selected Non-Privatisation MGO Transactions.

- (x) Relatively favourable comparison with the IPO Placement Price. In nominal terms, the Offer Price is substantially lower than the IPO Placement Price of S\$0.23 per Share. The valuation of the Group for the 2018 IPO Placement in terms of P/NTA (as implied by the IPO Placement Price) of approximately 6.8 and 3.7 times pre and post IPO respectively are lower and less favourable as compared to the valuation of the Group for the Offer in terms of P/NTA (as implied by the Offer Price and NTA per Share as at 30 June 2019) of approximately 23.5 times. We note that this is attributable to the low NTA as at 30 June 2019 due to the, *inter-alia*, losses in 1HY2019 of approximately S\$5.7 million arising from trade and other receivables written off of about S\$1.1 million, provision of doubtful debts of about S\$3.1 million (as a result of the termination of the Group's contract in Maldives), administrative expenses of about S\$0.8 million, gross loss of about S\$0.2 million, and foreseeable loss of about S\$0.25 million for various work that the Group had performed under the variation orders of one of the project whereby the corresponding revenue had been recognised in FY2018. The Group's would still record losses of approximately S\$4.3 million for the LTM 30 June 2019 if the total value written down from trade and other receivables of about S\$1.1 million, provision of doubtful debts of about S\$3.1 million (as a result of the termination of the Group's contract in Maldives), and foreseeable loss on project of approximately S\$0.25 million are added back. Please refer to Section 7.1 of this Letter for further details. As an illustration, in the event that the losses arising from writing off of trade and other receivables, provision for doubtful debts, and foreseeable loss on contracts are added back to the NTA as at 30 June 2019, the Offer Price represents a premium of approximately 98.7% over the NTA per Share. The valuation of the Group for the 2018 IPO Placement in terms of P/Revenue (as implied by the IPO Placement Price) of approximately 1.3 times is higher and more favourable as compared to the valuation of the Group for the Offer in terms of P/Revenue (as implied by the Offer Price and LTM Revenue as at 30 June 2019) of approximately 1.0 times. We note that this is attributable to, *inter-alia*, a decline in the Group's revenue from approximately S\$9.5 million for 1HY2018 to approximately S\$0.7 million for 1HY2019, due primarily to (i) an absence of revenue contribution by both the turnkey contracting services and project management services segment as a result of the termination of the Maldives Project on 5 February 2019, and (ii) a decrease in contribution from M&E

segment of approximately S\$2.7 million. Please refer to Section 7.1 for further explanation. EBITDA for the LTM ended 30 June 2019 was approximately negative S\$8.9 million as compared to the positive EBITDA for the FY2017 based on the unaudited pro-forma consolidated financial information for the Group. Hence, a comparison of EV/EBITDA for the 2018 IPO placement against the Offer is not meaningful. We note that the EBITDA for LTM ended 30 June 2019 was negative due to a loss of approximately S\$8.9 million attributable to owners of the Company for the LTM ended 30 June 2019. It would still be negative even if the sum of approximately S\$4.5 million from the value written from trade and other receivables, provision of doubtful debts and foreseeable loss on project are added back. Accordingly comparisons on a PER is meaningless in view of the loss attributable to owners of the Company for LTM ended 30 June 2019.

We note that both Mr. Fan and Mr. Wong disposed their Sale Shares at prices above their average effective cash cost as disclosed in the IPO Prospectus of approximately S\$0.0284 and S\$0.0395 respectively, and the price for which the Sale Shares were sold of approximately S\$0.0809 is above the Post-IPO NTA per Share of S\$0.0615 (or Mr. Fan and Mr. Wong “cost” from a NTA perspective at IPO). However, the Offer Price (similar and slightly higher than the Sale Share price) is significantly lower than the IPO Placement Price. Thus we note that based on Mr. Fan and Mr. Wong “cost” from a NTA perspective there appears to be a “gain” with respect to the Sales Shares whilst for the investors at IPO, the Offer Price being lower than the IPO Placement Price appears to represent a “loss”. The Offer Price of S\$0.081 is lower than the Placement Price of S\$0.23. Shareholders who have bought their Shares as at the IPO would have suffered a loss of S\$0.149 for each Share bought at IPO. In addition, we note that the NTA for the Group had been eroded since its IPO (from the Post-IPO NTA per Share of approximately S\$0.0615, to the NTA per Share as at 30 June 2019 of approximately S\$0.0035).

In summary, after taking into account the number of Shares issued and sold for the IPO and Acquisition of the Sale Shares respectively, the relative valuations of the Group as implied by the ratio of the Offer Price to the NTA per Share as at 30 June 2019, appears to be relatively more favourable as compared to the valuation of the Group as implied by the ratio of the IPO Placement Price to then prevailing Pre and Post-IPO NTA per Share, after taking into account the fact that the sale of the Sale Shares transferred approximately 57.16% of the total issued Share capital and as described in this Letter, thereby placing the Offeror in a position to, *inter-alia*, influence and control the Company. This is despite the fact that the 2018 IPO Placement provided the Company with cash for usage of the purposes as described in the IPO Prospectus or as announced.

- (e) Our analysis as set out in Section 8.2 of this Letter suggests that the Company’s dividend profile is worse off as compared to the Selected Comparable Companies in general (save for those which did not pay dividends). As the Company did not pay any dividend in respect of its most recent financial year, hence as compared to the STI ETF, the dividend yield for Company is less favourable.
- (f) As at the Latest Practicable Date, the Offer is unconditional. As set out in Section 5 of the Offer Document, the Offeror believes, as at the date of the Offer Document, that the Acquisition represents a reasonably attractive mid to long term investment opportunity for the Offeror. Following the close of the Offer, the Offeror intends to undertake a comprehensive review of the businesses of the Group and such review will help the Offeror to determine the optimal business strategy for the Company. The Offeror presently has no intention to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Group, or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror regards to be in the interests of the Offeror and/or the Company. It is also noted from Section 3 of the Offer Document that the Offeror was incorporated in Singapore on 11 November 2018, and engaged in the business of management and business consultancy services. This appears to be completely different from the Group’s existing business.

- (g) We note that as set out in this Letter, there are numerous changes in the Board of Directors and Management since its IPO in July 2018 arising from, *inter-alia*, non re-election at the 2018 AGM, and resignations. Following the Group's reported loss of approximately S\$1.3 million for FY2018, some Shareholders (including Mr. Fan) were not satisfied and accordingly voted down the resolutions pertaining to the re-election of the Former Directors tabled during the 2018 AGM. Subsequent to the non re-election of the Former Directors and the "fall out" between Mr. Fan and Mr. Wong, the Group reported loss after tax attributable to owners of the Company of approximately S\$5.7 million for 1HY2019 and this was followed by the Acquisition of the Shares held by Mr. Wong and Mr. Fan, by the Offeror. We note that the cessations of the Former Directors (save for Dr Choong Chow Siong) were due to non re-election during the 2018 AGM. It is generally accepted that frequent changes to the Board of Directors and key executives maybe, *inter-alia*, be an indication of either financial distress or shareholders' disagreements over how the Company should be managed or shareholders' dissatisfaction with results achieved. It also indicates or is a signal of uncertainties with respect to the Group's directions with respect to its businesses and operations, financial performance and position or prospects, or weakness in controls.
- (h) In particular we note from the notice of compliance issued by the SGX RegCo on 26 September 2019 that the Directors are required to engage the Offeror to set out their business plans and future directions for the Group, and to disclose this in the Circular in view of the Offeror's intentions to maintain the listing status of the Company following the completion of the Offer. The Directors confirmed that after having engaged the Offeror, save as disclosed in the Offer Document and the Circular, they are not aware of the Offeror's future plans and directions for the Group that are not disclosed or announced.
- (i) As set out in the Offer Document, the Offer Price is final and the Offeror does not intend to increase the Offer Price save for the right to do so in a competitive situation.
- (j) As stated in the Company's Responses dated 26 September 2019, the Company has represented that according to Mr. Fan, a few parties have spoken to him but none has given him any concrete proposal. In addition, Mr. Fan feels that this Offer gives minorities an opportunity for those who want to exit their investment in view of the recent poor financial results and illiquidity of the stock. As for Mr. Wong, the Directors have confirmed that save for the recent correspondence pertaining to Mr. Wong's rationale in entering into the SPA, none of the Directors (including Mr. Fan) has spoken to or corresponded with Mr. Wong on whether Mr. Wong has received any other offer(s).
- (k) The Directors' confirmation that apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date. We note that Mr. Fan has stated in the Company's Responses dated 26 September 2019 that the Offer Price of S\$0.081 is reasonable especially considering the illiquidity of the Shares and him having received no concrete proposal other than from the Offeror. As such, he has entered into the SPA on a willing buyer, willing seller basis.
- (l) The sale of the Sale Shares by both Mr. Fan and Mr. Wong (who were both named in the Prospectus and "promoters" of the Group as at IPO) representing approximately 57.16% of the issued Shares (excluding treasury Shares), after about two months from the lock-up periods for their Shares and announcement of the weak unaudited six-months financial performance, position and condition. We note that the aggregate number of Sale Shares represent a significant proportion of the Shares held by both of the Sellers prior to the Acquisition or approximately 72.1% of the total number of Shares held by both Mr. Fan and Mr. Wong. Accordingly after the Acquisition, the two "promoters" of the Company shortly after their lock-up periods and less than 3 months after the first anniversary of the IPO, will no longer be major shareholders of the Company.
- (m) Other relevant considerations are set out in Section 8 or other such sections of this Letter.

In summary, having regard to our analysis and the consideration in this Letter (including, *inter-alia*, its limitation and constraints) and after having considered carefully the information available to us and

based on market, economic and other relevant considerations prevailing as at the Latest Practicable Date, and subject to our terms of reference, we are of the opinion that, in the absence of an alternative offer, the Offer is **FAIR** and **REASONABLE**.

For the purposes of evaluation of the Offer, we have adopted the approach that the term “fair and reasonable” comprises two distinct concepts:

- (i) Whether the Offer is “fair” relates to the value of the offer price which is based strictly on the evaluation of the Offer Price (i.e. by looking at the financial or fundamental analyses of the Offer Price as set out in this Letter and based on information known to us or which is publicly available).
- (ii) Whether the Offer is “reasonable”, after taking into consideration the actual and potential financial impact of other circumstances surrounding the Offer and the Company which we consider relevant (being both quantitative and qualitative factors available and made known to us) including the value of the Shares.

We consider the Offer to be **FAIR**, after factoring, *inter-alia*, the following:

- (i) Fair or favourable valuation of the Group (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of both P/NAV or P/NTA ratios. The Offer Price represents a hefty premium over the NTA per Share or RNTA per Share despite the losses registered for the LTM 30 June 2019, which had significantly eroded the NTA since IPO. This should be viewed in the context of the Group’s weak and deteriorating financial performance and position as at 30 June 2019 amidst the termination of various contracts since the IPO Date, and the limited pipeline of projects that has yet to be implemented and limited resources to secure or implement new projects or track record to demonstrate that projects can be implemented with profits and without erosion of value.
- (ii) The Group’s weak and deteriorating financial performance (*inter-alia*, revenues, profitability and EBITDA) and financial position (net current assets, ratio of total liabilities to Shareholders’ equity and ratio of total borrowings to shareholders’ equity as at 30 June 2019), amidst the termination of various contracts since the IPO, limited pipeline of projects that has yet to be implemented and limited resources to secure or implement new projects or track record to demonstrate that projects can be implemented with profits and without erosion of value.
- (iii) Fair or favourable comparison with the valuation of the Selected Comparable Companies (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of both P/NAV or P/NTA ratios, and P/Revenue multiple. The comparison were made taking into account: (a) the Group’s relatively weaker financial position (in terms of total liabilities to shareholders’ equity and total borrowings to shareholders’ equity ratios), and the Group’s weaker financial performance as well as the Group’s valuation in terms of the LTM EV/EBITDA and LTM PER as compared to the Selected Comparable Companies as it registered negative EBITDA and loss of approximately S\$8.9 million. In the event that the losses arising from writing off of trade and other receivables, provision for doubtful debts and foreseeable loss on contracts for an aggregate of approximately S\$4.5 million are added back, the Group would still register a loss of approximately S\$4.3 million for the LTM 30 June 2019. Notwithstanding this, the Offer Price represents a hefty premium over the NTA per Share or RNTA per Share as compared to all the Selected Comparable Companies.
- (iv) Fair or favourable comparison with the Selected Non-Privatisation MGO Transactions in terms of the valuation of the Group (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of P/NAV or the P/NTA ratio. It is above the range, significantly higher than the maximum and more favourable, than any of the Selected Non-Privatisation MGO Transactions. This should be viewed in conjunction with the fact that the Offeror has already a majority control over the Company as at the Offer Announcement Date.
- (v) Relatively favourable comparison with the IPO Placement Price in terms of the valuation of the Group for the 2018 IPO Placement in terms of P/NTA (as implied by the IPO Placement Price) as compared to the valuation of the Group for the Offer in terms of P/NTA (as implied by the

Offer Price and NTA per Share as at 30 June 2019). This should be viewed in the context of the Group's weak and deteriorating financial performance and position as at 30 June 2019 amidst *inter-alia* the termination of various contracts since the IPO Date, and the limited pipeline of projects that has yet to be implemented.

We consider the Offer to be, **REASONABLE**, after factoring, *inter-alia*, the following:-

- (i) As set out in the Offer Announcement and the Offer Document, the Offeror had already a statutory control of the Company, which places the Offeror in a position to significantly influence, *inter-alia*, the management, operating and financial policies of the Company and is in a position to pass all ordinary resolutions on matters in which the Offeror do not have an interest, at general meetings of Shareholders.
- (ii) The Group's weak and deteriorating financial performance (*inter-alia*, revenues, profitability and EBITDA) and financial position (net current assets, ratio of total liabilities to Shareholders' equity and ratio of total borrowings to shareholders' equity as at 30 June 2019), amidst the termination of various contracts since the IPO, limited pipeline of projects that has yet to be implemented and resources to secure new projects or track record to demonstrate that projects can be implemented with profits and without erosion of value.
- (iii) Favourable valuation of the Group (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of both P/NAV or P/NTA ratios. The Offer Price represents a hefty premium over the NTA per Share or RNTA per Share despite the losses registered for the LTM 30 June 2019, which had significantly eroded the NTA since IPO.
- (iv) Favourable comparison with the valuation of the Selected Comparable Companies (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of both P/NAV or P/NTA ratios, and in terms of P/Revenue multiple.
- (v) Favourable comparison with the Selected Non-Privatisation MGO Transactions in terms of valuation of the Group (as implied by the Offer Price and the RNAV per Share or RNTA per Share) in terms of P/NAV or the P/NTA ratio. This should be viewed in conjunction with the fact that the Offeror has already a majority control over the Company as at the Offer Announcement Date.
- (vi) Whilst the valuation of the Group as implied by the Offer Price and historical prices, appears to be very much less favourable than the Selected Non-Privatisation MGO Transactions in terms of premiums and/or discounts over/from historical prices, it is still comparable as it is within the range of the premiums and/or discounts over/from historical prices.

The valuation of the Group as implied by the Offer Price and the discounts to historical prices should be viewed in the context of the Share's relatively low and poor liquidity as compared to the shares of the other companies for the Selected Non-Privatisation MGO Transactions (in terms of the low average daily traded volume as a percentage of free float and the absolute number of Shares that were traded, and the infrequent trading).

The Offer Price represents a discount of approximately 56.2% over the last transacted price of S\$0.185 per Share on the SGX-ST on 5 September 2019, being the Last Trading Day immediately preceding the Latest Practicable. We note that the trading for the Shares has been erratic, infrequent and the average daily trading volume of the Shares had been low in both absolute terms and also as a percentage of the free float. In addition, we note that Shares of the Company are tightly held with approximately 91.4% of the issued Shares being held by seven of the largest twenty Shareholders as at the Latest Practicable Date. In addition, the number of Shareholders is about 117 Shareholders as at the Latest Practicable Date.

Thus when viewed, *inter-alia*, in the context of the poor liquidity of the Shares when compared to the liquidity for all the shares of the companies for the Selected Non-Privatisation MGO Transactions and the relatively lower percentage of interest held by the Offeror as compared to the interests of the various offerors under the Selected Non-Privatisation MGO Transactions as

well as the significant premiums of the Offer Price above the RNAV and RNTA per Shares, it appears reasonable.

- (vii) Relatively favourable comparison with the IPO Placement Price in terms of the valuation of the Group for the 2018 IPO Placement in terms of P/NTA (as implied by the IPO Placement Price and the Pre-IPO NTA and/or Post-IPO NTA per Shares) as compared to the valuation of the Group for the Offer in terms of P/NTA (as implied by the Offer Price and NTA per Share as at 30 June 2019). This should be viewed in the context of the Group's weak and deteriorating financial performance and position as at 30 June 2019 amidst inter-alia the termination of various contracts since the IPO Date.
- (viii) The Director's confirmation that, save as disclosed in this Letter and announced, (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.

In addition, as stated in the Company's Responses dated 26 September 2019, we note that the Company has represented that according to Mr. Fan, a few parties have spoken to him but none has given him any concrete proposal other than the Offeror. As the Offeror holds approximately 57.16% of the issued Shares, any competing offer for the Shares is unlikely to be forthcoming without the support of the Offeror in view of its majority control as represented by the percentage of the total number of Shares that the Offeror holds as at Latest Practicable Date. Accordingly, the possibility of an alternative offer from parties other than the Offeror will be significantly reduced.

- (ix) In addition, as stated in the Company's Responses dated 26 September 2019, we note that the Company has represented that according to Mr. Fan, the Offer gives minorities an opportunity for those who want to exit in view of the recent poor financial results and illiquidity of the stock.

Further in response to SGX RegCo on Mr. Fan's rationale for entering into the SPA to dispose his Shares, Mr. Fan has stated that the Offer Price is reasonable considering, *inter-alia*, illiquidity of the Shares, deterioration of the NAV per Share as at 30 June 2019, as well as the weak financial performance for 1HY2019. Separately, we note from representations by the Directors that Mr. Wong's rationale for the sale of his Shares was due to the fact that after he was ousted, he was disappointed and fell out with Mr. Fan. As such, there is no longer any interest for him to hold on to the Shares.

Whilst Mr. Fan has stated his intention as a Shareholder not to accept the Offer, we note from the Circular that he would like to remain as a Shareholder in the Company and continue in the business of mechanical and electrical engineering through the Company. Further Mr. Fan had concurred with the recommendation of the IFA in respect of the Offer, and accordingly, would recommend that Shareholders should accept the Offer.

- (x) The sale of the Sale Shares by both Mr. Fan and Mr. Wong (who were both named in the Prospectus and "promoters" of the Group as at IPO) representing approximately 57.16% of the issued Shares (excluding treasury Shares), after about two months from the lock-up periods for their Shares and announcement of the weak unaudited six-months financial performance. We note that the aggregate number of Sale Shares represent a significant proportion of the Shares held by both of the Sellers prior to the sale.
- (xi) Numerous changes in the board Directors and Management (including those with responsibilities for, inter-alia, finance) since its IPO in July 2018. It is generally accepted that frequent changes to the Board of Directors and key executives maybe, inter-alia, be an indication of either financial distress or shareholders' disagreements over how the Company should be managed or shareholders' dissatisfaction with results achieved. It also indicates or is a signal of uncertainties with respect to the Group's directions with respect to its businesses and operations, financial performance and position or prospects, or weakness in controls.
- (xii) We note that there was no transaction for the Shares subsequent to the Offer Announcement Date and that as at the Latest Practicable Date the Offer Price was at a discount to the last

transacted price (being on 5 September 2019). There is no assurance that the trading activities for the Shares will be maintained at such levels or that the transacted prices for the Shares will be maintained after the closing of the Offer. In particular, there is no assurance that interest in the Shares will be maintained after the Offer as the possibility of an alternative offer from parties other than the Offeror is low in view of the Offeror's majority control as represented by the percentage of the total number of Shares that it holds.

- (xiii) Low liquidity for the Shares, in terms of the frequency of trading, absolute number of Shares traded, relative number of Shares traded as a percentage of free float, tight holdings of Shares and spread of shareholdings as well as the relatively low and poor liquidity of the Shares as compared to shares for companies under the Selected Non-Privatisation MGO Transactions.
- (xiv) Realistic opportunity for Shareholders to realise their investments in view of, *inter-alia*, the low liquidity for the Shares (in terms of daily average trading volume and frequency of trading) prior to the Offer Announcement Date and the Group's, *inter-alia*, weak and deteriorating financial performance and position.

ACA's Recommendation on the Offer

Based on our assessment of the Offer as set out above, we advise the Independent Directors that they should recommend that Shareholders **ACCEPT** the Offer. In addition, the Offer represent a realistic opportunity for Shareholders to realise their entire investment in cash taking into account, *inter-alia*, the low liquidity for the Shares (in terms of daily average trading volume) prior to the Offer Announcement Date notwithstanding that the last transacted price for the Shares was above the Offer Price.

We note that there was no transaction for the Shares subsequent to the Offer Announcement Date and that as at the Latest Practicable Date the Offer Price was at a discount to the last transacted price (being on 5 September 2019). There is no assurance that the trading activities for the Shares will be maintained at such levels or that the transacted prices for the Shares will be maintained after the closing of the Offer. In particular, there is no assurance that interest in the Shares will be maintained after the Offer as the possibility of an alternative offer from parties other than the Offeror is low in view of the Offeror's majority control as represented by the percentage of the total number of Shares that it holds.

In the event that Shareholders are concerned about the liquidity and the prices at which they can realise their investments in the Offer Shares (including whether they can realize their investments at prices higher than the Offer Price after deducting related expenses), acceptance of the Offer will provide certainty of exit at the Offer Price. However, in the event that Shareholders are able to dispose the Offer Shares in the open market and realise their investments at prices higher than the Offer Price after deducting related expenses, they should consider selling the Offer Shares in the open market. It should be noted that for the period commencing on the Market Day immediately after the Offer Announcement Date to the Latest Practicable Date, there has been no transactions for Shares.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of Shareholders: –

1. If the Shareholders are considering selling their Offer Shares in the open market, they should be aware of the low liquidity of the Shares. It should be noted that for the period commencing on the Market Day immediately after the Offer Announcement Date to the Latest Practicable Date, there were no shares traded. This should be reviewed together with the fact that the Shares had underperformed the Catalist Index for the period commencing on the Offer Announcement Date to the Latest Practicable Date.
2. The Offeror has stated in the Offer Document that it does not intend to revise the Offer Price of S\$0.081 save for the right to do so in a competitive situation.

3. Whilst the possibility of a higher offer from a third party cannot be ruled out, as at the Latest Practicable Date, we are not aware of any publicly available evidence of an alternative offer for the Shares. Shareholders should be aware that the chances of such an alternative offer for Shares being made by a third party may be affected by the fact that as at the Latest Practicable Date, the Offeror hold in aggregate of 69,221,740 Shares, representing approximately 57.16% of the total number of issued Shares (excluding treasury Shares).
4. The Offeror is making the Offer with a view to maintain the listing status of the Company on the SGX-ST following the completion of the Offer and if and when entitled does not intend to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act.
5. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 723, Rule 1104 or Rule 1303(1) of the Catalist Rules, the Offeror intend to preserve the listing status of the Company and intends to undertake any action as may be necessary no intention for any such trading suspension by the SGX-ST to be lifted.
6. The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter and the unaudited financial statements for the Group for 1HY2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.
7. Our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or appraisal of the Group's assets and liabilities (including without limitation, property, plant and equipment and assets held for sale) or contracts entered into by the Company or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group save for the Independent Valuation Report issued by the Independent Valuer in respect of the market value of the Appraised Properties as at the Valuation Date. With respect to such valuation, we are not experts in the evaluation or appraisal of assets and liabilities (including without limitation, property, plant and equipment and assets held for sale where applicable) including, *inter-alia*, the contracts that the Group has embarked upon or are about to embark upon and have relied where applicable on the opinion of the Directors.

Limitations

It is also to be noted that as trading of the Shares is subject to possible market fluctuations and accordingly, our advice on the Offer does not and cannot take into account the future trading activities or patterns or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review and also such advice, if given, would not fall within our terms of reference in connection with the Offer.

For our opinion and recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints or plans of any individual Shareholder, or group of Shareholders. As different Shareholders or groups of Shareholders would have different investment profiles and objectives, we would advise Independent Directors to recommend that any individual Shareholder or group of Shareholders who may require advice in the context of his specific investment portfolio, including his investment in the Company, should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

10. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders **who wish to accept the Offer** must do so not later than the 5.30 pm (Singapore time) on 8 November 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror ("**Closing Date**"), abiding by the procedures for the acceptance of the Offer as set out in Appendix B of the Offer Document, and in the accompanying FAA and/or FAT.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by CDP (in respect of the FAA) or the Registrar (in respect of the FAT), as the case may be, not later than 5.30 p.m. (Singapore time) on the Closing Date as may be announced from time to time by or on behalf of the Offeror.

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

This Letter is addressed to the Independent Directors in connection with and for the sole purpose of their evaluation of the financial terms of the Offer. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor the Shareholders nor any third parties, 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 ACA in each specific case. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters and the scope of our appointment stated herein and does not apply by implication to any other matter. Save as disclosed, nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act Chapter 53B and any re-enactment thereof shall not apply.

The recommendations made by the Independent Directors to Shareholders in relation to the Offer and the issue of the Circular (as well as any information therein) shall remain the sole responsibility of the Independent Directors and the Directors respectively.

Yours faithfully,

For and on behalf of

ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU
MANAGING DIRECTOR

FOO QUEE YIN
MANAGING DIRECTOR

APPENDIX II

ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

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

Name	Address	Description
Mr. Fan Chee Seng	c/o 140, Paya Lebar Road, #08-07, AZ @ Paya Lebar, Singapore 409015	Executive Chairman
Mr. Chan Kam Loon	c/o 140, Paya Lebar Road, #08-07, AZ @ Paya Lebar, Singapore 409015	Lead Independent Non- Executive Director
Mr. Low Chai Chong	c/o 140, Paya Lebar Road, #08-07, AZ @ Paya Lebar, Singapore 409015	Independent Non-Executive Director
Mr. Teo Choon Kow @ William Teo	c/o 140, Paya Lebar Road, #08-07, AZ @ Paya Lebar, Singapore 409015	Independent Non-Executive Director

2. HISTORY AND PRINCIPAL ACTIVITIES

The Company is a public company limited by shares and was incorporated in Singapore on 13 September 2017. Its Shares have been listed on Catalist of the SGX-ST since 25 July 2018. The Company and its subsidiaries are principally engaged in the business of mechanical and electrical engineering project development and turnkey contracting services.

3. SHARE CAPITAL

3.1 Issued Share Capital

The issued and paid-up share capital of the Company as at the Latest Practicable Date is S\$9,768,303.60, comprising 121,108,700 Shares, based on the business profile of the Company obtained from the Accounting and Corporate Regulatory Authority of Singapore.

3.2 Capital, Dividends and Voting Rights

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution. An extract of the relevant provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting has been reproduced in [Appendix V](#) to this Circular. The Constitution is available for inspection at the registered address of the Company at 140, Paya Lebar Road, #08-07, AZ @ Paya Lebar, Singapore 409015. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Constitution and/or the Companies Act.

3.3 Number of Shares Issued since the End of the Last Financial Year

As at the Latest Practicable Date, the Company has not issued any new Shares since the end of FY2018, being the last financial year of the Company.

3.4 Convertible Instruments

As at the Latest Practicable Date, the Company has not issued any instruments convertible into, rights to subscribe for, or options in respect of, securities being offered for or which carry voting rights affecting the Shares that are outstanding as at the Latest Practicable Date.

4. DISCLOSURE OF INTERESTS

4.1 Interests of the Company in Offeror Securities

As at the Latest Practicable Date, the Company does not have any direct or deemed interests in any Offeror Securities.

4.2 Dealings in Offeror Securities by the Company

As at the Latest Practicable Date, the Company has not dealt for value in any Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.3 Interests of the Directors in Offeror Securities

None of the Directors has any direct or deemed interests in any Offeror Securities as at the Latest Practicable Date.

4.4 Dealings in Offeror Securities by the Directors

None of the Directors has dealt for value in any Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.5 Interests of the Directors in Company Securities

Save as disclosed below, none of the Directors has any direct or deemed interests in any Company Securities as at the Latest Practicable Date:

Name	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Fan Chee Seng	26,778,260	22.11	-	-

Note(s):

- (1) Based on the issued share capital of the Company comprising 121,108,700 Shares at the Latest Practicable Date.

4.6 Dealings in Company Securities by the Directors

Save as disclosed in publicly available information on the Group, none of the Directors has dealt for value in any Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.7 Company Securities owned or controlled by the IFA

As at the Latest Practicable Date, none of the IFA or any funds whose investments are managed by the IFA on a discretionary basis owns or controls any Company Securities.

4.8 Dealings in Company Securities by the IFA

During the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date, none of the IFA or any funds whose investments are managed by the IFA on a discretionary basis has dealt for value in the Company Securities.

4.9 Intentions of the Directors in respect of their Shares

As at the Latest Practicable Date, Mr. Fan Chee Seng, who holds Shares, has informed the Company that he does not intend to accept the Offer in respect of any of the 26,778,260 Shares held by him, representing approximately 22.11% of the total issued Shares.

5. OTHER DISCLOSURES

5.1 Directors' Service Contracts

As at the Latest Practicable Date:

- (a) there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than 12 months to run and which are not terminable by the employing company within the next 12 months without paying any compensation; and
- (b) there are no such contracts entered into or amended during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.2 Arrangements affecting Directors

Save as disclosed in this Circular, as at the Latest Practicable Date:

- (a) it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;
- (b) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and
- (c) none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

6. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, save as disclosed in publicly available information on the Group, neither the Company nor any of its subsidiaries has entered into material contracts with persons who are Interested Persons (other than those entered into in the ordinary course of business) during the period beginning three (3) years before the Offer Announcement Date.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, save as disclosed in publicly available information on the Group, the Directors are not aware of any material litigation, claims or proceedings pending or threatened against, or made by, the Company or any of its subsidiaries or any facts likely to give rise to any such material litigation, claims or proceedings, which might materially and adversely affect the financial position of the Group, taken as a whole.

8. FINANCIAL INFORMATION

8.1 Consolidated Statements of Comprehensive Income

A summary of the audited consolidated statement of comprehensive income of the Group for FY2017 and FY2018 and the unaudited financial information of the Group for 1H2019 is set out below.

	Audited FY2017 S\$	Audited FY2018 S\$	Unaudited 1H2019 S\$
Revenue	21,512,183	18,250,296	740,774
Cost of sales	(16,044,563)	(14,652,468)	(961,411)
Gross profit/(loss)	5,467,620	3,597,828	(220,637)
Other operating income	224,134	66,180	11,066
Selling and distribution expenses	(21,337)	(27,815)	-
Administrative expenses	(1,629,479)	(4,041,824)	(770,152)
Impairment loss on trade receivables	-	(200,791)	-
Other operating expenses	(92,437)	(308,270)	(4,602,139)
Finance costs	(79,685)	(106,309)	(40,782)
Profit/(loss) before taxation	3,868,816	(1,021,001)	(5,622,644)
Tax expense	(501,902)	(223,809)	(62,909)
Profit/(loss) for the year	3,366,914	(1,244,810)	(5,685,553)
Other comprehensive income, at net tax:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences	(13,625)	11,099	-

	Audited FY2017 S\$	Audited FY2018 S\$	Unaudited 1H2019 S\$
Total comprehensive income/(loss) for the year	3,353,289	(1,233,711)	(5,685,553)
Net earnings/(loss) per share (cents/share)	2.87	(1.13)	(4.69)
Net dividends per share (cents/share)	-	-	-

Note(s):

(1) There is no minority interests for the Group.

Save for the unaudited financial information for 1H2019, the above summary should be read together with the annual report of the Company for FY2018 and relevant financial statements, copies of which are available for inspection at the registered office of the Company at 140, Paya Lebar Road, #08-07, AZ @ Paya Lebar, Singapore 409015 during normal business hours.

The unaudited financial information of the Group for 1H2019 is set out in fuller detail in Appendix IV of this Circular.

8.2 Statements of Financial Position

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2018 and the unaudited consolidated statement of financial position of the Group for 1H2019 is set out below.

	Audited FY2018 S\$	Unaudited 1H2019 S\$
ASSETS		
Non-current assets		
Deferred tax assets	9,789	9,789
Property, plant and equipment	1,918,500	1,859,742
Total non-current assets	1,928,289	1,869,531
Current assets		
Trade and other receivables	6,107,265	1,252,776
Contract assets	1,296,287	567,582
Cash and bank balances	1,101,650	170,185
Total current assets	8,505,202	1,990,543
Total assets	10,433,491	3,860,074
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	9,499,017	9,499,017
Reserves	(2,621,264)	(2,621,264)
(Accumulated losses)	(773,983)	(6,459,536)

	Audited	Unaudited
	FY2018	1H2019
	S\$	S\$
Total equity attributable to owners of the Company	6,103,770	418,217
Non-controlling interests	121,118	121,118
Total equity	6,224,888	539,335
LIABILITIES		
Non-current liabilities		
Borrowings	377,253	230,914
Finance lease liabilities	130,527	108,186
Deferred tax liabilities	5,111	5,111
Total non-current liabilities	512,891	344,211
Current Liabilities		
Trade and other payables	2,117,812	959,204
Borrowings	791,045	778,971
Finance lease liabilities	47,930	47,818
Current tax liabilities	738,925	1,190,535
Total current liabilities	3,695,712	2,976,528
Total liabilities	4,208,603	3,320,739
Total equity and liabilities	10,433,491	3,860,074

The above summary should be read together with the annual report for FY2018, the audited consolidated statements of financial position of the Group for FY2018, and the unaudited financial information of the Group for 1H2019 which are set out in Appendices III and IV of this Circular, and the related notes thereto.

8.3 Significant Accounting Policies

A summary of the significant accounting policies of the Group is set out in Note 3 to the audited consolidated financial statements of the Group for FY2018, which are reproduced in Appendix III of this Circular, and sections 4 and 5 of the unaudited consolidated financial information of the Group for 1H2019, which are set out in Appendix IV of this Circular.

Save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in the audited consolidated financial statements of the Group for FY2018 and that contained in the unaudited financial information of the Group for 1H2019), there are no significant accounting policies or any points from the notes to the financial statements which are of major relevance for the interpretation of the accounts.

8.4 Changes in Accounting Policies

Save as disclosed in this Circular and in publicly available information on the Group, as at the Latest Practicable Date, there is no change in the accounting policy of the Group which will cause the figures disclosed in this Circular not to be comparable to a material extent.

Copies of the annual report of the Company for FY2018 and the unaudited financial information of the Group for 1H2019 are available on the SGX-ST website at www.sgx.com or for inspection

at the registered address of the Company at 140, Paya Lebar Road, #08-07, AZ @ Paya Lebar, Singapore 409015 during normal office hours for the period during which the Offer remains open for acceptance.

8.5 **Material Changes in Financial Position**

Save for information disclosed in this Circular and publicly available information on the Group (including but not limited to announcements released by the Company in respect of its financial results such as the unaudited financial information of the Group for 1H2019 as announced on 14 August 2019 and set out in Appendix IV of this Circular), there are no known material changes in the financial position of the Company as at the Latest Practicable Date since 31 December 2018, being the date to which the Company's last published audited financial statements were made up.

8.6 **Material Change in Information**

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

8.7 **Valuation of the Subject Property**

The Company has commissioned independent valuation of the Subject Property. As disclosed in the Valuation Report, the basis of valuation is fair market value. A copy of the Valuation Report is set out in Appendix VI to this Circular. The Valuation Report in respect of the Subject Property is available for inspection at the registered address of the Company at 140, Paya Lebar Road, #08-07, AZ @ Paya Lebar, Singapore 409015.

Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the Subject Property, which is the subject of a valuation given in connection with the Offer, was to be sold at the amount of the valuation. Based on the Valuation Report, the potential tax liabilities that may be incurred by the Company on the hypothetical disposal of the Subject Property on an "as is" basis is nil as any gains would be capital in nature.

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

9. **STATEMENTS OF PROSPECTS**

9.1 **1H2019 Results**

The following statements were made in the 1H2019 Results released by the Company on 14 August 2019:

"Looking forward, while our results continue to be impacted by the challenging environment in which the Group operates, the Group expects to incur losses for the financial year ending 31 December 2019.

"Notwithstanding the above, the Board is of the opinion that the Group will be able to operate as a going concern having regard to the following:

- (i) *Cash to be generated from operations based on a cash flow forecast prepared by management;*

- (ii) *Mr. Manfred Fan, Chairman and substantial shareholder of the Group, has provided a letter of comfort to provide the financial support and assistance as may be required to ensure that the Group maintains capital and liquidity levels to enable it at all times to meet its financial obligations as and when its fall due within the next 12 months;*
- (iii) *The Group is optimistic that it is able to obtain funds from the sale of its property, if the need arises; and*
- (iv) *The Group is looking into corporate fund raising exercise(s)."*

9.2 Bases and Assumptions

Shareholders should note that the Directors have set out in Appendix VII to this Circular, the bases and assumptions for the statements set out in paragraph 9.1 of this Appendix II (the "**Statements of Prospects**"). The Auditor and the IFA have each issued a letter in relation to the Statements of Prospects, which are set out in Appendices VIII and IX to this Circular respectively. Shareholders are advised to read Appendices VII, VIII and IX to this Circular carefully.

10. NOTICE OF COMPLIANCE

10.1 As announced by the Company on 26 September 2019, the Board had received the notice of compliance (the "**Notice of Compliance**") issued by the Singapore Exchange Regulation on 26 September 2019, a copy of which is set out in Appendix X to this Circular.

10.2 Further to *inter alia* the Notice of Compliance, the Company had announced, on 26 September 2019, its response to SGX-ST's queries dated 23 September 2019, a copy of which is set out in Appendix XI to this Circular.

10.3 SGX-ST had further requested for the Company to formally reach out to Mr. Wong and seek his response to SGX-ST's query dated 23 September 2019 regarding the following question:

"What is the rationale for Mr Wong Ming Kwong...entering into the SPA to dispose their (S)hares?"

10.4 In response to the question above, Mr. Wong had informed the Company on 15 October 2019 of his rationale in entering into the SPA as follows:

"After (I) was ousted as a CEO and executive director at the last AGM, I was disappointed and fell out with Mr Manfred Fan. As such, there is no longer an interest for me to hold on to the (S)hares."

10.5 SGX-ST had also requested via the Sponsor for background information of the Offeror to be included in this Circular and accordingly, the Sponsor has requested the following to be included in the Circular:

"Background information of the sole shareholder and the directors of the Offeror (being Enomoto Hiroyuki, Mishima Yusaku and Foo Kia Juah). Background information would include their current principal occupation and past work/business experience."

10.6 The Offeror's response of 21 October 2019 is as follows:

"Hiroyuki Enomoto

Mr Enomoto is an entrepreneur and an investor in business that spans from information technology, food and beverages to real estate.

He is the founder of Infinity Blockchain Labs Co., Ltd, a R&D company that focuses on forming alliances with established businesses and regulatory institutions across industries in providing incubation for technology development.

Yusaku Mishima

Mr Mishima is currently the CEO of Infinity Blockchain Labs Co., Ltd. He is responsible for the development and implementation of the company's business strategies.

Concurrently, he also heads QRC Pte Ltd in the areas of business management and consultancy for the South East Asia region.

Prior to joining Infinity Blockchain Labs, he was a Senior Accounting and Finance Consultant in Backoffice Co., Ltd, where he helped to managed more than 50 companies in the areas of finance and accounting. He started his career as a staff working for the embassy of Japan in the Kingdom of Bahrain.

Foo Kia Juah

Mr Foo is a retired senior police officer, who had contributed three decades of service to the Singapore Police Force. During his stint, he had served as Chief Investigating Officer in the Commercial Crime Division, CID. He was also the Commander of Jurong Police Division and Central Police Division.

For his contributions to Police Force, Mr Foo was conferred various awards by the President of the Republic of Singapore. One of the accolades was the Public Service Star for his role in the successful rescue of all the passengers and crew of a Singapore Airline flight in 1991 during a hijack situation.

Mr Foo currently serves as a Director of Bin Keow Industrial Pte Ltd and Bin Keow Brickworks Pte Ltd."

11. GENERAL

11.1 Costs and Expenses

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

11.2 Documents for Inspection

Copies of the following documents are available for inspection at the registered address of the Company at 140, Paya Lebar Road, #08-07, AZ @ Paya Lebar, Singapore 409015 during normal business hours for the period during which the Offer remains open for acceptance:

- (i) the Constitution;
- (ii) the annual report of the Company for FY2018;

- (iii) the unaudited financial information of the Group for 1H2019;
- (iv) the IFA Letter;
- (v) the Statements of Prospects and the letters from the Auditor and the IFA respectively in relation to the Statements of Prospects, as set out in Appendices VII, VIII and IX to this Circular respectively;
- (vi) the Valuation Report;
- (vii) the Notice of Compliance; and
- (viii) the letters of consent referred to in Section 12 of this Circular.

APPENDIX III

AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

The audited consolidated financial statements of the Group for FY2018 which are set out below have been reproduced from the Company's annual report for FY2018 and were not specifically prepared for inclusion in this Circular.

All capitalised terms used in the notes to the audited consolidated financial statements of the Group for FY2018 set out below shall have the same meanings given to them in the annual report of the Company for FY2018.

A copy of the annual report for FY2018 is available for inspection at the registered address of the Company at 140, Paya Lebar Road, #08-07, AZ @ Paya Lebar, Singapore 409015, during normal business hours for the period during which the Offer remains open for acceptance.

DIRECTORS' STATEMENT

for the financial year ended 31 December 2018

The directors submit this statement to the members together with the audited consolidated financial statements of the DLF Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2018.

In our opinion:

- (a) the financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Names of directors

The directors in office at the date of this report are:

Fan Chee Seng (Executive Chairman)

Wong Ming Kwong (Chief Executive Officer and Executive Director)

Choong Chow Siong (Lead Independent Non-Executive Director) - Resigned on 7 January 2019

Wu Chiaw Ching (Lead Independent Non-Executive Director) - Appointed on 7 January 2019

Yong Siak Hoong (Independent Non-Executive Director)

Yip Shee Yin (Independent Non-Executive Director)

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of the objects was, to enable the directors of the Company to acquire benefits by means of the acquisitions of shares in, or debentures of the Company or of any other corporate body other than as disclosed in this statement.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, the following directors who held office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations, except as follows:

The Company - DLF Holdings Limited	Share registered in the name of director	
	As at 1.1.2018	As at 31.12.2018
Fan Chee Seng	51,000,000	51,000,000
Wong Ming Kwong	45,000,000	45,000,000

DIRECTORS' STATEMENT

for the financial year ended 31 December 2018

Directors' interest in shares or debentures (Cont'd)

Mr Fan Chee Seng and Mr Wong Ming Kwong, by virtue of the provisions of Section 7 of the Act, is deemed to have an interest in the other subsidiaries of the Company of which, all but five are wholly-owned.

There are no changes to the above shareholdings or debentures between the end of the financial year and 10 April 2019.

Share options

No options were granted during the financial year to take up unissued shares of the Company or any subsidiary.

No shares were issued during the financial year to which this report related by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

Audit Committee

The audit committee at the end of the financial year comprises the following members:

Choong Chow Siong (Chairman) - Resigned on 7 January 2019
Wu Chiaw Chiang (Chairman) - Appointed on 7 January 2019
Yong Siak Hoong
Yip Shee Yin

The audit committee performs the functions set out in Section 201B (5) of the Companies Act, Cap.50, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the committee reviewed the following:

- overall scope of both internal and external audits and the, assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditors.
- met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;
- reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- reviewed the cost effectiveness and the independence and objectivity of the external auditor;

DIRECTORS' STATEMENT

for the financial year ended 31 December 2018

Audit Committee (Cont'd)

- reviewed the nature and extent of non-audit services provided by the external auditor;
- reviewed statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 as well as the auditor's report thereon; and
- reviewed interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The audit committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The audit committee is satisfied with the independence and objectivity of the external auditor and has recommended to The Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit Committee are provided in the Report on Corporate Governance.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Independent auditor

The independent auditor, Foo Kon Tan LLP, Chartered Accountants has expressed its willingness to accept re-appointment.

On behalf of the Directors

FAN CHEE SENG

WONG MING KWONG

Dated: 10 April 2019

INDEPENDENT AUDITORS' REPORT

to the members of DLF Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DLF Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Accounting for projects - Revenue recognition, recoverability of contract work balances (Note 3) to the financial statements)

Risk:

Revenue recognition of projects requires management's use of estimates in identification of performance obligations, assessment of the number of performance obligations and whether they are satisfied over time or a point in time, determination of an appropriate method to measure progress of the project for revenue recognition.

Revenue from performance obligations satisfied over time is recognised using the percentage of completion ("POC") method. The stage of completion is certified by third party quantity surveyors and measured by reference to the value of the project costs incurred to date to the estimated total costs to complete the project. Significant judgements are required to determine the total project costs which include estimation for variation works and any other claims from contractors. Any changes to the estimated total project costs will impact the POC method.

INDEPENDENT AUDITORS' REPORT

to the members of DLF Holdings Limited

Key Audit Matters (Cont'd)

Our response:

We read the contracts signed with customers for significant contracts and engaged management to obtain an understanding of the performance obligations of the Group and its contractual rights. We discussed with management to assess whether the criteria for recognising revenue over time or a point in time are met, taking into consideration the contractual terms.

We evaluated the Group's estimated total project costs, taking into consideration costs incurred to date, estimated costs to completion, project progress and any deviation in project cost components which could lead to cost overruns.

We tested the arithmetic accuracy of project revenues and profits based on the stage of completion calculations.

We also considered the adequacy of the disclosure in the financial statements, regarding the inherent degree of subjectivity and key assumptions in the estimates.

Impairment assessment of trade receivables

Risk:

As at 31 December 2018, the Group's trade receivables of \$4,766,983 was significant to the Group as it accounted for 45.7% of the Group's total assets.

Significant judgements and assumptions, including the credit risks of customers and the timing and amount of realisation of debts, are used in performing an assessment and measures the impairment loss on trade receivables.

Our response:

We analysed the aging of trade receivables, requested trade receivables balance confirmations, and tested subsequent receipts of trade receivables post balance sheet date.

We also assessed the recoverability of the trade receivables on a sample basis through our evaluation of management's assessment with reference to, amongst others, the credit profile of the customers, historical payment pattern of customers, publicly available information and latest correspondence with customers.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

The Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate actions in accordance with SSAs.

INDEPENDENT AUDITORS' REPORT

to the members of DLF Holdings Limited

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

to the members of DLF Holdings Limited

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Toh Kim Teck.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 10 April 2019

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2018

	Note	The Group			The Company		
		31 December 2018	31 December 2017 Restated	1 January 2017	31 December 2018	31 December 2017	1 January 2017
		\$	\$	\$	\$	\$	\$
ASSETS							
Non-Current Assets							
Subsidiaries	5	–	–	–	4,993,204	4,913,204	4,913,204
Deferred tax assets	6	9,789	–	–	–	–	–
Property, plant and equipment	7	1,918,500	1,948,508	1,976,727	–	–	–
Total non-current assets		1,928,289	1,948,508	1,976,727	4,993,204	4,913,204	4,913,204
Current Assets							
Trade and other receivables	8	6,107,265	5,743,034	7,451,929	2,849,518	–	–
Contract assets	9	1,296,287	463,208	518,343	–	–	–
Cash and bank balances	10	1,101,650	903,578	972,342	682,415	100	100
Total current assets		8,505,202	7,109,802	8,942,614	3,531,933	100	100
Total assets		10,433,491	9,058,328	10,919,341	8,525,137	4,913,304	4,913,304
EQUITY AND LIABILITIES							
Capital and Reserves							
Share capital	11	9,499,017	4,913,304	4,913,304	9,499,017	4,913,304	4,913,304
Reserves	12	(2,621,264)	(2,632,363)	(2,618,738)	–	–	–
(Accumulated losses)/ Retained earnings		(773,983)	571,945	(393,891)	(2,853,174)	(49,691)	–
Total equity attributable to owners of the Company		6,103,770	2,852,886	1,900,675	6,645,843	4,863,613	4,913,304
Non-controlling interests		121,118	–	–	–	–	–
Total equity		6,224,888	2,852,886	1,900,675	6,645,843	4,863,613	4,913,304
Non-current Liabilities							
Borrowings	13	377,253	609,094	–	–	–	–
Finance lease liabilities	14	130,527	103,528	166,186	–	–	–
Deferred tax liabilities	6	5,111	–	–	–	–	–
Total non-current liabilities		512,891	712,622	166,186	–	–	–
Current Liabilities							
Trade and other payables	15	2,117,812	3,807,308	6,310,732	1,879,294	49,691	–
Contract liabilities	9	–	–	961,932	–	–	–
Borrowings	13	791,045	893,232	1,059,990	–	–	–
Finance lease liabilities	14	47,930	75,953	62,815	–	–	–
Current tax liabilities		738,925	716,327	457,011	–	–	–
Total current liabilities		3,695,712	5,492,802	8,852,480	1,879,294	49,691	–
Total liabilities		4,208,603	6,205,442	9,018,666	1,879,294	49,691	–
Total equity and liabilities		10,433,491	9,058,328	10,919,341	8,525,137	4,913,304	4,913,304

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2018

	Note	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
Revenue	4	18,250,296	21,512,183
Cost of sales		(14,652,468)	(16,044,563)
Gross profit		3,597,828	5,467,620
Other operating income	16	66,180	224,134
Selling and distribution expenses		(27,815)	(21,337)
Administrative expenses		(4,041,824)	(1,629,479)
Impairment loss on trade receivables		(200,791)	-
Other operating expenses	17	(308,270)	(92,437)
Finance costs	18	(106,309)	(79,685)
(Loss)/profit before taxation	19	(1,021,001)	3,868,816
Tax expense	21	(223,809)	(501,902)
(Loss)/profit for the year		(1,244,810)	3,366,914
Other comprehensive income, at net tax:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		11,099	(13,625)
Total comprehensive (loss)/income for the year		(1,233,711)	3,353,289
(Loss)/Profit attributable to:			
Owners of the Company		(1,345,928)	3,366,914
Non-controlling interests		101,118	-
		(1,244,810)	3,366,914
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(1,334,829)	3,353,289
Non-controlling interests		101,118	-
		(1,233,711)	3,353,289
		Cents	Cents
(Loss)/earnings per share			
Basic and diluted	22	(1.13)	2.87

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2018

	Share capital \$	Other reserve \$	Currency translation reserve \$	(Accumulated losses)/ Retained earnings \$	Equity attributable to owners of the parent \$	Non- controlling interests \$	Total Equity \$
At 1 January 2017	4,913,204	(2,888,997)	270,259	(393,891)	1,900,675	-	1,900,675
Total comprehensive income for the year:							
Profit for the year	-	-	-	3,366,914	3,366,914	-	3,366,914
Other comprehensive income							
Foreign currency translation differences	-	-	(13,625)	-	(13,625)	-	(13,625)
Total comprehensive income for the year	-	-	(13,625)	3,366,914	3,353,289	-	3,353,289
Contributions by and distributions to owners:							
Waiver of advance to former shareholders of subsidiaries	-	-	-	(2,401,078)	(2,401,078)	-	(2,401,078)
Total transactions with owners, recognised directly in equity	-	-	-	(2,401,078)	(2,401,078)	-	(2,401,078)
At 31 December 2017	4,913,304	(2,888,997)	256,634	571,945	2,852,886	-	2,852,886
At 1 January 2018	4,913,304	(2,888,997)	256,634	571,945	2,852,886	-	2,852,886
Total comprehensive income for the year:							
Loss for the year	-	-	-	(1,345,928)	(1,345,928)	101,118	(1,244,810)
Other comprehensive income							
Foreign currency translation differences	-	-	11,099	-	11,099	-	11,099
Total comprehensive income for the year	-	-	11,099	(1,345,928)	(1,334,829)	101,118	(1,233,711)
Contributions by and distributions to owners:							
Issuance of shares	4,585,713	-	-	-	4,585,713	-	4,585,713
Issue of shares to non-controlling interests	-	-	-	-	-	20,000	20,000
Total transactions with owners, recognised directly in equity	4,585,713	-	-	-	4,585,713	20,000	4,605,713
At 31 December 2018	9,499,017	(2,888,997)	267,733	(773,983)	6,103,770	121,118	6,224,888

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2018

	Note	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
Cash Flows from Operating Activities			
(Loss)/profit before income tax		(1,021,001)	3,868,816
Adjustments for:			
Depreciation of property, plant and equipment	7	156,540	134,836
Impairment loss on trade receivables	8	200,791	–
Interest income	16	(90)	(693)
Interest expense	18	106,309	79,685
Property, plant and equipment written off	17	24,120	–
Share-based payments made for initial public offer		495,423	–
Operating (loss)/profit before working capital changes		(37,908)	4,082,644
Change in contract assets and liabilities		(783,079)	(652,802)
Change in trade and other receivables		(735,678)	174,701
Change in trade and other payables		(1,439,496)	(2,412,189)
Cash (used in)/generated from operations		(2,996,161)	1,192,354
Income tax paid		(476,508)	(286,804)
Net cash (used in)/generated from operating activities		(3,472,669)	905,550
Cash Flows from Investing Activities			
Purchase of property, plant and equipment (Note A)		(71,872)	(96,817)
Advance to former shareholders of subsidiaries		–	(1,466,664)
Interest received		90	693
Net cash used in investing activities		(71,782)	(1,562,788)
Cash Flows from Financing Activities			
(Repayment of)/proceeds from bank loan		(208,438)	808,840
Proceeds from bills payable		–	145,085
Proceeds from initial public offering		4,255,000	–
Repayment of bills payable		(145,085)	(500,000)
Repayment of finance leases		(79,804)	(78,920)
Advance from shareholder		–	320,219
Interest paid		(106,309)	(79,685)
Net cash generated from financing activities		3,715,364	615,539
Net increase/(decrease) in cash and cash equivalents		170,913	(41,699)
Cash and cash equivalents at beginning of the year		355,177	412,352
Effect of exchange rate changes on balances held in foreign currencies		7,664	(15,476)
Cash and cash equivalents at end of the year	10	533,754	355,177

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2018

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Year ended 31 December 2018	Year ended 31 December 2017
	\$	\$
Cash and bank balances	1,101,650	903,578
Less: Bank overdrafts	(567,896)	(548,401)
	533,754	355,177

Notes:

A. Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$150,652 (2017 - \$126,217) of which \$78,780 (2017 - \$29,400) was acquired by means of finance leases. Cash payments of \$71,872 (2017 - \$96,817) were made to purchase property, plant and equipment.

The following is the disclosures of the reconciliation of liabilities arising from financing activities, excluding equity items:

	As at 1 January 2018	Proceeds from loans/ advances	Repayment	As at 31 December 2018
	\$	\$	\$	\$
Finance lease	179,481	78,780	(79,804)	178,457
Bill payable	145,085	-	(145,085)	-
Bank loans	808,840	-	(208,438)	600,402

	As at 1 January 2017	Proceeds	Repayment	As at 31 December 2017
	\$	\$	\$	\$
Finance lease	229,001	29,400	(78,920)	179,481
Bill payable	500,000	145,085	(500,000)	145,085

Significant non-cash transactions:

	Year ended 31 December 2018	Year ended 31 December 2017
	\$	\$
Waiver of advance to former shareholders of subsidiaries	-	2,401,078

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

1 General information

The financial statements of the Group and of the Company for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company was incorporated as a private limited company and domiciled in Singapore.

The registered office and place of business is located at 16 Jalan Kilang Timor, #02-05 Redhill Forum, Singapore 159308.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 5.

2 Restructuring Exercise

The Group undertook the following transactions as part of a restructuring exercise (the "Restructuring Exercise") implemented in October 2017 in preparation for its listing (the "Listing") on the Catalist Board of the Singapore Exchange Securities Trading PTE LTD.

The Restructuring Exercise involved the following:

(a) Acquisition of ACMES-Kings by Mr Manfred Fan

On 6 October 2017, Mr Manfred Fan entered into a sale and purchase agreement with Mr Wong Yai Mow for the acquisition of the entire issue share capital of ACMES-Kings for a consideration of S\$968,403.60 taking into account the net asset value of the company.

The consideration was satisfied by way of (a) a set-off of an existing loan of \$972,492 owing by Mr Wong Yai Mow to Mr Manfred Fan under the terms of a promissory note which was issued by Mr Wong Yai Mow on 31 August 2017; and (b) the issue and allotment of 40,000 Shares to Mr Wong Yai Mow under the letter of redirection as described in the following sub-paragraph (b) below.

(b) Acquisition of DLF Pte. Ltd. ("DLF"), DLF Engineering and ACMES-Kings by our Company

On 6 October 2017, our Company entered into a sale and purchase agreement with Mr Manfred Fan and Mr Wong Ming Kwong, for the acquisition of the entire issued share capital of DLF, DLF Engineering and ACMES-Kings at a consideration of \$4,913,203.60 taking into account the net asset value of the companies. The consideration was satisfied by the issue and allotment of an aggregate of 999,900 Shares to Mr Manfred Fan and Mr Wong Ming Kwong.

Under the letter of redirection issued by Mr Manfred Fan on 6 October 2017 to our Company, our Company issued and allotted 40,000 Shares to Mr Wong Yai Mow. Accordingly, Mr Manfred Fan, Mr Wong Ming Kwong and Mr Wong Yai Mow each hold 51.0%, 45.0% and 4.0% of the share capital of our Company respectively following the completion of the acquisition of DLF, DLF Engineering and ACMES-Kings by our Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2 Restructuring Exercise (Cont'd)

Prior to the Restructuring Exercise and during the financial year ended 31 December 2017, the Relevant Business Assets and the Relevant Subsidiaries were controlled by Mr Manfred Fan, the Controlling Shareholder.

The above Restructuring Exercise is considered to be a business combination involving entities or businesses under common control and is accounted for by applying the pooling of interests method. Accordingly, the assets and liabilities of these businesses and entities transferred have been included in the consolidated financial statements at their carrying amounts. Although the Restructuring Exercise occurred on 5 October 2017, the consolidated financial statements present the financial position and financial performance as if the businesses had always been consolidated since the beginning of the earliest period presented.

The financial statements have been prepared on a going concern basis. The Group incurred losses and total comprehensive loss of \$1,244,810 and \$ 1,233,711, respectively, and reported net operating cash outflows of \$3,472,669 for the financial year ended 31 December 2018.

During the financial year ended 31 December 2018, the Group incurred non-recurring listing expenses of \$1,371,343. As at 31 December 2018, the Group's and the Company had net current assets of \$4,809,490 and \$1,652,639, and net assets of \$6,224,888 and \$6,645,843, respectively.

The directors of the Company believe that it is appropriate to use the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2018.

3(a) Basis of preparation

The financial statements are prepared in accordance with SFRS(I). SFRS(I) *1 First-time Adoption of International Financial Reporting Standards* has been applied in preparing these financial statements promulgated by the Accounting Standards Council ("ASC"). These consolidated financial statements are the first financial statements to be prepared in accordance with SFRS(I) financial statements.

The Group's consolidated financial statements until 31 December 2017 had been prepared in accordance with Singapore Financial Reporting Standards. Singapore Financial Reporting Standards differ in certain respects from SFRS(I). Please refer to Note 3(b) for the reconciliation of the Group's equity and profit or loss reported in accordance with SFRS to SFRS(I).

These consolidated financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

The preparation of financial statements in conformity with SFRS(I) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3(a) (Significant accounting estimates and judgements).

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information has been presented in Singapore dollars, unless otherwise stated.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements (Cont'd)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The critical accounting estimates and assumptions used and areas involving a significant judgement are described below.

Significant judgements in applying accounting policies

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

Income taxes (Note 21)

Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Critical accounting estimates and assumptions used in applying accounting policies

Revenue recognition

The Group recognises revenue from projects as the project progresses using the percentage-of-completion method. The percentage of completion is estimated by reference to the stage of completion based on the value of the costs incurred to date as certified by third party quantity surveyors and the estimated total project costs to complete. Significant judgement is required in determining the estimated total contract costs which include contracts awarded, estimation of variation works, if any, and the experience of qualified project managers.

If project costs to be incurred increased 3% from management's estimates, the Group's loss for the year before tax would have increased by \$188,000 (2017 – profit for the year before tax would have decreased by \$295,000).

Impairment of financial assets and contract assets (Note 8.9)

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a contract asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as current credit standing, payment history, probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements (Cont'd)

Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

Impairment of financial assets and contract assets (Note 8,9) (Cont'd)

The Group's and the Company's carrying amount of financial assets and contract assets at the reporting date amounted to \$6,989,759 (31 December 2017 - \$5,672,421, 1 January 2017 - \$7,555,537).

Depreciation of property, plant and equipment (Note 7)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

A 5% (2017 - 5%) difference in the expected useful lives of these assets from management's estimates would result in approximately 0.7% (2017 - 0.2%) variance in the Group's profit or loss for the financial year. The Group's carrying amount of property, plant and equipment at the reporting date amounted to \$1,918,500 (31 December 2017 - \$1,948,508, 1 January 2017 - \$1,976,727).

Impairment of non-financial assets (Note 7)

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets and, where applicable, cash generating units, have been determined based on adjusted fair value and value-in-use calculations. These calculations require the use of estimates. Estimating the recoverable amount requires the Group to make estimates of the expected future cash flows from the cash-generating unit and use estimates and assumptions such as future market growth, forecast revenue and costs, useful lives of utilisation of the assets, discount rates and other factors.

Income taxes (Note 21)

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issue based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3(b) Adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)")

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017), and for total comprehensive income

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(b) Adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (Cont'd)

and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017). Additional disclosures are made for specific transition adjustments if applicable.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 Revenue from Contracts with Customers which includes clarifications to SFRS(I) 15 Revenue from Contracts with Customers;
- SFRS(I) 9 Financial Instruments which includes amendments arising from SFRS(I) 4 Insurance Contracts;
- requirements in SFRS(I) 2 Share-based Payment arising from the amendments to IFRS 2 – Classification and measurement of share-based payment transactions;
- requirements in SFRS(I) 1-40 Investment Property arising from the amendments to IAS 40 – Transfers of investment property;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – Deletion of short-term exemptions for first-time adopters;
- requirements in SFRS(I) 1-28 Investments in Associates and Joint Ventures arising from the amendments to IAS 28 – Measuring an associate or joint venture at fair value; and
- SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration.

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

Management did not elect any of the optional exemptions available under SFRS(I) 1. Therefore, the adoption of SFRS(I) does not have a material effect on the financial statements.

The accounting policies set out in note 3(d) have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions under SFRS(I) 1.

(1) SFRS(I) 9 Classification of financial assets

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, fair value through other comprehensive income ("FVOCI") – debt instrument, FVOCI – equity instrument; or fair value through profit or loss ("FVTPL"). The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(b) Adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (Cont'd)

(1) SFRS(I) 9 Classification of financial assets (Cont'd)

The following table below explains the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for the Group's financial assets related to equity investments as at 1 January 2018.

			31 December 2017	1 January 2018
	Original classification under FRS 39	New classification under SFRS(I) 9	Original carrying amount under FRS 39 \$	New carrying amount under SFRS(I) 9 \$
The Group				
Trade and other receivables	Loans and receivables	Amortised cost	5,209,213	5,209,213
Cash and bank balances	Loans and receivables	Amortised cost	903,578	903,578
			6,112,791	6,112,791

(2) Presentation of contract assets and liabilities

Under SFRS(I) 15, consideration receivable for work performed (net of progress billings to be billed to customers) is recognised as contract assets. A contract liability is recognised if the progress billings invoiced are ahead of the percentage of completion of performance obligations.

The following table below explains the original presentation under FRS framework and new presentation under SFRS(I) framework for the Group's financial assets and liabilities related to amounts owing by/to contract customers as at 1 January 2018.

Original presentation under FRS frame-work	New presentation under SFRS(I) frame-work	31 December 2017 \$	1 January 2018 \$
Amounts owing by contract customers	Contract assets	463,208	463,208
Amounts owing to contract customers	Contract liabilities	-	-

The reclassifications on the statement of financial position did not have any effect on statement of changes in equity and statement of comprehensive income for the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(c) Standards issued but not yet effective

The following are the new or amended SFRS(I) and SFRS(I) INT issued in 2018 that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual Periods beginning on)
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 3	Amendments to SFRS(I) 3: Definition of a Business	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020

SFRS(I) 16 Leases

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases – Incentives and SFRS(I) INT 1-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group has performed a preliminary assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group has office equipment, motor vehicle, car park and warehouse storage where they are operating leases. The Group expects these operating leases to be recognised as right-of-use assets with corresponding lease liabilities under the new standard. Management does not plan to early adopt the above new SFRS(I) 16.

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

SFRS(I) 3 Amendments to SFRS(I) 3: Definition of a Business

On 11 March 2019, ASC issued the narrow-scope amendments to SFRS(I) 3 Business Combinations to improve the definition of a business. The amendments narrowed and clarified the definition of a business.

They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(c) Standards issued but not yet effective(Cont'd)

SFRS(I) 3 Amendments to SFRS(I) 3: Definition of a Business (Cont'd)

The amendments to SFRS(I) 3 should apply for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, with earlier application permitted.

SFRS(I) 1-1, SFRS(I) 1-8 Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material

The amendments clarify that the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in SFRS(I) Standards. Materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary user.

The amendments to SFRS(I) 1-1 and SFRS(I) 1-8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

3(d) Summary of significant accounting policies

Basis of consolidation and business combinations

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

Subsidiary

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Basis of consolidation and business combinations (Cont'd)

Basis of consolidation (Cont'd)

Subsidiary (Cont'd)

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in ownership interests in subsidiaries without change of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Basis of consolidation and business combinations (Cont'd)

Basis of consolidation (Cont'd)

Changes in ownership interests in subsidiaries resulting in loss of control

When the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business combinations and goodwill

The acquisition method of accounting is used to account for business combinations entered into by the Group. The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Basis of consolidation and business combinations (Cont'd)

Business combinations and goodwill (Cont'd)

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

Business combinations involving businesses or entities under common control

Business combinations involving businesses or entities under common control are accounted for by applying the pooling of interest method which involves the following:

- Assets, liabilities, reserves, revenue and expenses of consolidated business or entities are reflected at their existing amounts;
- The retained earnings recognised in the consolidated financial statements are the retained earnings of the combining entities or businesses immediately before the combination; and
- No additional goodwill is recognised as a result of the combination.

The statement of comprehensive income reflects the results of the combining entities or businesses for the full year, irrespective of when the combination took place. Comparatives are presented as if the entities or businesses had always been combined since the date the entities or businesses had come under common control.

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is Singapore Dollars.

The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore Dollars. The choice of presentation currency is to better reflect the currency that mainly determines economic effects of transactions, events and conditions of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Basis of consolidation and business combinations (Cont'd)

Conversion of foreign currencies

Foreign currency transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the date of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of reporting period are recognised in the profit or loss, unless they arise from borrowings in foreign currencies and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions.

Group entities

The results and financial position of all the Group entities (*none of which has the currency of a hyperinflationary economy*) and the Company that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities (including comparatives) are translated at the closing exchange rates at the end of reporting period;
- (ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of transactions; and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses, if any. Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Property	20 years
Motor Vehicles	1 to 10 years
Computers	2 to 3 years
Office equipment	2 to 5 years
Furniture, fixture and fittings	2 to 3 years
Air conditioners	5 years
Renovations	2 to 3 years
Tool and equipment	2 to 3 years

The Group's 999-year leasehold land is not depreciated.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before that expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment and depreciation (Cont'd)

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the income statement.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

Investment in subsidiaries

In the Company's separate financial statements, investment in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

- **Financial assets**

Initial recognition and measurement

Financial assets are recognised when, only when the entity becomes party to the contractual provisions of the instruments.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition. Refer to the accounting policies in this section Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (OCI), it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchase or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Financial instruments (Cont'd)

• Financial assets (Cont'd)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated as fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Subsequent measurement of debt instruments depends on the Group's business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets at amortised cost includes trade receivables, and contract assets.

Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de- recognised.

Financial assets designated as fair value through other comprehensive income (OCI) (equity instruments)

The Group subsequently measures all equity instruments at fair value. On initial recognition of an equity instruments that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. The classification is determined on an instrument – by – instrument basis. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Financial instruments (Cont'd)

- **Financial assets (Cont'd)**

Subsequent measurement (Cont'd)

Financial assets designated as fair value through other comprehensive income (OCI) (equity instruments) (Cont'd)

Changes in fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Changes in fair value of financial assets at FVOCI are recognised in OCI are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit and loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

Financial assets fair value through profit and loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss statement in the period in which it arises. Interest income from these financial assets is included in the finance income.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investment which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity instruments are also recognised as other income in the statement of comprehensive income when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Financial instruments (Cont'd)

• Financial assets (Cont'd)

Derecognition (Cont'd)

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section **Financial Instruments – initial recognition and subsequent measurement**.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from customer. If customer pays consideration before the Group transfers good or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Non-derivative financial liabilities

Initial recognition and measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs.

Subsequent measurement

They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

Individual assets or cash-generating units are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation.

Impairment losses recognised for cash-generating units, are charged pro rata to the assets in the cash-generating unit.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profits, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared because of the constitution of the Company which grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as a reduction of rental expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors are considered key management personnel.

Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the asset.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer who makes strategic resources allocation decisions.

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Related parties (Cont'd)

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Project revenue

Revenue from project is recognised by reference to the stage of completion when it can be measured reliably. The stage of completion is determined based on proportion of total contract costs incurred to-date and the estimated costs to complete.

Where the project outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service income is recognised when the services are rendered to customers.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Revenue recognition (Cont'd)

Revenue from sale of goods/services rendered

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods and acceptance by customers. Revenue from services is recognised when services are rendered and accepted by customers.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated cost or the possible return of goods.

4 Revenue

	Year ended 31 December 2018	Year ended 31 December 2017
	\$	\$
The Group		
Project revenue	3,554,627	11,118,192
Turnkey contracting services	10,311,024	10,393,991
Project management services	4,384,645	-
	18,250,296	21,512,183
Timing of revenue recognition		
At a point in time	14,695,669	10,393,991
Overtime	3,554,627	11,118,192
	18,250,296	21,512,183
Geographical segments		
Singapore	7,939,272	11,118,192
Maldives	10,311,024	10,393,991
	18,250,296	21,512,183

5 Subsidiaries

	31 December 2018	31 December 2017	1 January 2017
	\$	\$	\$
The Company			
Unquoted equity investments, at cost	4,993,204	4,913,204	4,913,204

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

5 Subsidiaries (Cont'd)

Details of the Group's subsidiaries are set out below:

Name	Principal activities	Country of Incorporation	Percentage of interest held		
			31 December 2018	31 December 2017	1 January 2017
DLF Pte. Ltd. ⁽¹⁾	Procurement of equipment and components such as offloading hoses and the provision of logistic services to offshore oil rigs	Singapore	100%	100%	100%
DLF Engineering Pte Ltd ⁽¹⁾	Provision of building and construction services	Singapore	100%	100%	100%
ACMES-Kings Corporation Pte. Ltd. ⁽¹⁾	Provision of plumbing, non-electric heating and air-conditioning services	Singapore	100%	100%	100%
ACMES Properties Pte Ltd ⁽¹⁾	Property owning	Singapore	100%	100%	100%
ACMES-Power Building Services Pte Ltd ⁽¹⁾	General contractors (building construction including major upgrading works)	Singapore	100%	100%	100%
DLF Prosper Venture Pte Ltd ("DLFPV")	Installation of industrial machinery and equipment, mechanical engineering works	Singapore	80%	–	–

(1) Audited by Foo Kon Tan LLP

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

5 Subsidiaries (Cont'd)

Summarised financial information in respect of the non-controlling interest (NCI) in the Group's non-100% owned subsidiary, where ownership interest is not adjusted for, is set out below:

The Group	DLFPV \$	Total \$
31 December 2018		
Current assets	1,167,582	1,167,582
Current liabilities	561,992	561,992
Net assets	605,590	605,590
Net assets attributable to NCI	121,118	121,118
Revenue	4,384,645	4,384,645
Profit for the year	505,591	505,591
Other comprehensive income ("OCI")	-	-
Total comprehensive income	505,591	505,591
Attributable to NCI:		
- Profit	101,182	101,182
- OCI	-	-
Total comprehensive income	101,182	101,182
Cash flows used in operating activities	(1,720)	(1,720)
Cash flows used in investing activities	(600,000)	(600,000)
Cash flows generated from financing activities	(601,720)	(601,720)
Net (decrease)/ increase in cash and cash equivalents	-	-

6 Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

Deferred tax assets are attributable to the following:

	The Group			The Company		
	31 December 2018 \$	31 December 2017 \$	1 January 2017 \$	31 December 2018 \$	31 December 2017 \$	1 January 2017 \$
Deferred tax assets						
Trade receivables	9,789	-	-	-	-	-
Deferred tax liabilities						
Property, plant and equipment	5,111	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

6 Deferred tax assets and liabilities (Cont'd)

Movement in temporary differences during the year:

	The Group		The Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Deferred tax assets				
At 1 January	-	-	-	-
Recognised in profit or loss	9,789	-	-	-
At 31 December	9,789	-	-	-
Deferred tax liabilities				
At 1 January	-	-	-	-
Recognised in profit or loss	5,111	-	-	-
At 31 December	5,111	-	-	-

Settlement of deferred tax assets and liabilities is as follows:

	The Group			The Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	\$	\$	\$	\$	\$	\$
<u>To be settled within one year</u>						
Deferred tax assets	9,789	-	-	-	-	-
<u>To be settled after one year</u>						
Deferred tax liabilities	5,111	-	-	-	-	-

7 Property, plant and equipment

	999-year leasehold land	Leasehold property	Motor vehicles	Computers	Office equipment	Furniture, fixture and fittings	Air conditioners	Renovations	Total
The Group	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
At 1 January 2017	1,130,000	200,000	922,162	69,639	58,717	188,566	6,500	24,753	2,600,337
Additions	-	-	36,800	60,917	28,500	-	-	-	126,217
Write-off	-	-	(58,800)	-	-	-	-	-	(58,800)
At 31 December 2017	1,130,000	200,000	900,162	130,556	87,217	188,566	6,500	24,753	2,667,754
Additions	-	-	78,780	4,631	-	25,358	-	41,883	150,652
Write-off	-	-	(127,304)	-	-	-	-	-	(127,304)
At 31 December 2018	1,130,000	200,000	851,638	135,187	87,217	213,924	6,500	66,636	2,691,102
Accumulated depreciation									
At 1 January 2017	-	15,417	270,953	58,945	58,476	188,566	6,500	24,753	623,610
Depreciation charges	-	10,000	100,351	18,545	5,940	-	-	-	134,836
Write-off	-	-	(39,200)	-	-	-	-	-	(39,200)
At 31 December 2017	-	25,417	332,104	77,490	64,416	188,566	6,500	24,753	719,246
Depreciation charges	-	10,000	111,892	24,508	5,700	2,113	-	2,327	156,540
Write-off	-	-	(103,184)	-	-	-	-	-	(103,184)
At 31 December 2018	-	35,417	340,812	101,998	70,116	190,679	6,500	27,080	772,602
Carrying amounts									
At 31 December 2018	1,130,000	164,583	510,826	33,189	17,101	23,245	-	39,556	1,918,500
At 31 December 2017	1,130,000	174,583	568,058	53,066	22,801	-	-	-	1,948,508
At 1 January 2017	1,130,000	184,583	651,209	10,694	241	-	-	-	1,976,727

At 31 December 2018, property and land with carrying amounts of \$1,294,583 (31 December 2017: \$1,304,583, 1 January 2017: \$1,314,583) are mortgaged to banks to secure the bank loans granted to the Group (Note 13).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

8 Trade and other receivables

	The Group			The Company		
	31 December 2018 \$	31 December 2017 Restated \$	1 January 2017 \$	31 December 2018 \$	31 December 2017 \$	1 January 2017 \$
Trade receivables	4,967,774	4,960,975	5,366,785	-	-	-
Impairment of trade receivables	(200,791)	-	-	-	-	-
	4,766,983	4,960,975	5,366,785	-	-	-
Other receivables	642	-	1,000	-	-	-
Amount due from subsidiaries	-	-	-	2,849,518	-	-
Amount due from former shareholders of subsidiaries	-	-	1,478,681	-	-	-
Loan to non-controlling interest	280,388	-	-	-	-	-
Loan to non-controlling interest's holding company	300,000	-	-	-	-	-
Deposits	345,459	248,238	190,728	-	-	-
	5,693,472	5,209,213	7,037,194	2,849,518	-	-
Advance payment to suppliers	392,145	368,736	257,443	-	-	-
Prepaid income tax	-	145,760	120,529	-	-	-
Prepayments	21,648	19,325	36,763	-	-	-
	6,107,265	5,743,034	7,451,929	2,849,518	-	-

The non-trade amounts and loan due from related parties are unsecured, interest-free and repayable on demand.

Trade receivables have credit terms of between 30 and 90 (2017: 30 and 90, 2016: 30 and 90) days.

Trade and other receivables are denominated in the following currencies:

	The Group			The Company		
	31 December 2018 \$	31 December 2017 \$	1 January 2017 \$	31 December 2018 \$	31 December 2017 \$	1 January 2017 \$
Singapore dollar	2,418,787	1,712,893	3,214,672	2,849,518	-	-
United States dollar	3,274,685	3,496,320	3,822,522	-	-	-
	5,693,472	5,209,213	7,037,194	2,849,518	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

8 Trade and other receivables (Cont'd)

The ageing of trade receivables that are past due but not impaired at the reporting date is as follows:

	The Group			The Company		
	31 December 2018 \$	31 December 2017 \$	1 January 2017 \$	31 December 2018 \$	31 December 2017 \$	1 January 2017 \$
Past due but not impaired:						
- less than 3 months	1,238,192	2,173	4,332,848	-	-	-
- 3 months to less than 6 months	5,725	98,885	33,980	-	-	-
- 6 months to less than 9 months	1,262,703	5,491	3,585	-	-	-
- 9 months to less than 12 months	1,763,060	633,992	778,124	-	-	-
	4,269,680	740,541	5,148,537	-	-	-

Movements in allowance for impairment

	The Group		The Company	
	2018 \$	2017 \$	2018 \$	2017 \$
Allowance for impairment				
At 1 January	-	-	-	-
Allowance made	200,791	-	-	-
At 31 December	200,791	-	-	-

9 Contract assets and liabilities

	The Group			The Company		
	31 December 2018 \$	31 December 2017 Restated \$	1 January 2017 \$	31 December 2018 \$	31 December 2017 \$	1 January 2017 \$
Contract assets						
Analysed as: Current	1,296,287	463,208	518,343	-	-	-

Analysis of credit risk is set out in Note 25.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

9 Contract assets and liabilities (Cont'd)

	The Group			The Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	\$	\$	\$	\$	\$	\$
Contract liabilities						
Analysed as:						
Current	-	-	961,932	-	-	-

Contract liabilities represent amounts of consideration billed to customers prior to completion of the performance obligation.

Revenue recognised during the year ended 31 December 2018 that was included in the contract liabilities balance at the beginning of the year was \$Nil (2017: \$961,932)

10 Cash and bank balances

	The Group			The Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	\$	\$	\$	\$	\$	\$
Cash at bank	1,099,952	903,478	972,242	682,315	-	-
Cash on hand	1,698	100	100	100	100	100
	1,101,650	903,578	972,342	682,415	100	100

Cash and bank balances are denominated in the following currencies:

	The Group			The Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	\$	\$	\$	\$	\$	\$
Singapore dollar	821,154	540,291	290,586	669,211	100	100
United States dollar	280,496	363,287	681,756	13,204	-	-
	1,101,650	903,578	972,342	682,415	100	100

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

10 Cash and bank balances (Cont'd)

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	31 December 2018	31 December 2017
The Group	\$	\$
Cash and bank balances	1,101,650	903,578
Less: Bank overdrafts (Note 13)	(567,896)	(548,401)
	533,754	355,177

11 Share capital

	The Group and the Company			
	2018	2017	2018	2017
	Number of ordinary shares		\$	\$
Ordinary shares issued and fully paid, with no par value				
At 1 January	1,000,000	1,000,000	4,913,304	4,913,304
- Share split	99,000,000	-	-	-
Issuance of shares to service provider of IPO	2,608,700	-	600,000	-
Issuance of shares pursuant to IPO	18,500,000	-	3,985,713	-
At 31 December	121,108,700	1,000,000	9,499,017	4,913,304

Share capital refers to shares issued to the controlling shareholders pursuant to the Restructuring Exercise as described in Note 2, which is deemed to have taken place since the beginning of the earliest period presented.

During the financial year ended 31 December 2018:

- the Company sub-divided each ordinary share into 99 ordinary shares each prior to the Listing; and
- the Company issued 2,608,700 at \$0.23 per share to the sponsor/issue manager as part of the consideration for their services rendered in connection with the Listing; and
- the Company issued 18,500,000 shares at \$0.23 per share in the Listing generating net proceeds of \$3,985,713 after deduction of qualifying listing expenses.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

12 Reserves

	31 December 2018	31 December 2017	1 January 2017
The Group	\$	\$	\$
Merger reserve	(2,888,997)	(2,888,997)	(2,888,997)
Foreign currency translation reserve	267,733	256,634	270,259
	(2,621,264)	(2,632,363)	(2,618,738)

Merger reserve represents the difference between the consideration paid and the issued share capital of subsidiaries under common control that are accounted for by applying the "pooling-of-interest" method pursuant to the Restructuring Exercise (Note 2).

Foreign currency translation reserve records exchange differences arising from the translation of the financial statements of a subsidiary whose functional currencies is different from that of the Group's presentation currency.

13 Borrowings

	31 December 2018	31 December 2017	1 January 2017
The Group	\$	\$	\$
Non-current liabilities			
Bank loans	377,253	609,094	-
	377,253	609,094	-
Current liabilities			
Bills payable	-	145,085	500,000
Bank overdraft	567,896	548,401	559,990
Bank loans	223,149	199,746	-
	791,045	893,232	1,059,990
	1,168,298	1,502,326	1,059,990

At the reporting date, bank loans comprise \$356,841 and \$243,561 bearing variable interest and weighted average fixed interest rate of 2.25% (2017 - 2.25%) and 6.6% (2017 - 6.6%) per annum, respectively. Bank overdraft bears interest at 0.57% (2017 - 0.57%) per annum and is secured by a banker's guarantee.

At 31 December 2017, bills payable bore interest at 5.75% (1 January 2017: 5.75%) per annum.

The loans are secured by the Group's leasehold property and land (Note 7) and personal guarantee of a director of a subsidiary.

Borrowings are denominated in Singapore dollars.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

14 Finance lease liabilities

	31 December 2018	31 December 2017	1 January 2017
	\$	\$	\$
The Group			
Future minimum lease payments:			
- Within one year	49,889	76,869	72,077
- Between one and five years	123,891	103,528	158,700
- More than five years	15,875	-	-
	189,655	180,397	230,777
Interest	(11,198)	(916)	(1,776)
Present value of minimum lease payments	178,457	179,481	229,001
Present value of minimum lease payments:			
Current			
- Within one year	47,930	75,953	62,815
Non-current			
- Between one and five years	130,527	103,528	166,186
	178,457	179,481	229,001

Finance lease liabilities are denominated in Singapore dollars.

15 Trade and other payables

	The Group			The Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	\$	Restated \$	\$	\$	\$	\$
Trade payables	1,161,054	2,443,068	5,515,169	-	-	-
Other payables	-	36,045	33,322	93,968	1,915	-
Amount due to director	18,018	-	-	18,018	16,120	-
Amount due to subsidiary	-	-	-	1,418,630	-	-
Amount due to shareholder	-	-	224,048	-	-	-
Loan from third-party	-	250,000	-	-	-	-
Accrued expenses	840,106	987,887	383,902	348,678	31,656	-
	2,019,178	3,717,000	6,156,441	1,879,294	49,691	-
Goods and services tax payable	98,634	90,308	154,291	-	-	-
	2,117,812	3,807,308	6,310,732	1,879,294	49,691	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

15 Trade and other payables (Cont'd)

Trade and other payables are denominated in the following currencies:

	The Group			The Company		
	31 December 2018 \$	31 December 2017 \$	1 January 2017 \$	31 December 2018 \$	31 December 2017 \$	1 January 2017 \$
Singapore dollar	1,657,471	2,601,437	3,515,191	1,879,294	49,691	-
United States dollar	361,707	1,115,563	2,641,250	-	-	-
	2,019,178	3,717,000	6,156,441	1,879,294	49,691	-

The non-trade amounts due to director, subsidiary and shareholder were unsecured, interest-free and repayable on demand.

The loan from third party bore interest at 18% per annum, and was unsecured and repayable in twelve equal instalments from July 2017.

16 Other operating income

	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
The Group		
Government grants	18,808	28,440
Interest income	90	693
Exchange gain	-	161,335
Sundry income	47,282	33,666
	66,180	224,134

17 Other operating expenses

	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
The Group		
Exchange loss	89,982	92,437
General expenses	17,764	-
Office supply	15,135	-
Property Tax	2,760	-
Property, plant and equipment written off	24,120	-
Repair and maintenance	35,889	-
Subscription Fee	1,233	-
Transportation	121,387	-
	308,270	92,437

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

18 Finance costs

	Year ended 31 December 2018	Year ended 31 December 2017
The Group	\$	\$
Interest expense on:		
- Finance lease liabilities	2,797	10,853
- Bills payable	-	35,360
- Bank overdraft	16,153	31,176
- Bank service charge	31,900	-
- Loans	55,459	2,296
	106,309	79,685

19 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after including:

		Year ended 31 December 2018	Year ended 31 December 2017
The Group	Note	\$	\$
Audit fees paid to auditors of the Company		110,000	200,000
Depreciation of property, plant and equipment	7	156,540	134,836
Directors' fee		64,500	-
Operating lease expense		148,942	134,836
Listing expenses (included within administrative expenses)		1,371,343	-

20 Employee benefits expense

	Year ended 31 December 2018	Year ended 31 December 2017
The Group	\$	\$
Key management personnel's remuneration		
- Short term benefits	348,000	214,000
- Defined contribution plan	9,360	26,740
	357,360	240,740
Other than key management personnel		
- Short term benefits	2,529,982	2,551,551
- Defined contribution plan	274,425	494,518
	2,804,407	3,046,069
	3,161,767	3,286,809
Employee benefits expense were included within:		
Cost of sales	1,815,127	1,900,861
Administrative expenses	1,346,640	1,385,948
	3,161,767	3,286,809

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

21 Tax expense

	Year ended 31 December 2018	Year ended 31 December 2017
The Group	\$	\$
Current tax expense		
Current year	228,487	501,902
	228,487	501,902
Deferred tax expense		
Origination and reversal of temporary differences	(4,678)	-
	(4,678)	-
	223,809	501,902

Reconciliation of tax expense

	Year ended 31 December 2018	Year ended 31 December 2017
The Group	\$	\$
(Loss)/profit before taxation	(1,021,001)	3,868,816
Tax at statutory rate of 17% (2017 - 17%)	(173,570)	657,699
Tax effect on non-deductible expenses	508,977	-
Deferred tax assets on tax losses previously not recognised	(39,748)	(32,326)
Tax grant, exemption and credit	(71,850)	(133,072)
Deferred tax assets on losses not recognised	-	9,601
	223,809	501,902

The following have not been recognised:

	Year ended 31 December 2018	Year ended 31 December 2017
The Group	\$	\$
Tax losses	53,221	298,858
Effect of deferred tax assets	9,047	50,805

Deferred tax assets have not been recognised in respect of these tax losses due to unpredictability of future profit streams. These tax losses are available for offset against future profits subject to agreement by the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

22 Earnings per share

	Year ended 31 December 2018	Year ended 31 December 2017
The Group		
(Loss)/profit attributable to owners of the Company (\$)	(1,244,810)	3,366,914
Weighted average number of ordinary shares in issue during the year	109,715,785	1,171,123
Basic and diluted (loss)/earnings per share (cents per share)	(1.13)	2.87

23 Related party transactions

Other than as disclosed elsewhere in the financial statements, transactions with related parties based on terms agreed between the parties are as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
The Group	\$	\$
Procurement of engineering and mechanical and electrical services from a firm in which a director has financial interest	-	3,862
Payment on behalf of a firm in which a director's spouse has financial interest	-	50,000

24 Operating lease commitments

	31 December 2018	31 December 2017	1 January 2017
The Group	\$	\$	\$
Not later than one year	86,450	-	-
Later than one year not later than five years	106,950	-	-
Later than five years	-	-	-
	193,400	-	-

25 Financial risk management

The Group's and the Company's financial risk management policies set out the overall business strategies and risk management philosophy. The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include: credit risk, liquidity risk, interest rate risk, and foreign currency risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

25 Financial risk management (Cont'd)

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

The carrying amounts of financial assets and financial liabilities at the reporting date by categories are as follows:

The Group	Financial assets at amortised cost \$	Financial liabilities at amortised cost \$	Total \$
31 December 2018			
Financial assets			
Trade and other receivables	5,693,472	-	5,693,472
Contract assets	1,296,287	-	1,296,287
Cash and bank balances	1,101,650	-	1,101,650
	8,091,409	-	8,091,409
Financial liabilities			
Trade and other payables	-	2,019,178	2,019,178
Borrowings	-	1,168,298	1,168,298
Finance lease liabilities	-	178,457	178,457
	-	3,365,933	3,365,933
31 December 2017			
Financial assets			
Trade and other receivables	5,209,213	-	5,209,213
Contract assets	463,208	-	463,208
Cash and bank balances	903,578	-	903,578
	6,575,999	-	6,575,999
Financial liabilities			
Trade and other payables	-	3,717,000	3,717,000
Borrowings	-	1,502,326	1,502,326
Finance lease liabilities	-	179,481	179,481
	-	5,398,807	5,398,807
1 January 2017			
Financial assets			
Trade and other receivables	7,037,194	-	7,037,194
Contract assets	518,343	-	518,343
Cash and bank balances	972,342	-	972,342
	8,527,879	-	8,527,879
Financial liabilities			
Trade and other payables	-	6,156,441	6,156,441
Contract liabilities	-	961,932	961,932
Borrowings	-	1,059,990	1,059,990
Finance lease liabilities	-	229,001	229,001
	-	8,407,364	8,407,364

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

25 Financial risk management (Cont'd)

The Company	Financial assets at amortised cost \$	Financial liabilities at amortised cost \$	Total \$
31 December 2018			
Financial assets			
Trade and other receivables	2,849,518	–	2,849,518
Cash and bank balances	682,415	–	682,415
	3,531,933	–	3,531,933
Financial liabilities			
Trade and other payables	–	1,879,294	1,879,294
31 December 2017			
Financial assets			
Cash and bank balances	100	–	100
Financial liabilities			
Trade and other payables	–	49,691	49,691
1 January 2017			
Financial assets			
Cash and bank balances	100	–	100

Credit risk

Credit risk refers to the risk that counterparties may default on their contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual growth while minimising losses arising from credit risk exposure. The Group has adopted the policy of dealing only with creditworthy counterparties. Receivable balances and payment profile of the debtors are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

At the reporting date, other than as disclosed in Notes 8 no allowances for impairment is necessary in respect of trade and other receivables past due and not past due.

Significant concentrations of credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset. As at 31 December 2018, 2 (2017: 2%) customers collectively accounted for approximately 82% (2017: 62%) of the Group's total trade receivables. Except as disclosed, there were no other significant concentrations of credit risk at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

25 Financial risk management (Cont'd)

Credit risk (Cont'd)

Significant concentrations of credit risk (Cont'd)

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's and the Company's total credit exposure. As at 31 December 2018 and 2017, the Group and the Company does not have any significant concentrations of credit risk.

Bank balances are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies and the Group does not expect the impairment loss from bank balances to be material, if any.

Exposure to credit risk

The tables below detail the credit quality of the Group's and the Company's financial assets and other items, as well as maximum exposure to credit risk by internal credit rating grades:

The Group	Internal credit rating	12-month / Lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
31 December 2018					
Trade and other receivables	(1)	Lifetime ECL	5,914,263	(200,791)	5,693,472
Contract assets	(2)	Lifetime ECL	1,296,287	-	1,296,287
	Internal credit rating	12-month / Lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
31 December 2017					
Trade and other receivables	(1)	Lifetime ECL	5,209,213	-	5,209,213
Contract assets	(2)	Lifetime ECL	463,208	-	463,208
	Internal credit rating	12-month / Lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
1 January 2017					
Trade and other receivables	(1)	Lifetime ECL	7,037,194	-	7,037,194
Contract assets	(2)	Lifetime ECL	518,343	-	518,343
The Company	Internal credit rating	12-month / Lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
31 December 2018					
Trade and other receivables	(1)	Lifetime ECL	2,849,518	-	2,849,518

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

25 Financial risk management (Cont'd)

Credit risk (Cont'd)

Exposure to credit risk (Cont'd)

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account of the value of any collateral obtained.

(1) Trade receivables

Loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses. The ECL on trade receivables are estimated by reference to payment history, current financial situation of the debtor, debtor-specific information obtained directly from the debtor and public domain, where available, and an assessment of the current and future wider economic conditions and outlook for the industry in which the debtor operates at the reporting date.

(2) Contract assets

Loss allowance for contract assets is measured at an amount equal to lifetime expected credit losses, similar to that for trade receivables. Consideration receivable for work performed (net of progress billings to be billed to customers) is recognised as contract assets.

At the reporting date, no provision for loss allowance was required.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises from its variable rate bank loans and bank overdraft.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

25 Financial risk management (Cont'd)

Interest rate risk (Cont'd)

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points (bp) in interest rates on variable rate bank loans and a change of 10 basis points (bp) in interest rate on bank overdraft at the reporting date would have increased/(decreased) profit or loss before tax and equity by the amounts shown below.

	31 December 2018		31 December 2017		1 January 2017	
	←		Increase/(Decrease)		→	
	Loss before tax \$	Equity \$	Profit before tax \$	Equity \$	Profit before tax \$	Equity \$
The Group						
Interest rate increase						
- bank loans:50 bp (2017 - 50 bp); bank overdraft: 10 bp (2017 - 10 bp)	1,800	(1,800)	(2,300)	(2,300)	(600)	(600)
Interest rate decrease						
- bank loans:50 bp (2017 - 50 bp); bank overdraft: 10 bp (2017 - 10 bp)	(1,800)	1,800	2,300	2,300	600	600

The magnitude represents management's assessment of the likely movement in interest rates under normal economic conditions. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are dominated in foreign currencies.

The Group is exposed to currency risk on financial assets and financial liabilities that are denominated in a currency other than the functional currencies of the respective Group entities. The currencies that give rise to foreign currency risk are the United States dollar ("USD") and Singapore dollar ("SGD").

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

25 Financial risk management (Cont'd)

Foreign currency risk (Cont'd)

At the reporting date, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective entities' functional currencies were as follows:

The Group	USD \$	SGD \$	Total \$
31 December 2018			
Trade and other receivables	1,729,989	–	1,729,989
Cash and cash equivalents	32,317	32,740	65,057
Trade and other payables	(279,976)	(960,855)	(1,240,831)
Net exposure	1,482,330	(928,115)	554,215
31 December 2017			
Trade and other receivables	–	67,367	67,367
Cash and cash equivalents	62,299	10,154	72,453
Trade and other payables	(137,896)	(856,980)	(994,876)
Net exposure	(75,597)	(779,459)	(855,056)
1 January 2017			
Trade and other receivables	3,744,325	78,197	3,822,522
Cash and cash equivalents	666,569	(5,292)	661,277
Trade and other payables	(2,528,003)	(190,412)	(2,718,415)
Net exposure	1,882,891	(117,507)	1,765,384

Sensitivity analysis - Foreign currency risk

A 5% (2017 - 5%) strengthening of the USD against the functional currencies of the Group entities at the reporting date would have increased/decreased profit or loss before tax and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and does not take into account the associated tax effects.

A 5% (2017 - 5%) weakening of the above currencies against the functional currencies of the Group entities at the reporting date would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

25 Financial risk management (Cont'd)

Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's liquidity risk management policy is to maintain sufficient liquid financial assets and a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flow, including estimated interest payments.

	Carrying amount	Contractual undiscounted cash flows			
		Total	Less than 1 year	Between 2 and 5 years	Over 5 years
	\$	\$	\$	\$	\$
31 December 2018					
Trade and other payables	2,019,178	2,019,178	2,019,178	–	–
Bank loans	600,402	679,955	238,361	441,594	–
Bank overdraft	567,896	567,896	567,896	–	–
Finance lease liabilities	178,457	189,655	49,889	123,891	15,875
	3,365,933	3,456,684	2,875,324	565,485	15,875
31 December 2017					
Trade and other payables	3,717,000	3,717,000	3,717,000	–	–
Bills payable	145,085	153,427	153,427	–	–
Bank loans	808,840	924,813	259,601	665,212	–
Bank overdraft	548,401	548,401	548,401	–	–
Finance lease liabilities	179,481	180,397	76,869	103,528	–
	5,398,807	5,524,038	4,755,298	768,740	–
1 January 2017					
Trade and other payables	6,156,441	6,156,441	6,156,441	–	–
Bills payable	500,000	528,750	528,750	–	–
Bank overdraft	559,990	559,990	559,990	–	–
Finance lease liabilities	229,001	230,777	72,077	158,700	–
	7,445,432	7,475,958	7,317,258	158,700	–

26 Fair value measurement

Definition of fair value

FRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

26 Fair value measurement (Cont'd)

Definition of fair value (Cont'd)

Fair value measurement of financial instruments

The carrying values of variable rate bank loans approximate their fair values.

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and bank balances, trade and other payables, and borrowings) approximate their fair values because of the short period to maturity.

27 Operating segments

For management reporting purposes, the Group is organised into the following reportable operating segments which are the Group's strategic business units as follows:

- (1) Mechanical and electrical services segment relates to provision of solutions and services in fire protection systems, plumbing and sanitary systems, and heating, ventilation and air-conditioning systems. Our customers include main contractors, property developers, luxury hotels, statutory boards, listed companies and government bodies; and
- (2) Turnkey contracting services segment relates to provision of one-stop solutions and services for the entire span of a construction project from planning and design, coordination and supervision and implementation.
- (3) Management services segment relates to provision of contract work management and fulfilment services.

The Group Chief Executive Officer ("Group CEO") monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Intersegment pricing is determined on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

27 Operating segments (Cont'd)

	Mechanical and electrical services	Turnkey contracting services	Management Services	Unallocated	Total
2018	\$	\$	\$	\$	\$
Revenue	3,554,627	10,311,024	4,384,645	-	18,250,296
Segment results	1,209,589	1,820,657	567,582	-	3,597,828
Loss before tax	(371,514)	1,588,133	565,862	(2,803,482)	(1,021,001)
Segment assets	4,664,348	3,938,758	1,087,582	742,803	10,433,491
Segment liabilities	2,511,063	1,176,604	60,272	460,664	4,208,603
Other information:					
Interest income	90	-	-	-	90
Interest expense	(91,947)	(14,107)	-	(255)	(106,309)
Exchange loss, net	(81,351)	(9,230)	-	599	(89,982)
Capital expenditure	150,652	-	-	-	150,652
Property, plant and equipment written off	(24,120)	-	-	-	(24,120)
Depreciation of property, plant and equipment	(150,851)	(5,689)	-	-	(156,540)

	Mechanical and electrical services	Turnkey contracting services	Management Services	Unallocated	Total
2017	\$	\$	\$	\$	\$
Revenue	11,118,192	10,393,991	-	-	21,512,183
Segment results	3,404,528	2,063,092	-	-	5,467,620
Profit before tax	1,950,969	1,967,538	-	(49,691)	3,868,816
Segment assets	6,626,792	2,431,436	-	100	9,058,328
Segment liabilities	3,970,892	2,184,859	-	49,691	6,205,422
Other information:					
Interest income	693	-	-	-	693
Interest expense	(79,685)	-	-	-	(79,685)
Exchange loss, net	(92,437)	-	-	-	(92,437)
Capital expenditure	126,217	-	-	-	126,217
Depreciation of property, plant and equipment	(128,285)	(6,551)	-	-	(134,836)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

27 Operating segments (Cont'd)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Singapore	Maldives	Total
	\$	\$	\$
2018			
Revenue	7,939,272	10,311,024	18,250,296
Non-current assets	1,918,500	–	1,918,500
2017			
Revenue	11,118,192	10,393,991	21,512,183
Non-current assets	1,948,508	–	1,948,508

Information about major customers

During the financial year ended 31 December 2018, sales to 1 (2017:1) customer accounted for more than 10% of the Group's total revenue.

28 Capital management

The Group's objectives when managing capital are:

- (a) To safeguard the Group's ability to continue as a going concern;
- (b) To support the Group's stability and growth;
- (c) To provide capital for the purpose of strengthening the Group's risk management capability; and
- (d) To provide an adequate return to shareholders.

The Group reviews and manages its capital structure to ensure optimal capital management and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group currently does not adopt any formal dividend policy.

The Group is not subject to externally imposed capital requirements.

The Group monitors capital using Gearing Ratio, which is calculated using total liabilities divided by total equity.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

28 Capital management (Cont'd)

	31 December 2018	31 December 2017	1 January 2017
The Group	\$	\$	\$
Total liabilities (A)	4,208,603	6,205,422	9,018,666
Total equity (B)	6,224,888	2,852,886	1,900,675
Gearing ratio (A)/(B)	0.68	2.18	4.74

29 Prior years adjustments

As at 31 December 2017, the Group's contract assets for one project and trade and other payables were each understated by \$250,000. Directors have concluded that it is appropriate to restate the Group's balance sheet of the prior financial year in respect of the abovementioned amounts with the resultant reclassification of the contract liabilities to contract assets for the underlying project. These adjustments/reclassifications have no impact on the Group's profit for the year ended 31 December 2017 and the Group's total equity as at 31 December 2017.

	As reported	Adjustment/ Reclassification	As restated
The Group	\$	\$	\$
Statement of financial position as at 31 December 2017			
Contract assets	291,578	171,630	463,208
Trade and other payables	3,557,308	250,000	3,807,308
Contract liabilities	78,370	(78,370)	-

30 Comparative Figures

Certain comparative figures have been reclassified due to prior years adjustments (Note 29).

APPENDIX IV

UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 1H2019

The 1H2019 Results set out below have been extracted from the announcement by the Company on 14 August 2019 and were not specifically prepared for inclusion in this Circular. The figures have not been audited.

DLF HOLDINGS LIMITED

Company Registration No. 201726076W

Unaudited Financial Statement and Dividend Announcement For the Six Months Period Ended 30 June 2019

Background

DLF Holdings Limited (the “**Company**”) was incorporated in Singapore on 13 September 2017 under the Companies Act (Chapter 50) of Singapore as a company limited by shares under the name of “DLF Holdings Pte Ltd”. The Company was converted into a public company and changed its name to “DLF Holdings Limited” on 19 June 2018. The Company, its subsidiaries (the “**Group**”) were formed pursuant to a restructuring exercise (the “**Restructuring Exercise**”) implemented in October 2017 which was prior to the Initial Public Offering and listing on the Catalist of the SGX-ST on 25 July 2018. The Restructuring Exercise was completed on 20 October 2017. Please refer to the Company’s Offer Document dated 17 July 2018 for further details on the Restructuring Exercise.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group Six Months Ended		Change %
	30 June 2019 (Unaudited)	30 June 2018 (Unaudited) (Restated)	
	S\$	S\$	
Revenue	740,774	9,537,394	-92%
Cost of sales	(961,411)	(6,483,615)	-66%
Gross (loss)/profit	(220,637)	3,053,779	-148%
Other operating income	11,066	9,351	+18%
Selling & distribution expenses	-	(8,588)	n.m.
Administrative expenses	(770,152)	(764,418)	+1%
Other operating expenses	(4,602,139)	(198,286)	+1,598%
Result from operations	(5,581,862)	2,091,838	-367%
Finance costs	(40,782)	(36,749)	+11%
(Loss)/Profit before income tax	(5,622,644)	2,055,089	-374%
Income tax expense	(62,909)	(233,972)	-73%
(Loss)/Profit for the financial period	(5,685,553)	1,821,117	-412%
Other comprehensive (loss)/income	-	(55,128)	n.m.
Total comprehensive (loss)/income for the period	(5,685,553)	1,765,989	-422%
Attributable to:			
Owners of the Company	(5,685,553)	1,765,989	-422%
Non-Controlling interests ("NCI")	-	-	-
(Loss)/Profit for the period	(5,685,553)	1,765,989	-422%

n.m. denotes not meaningful

Note: Comparative figures have been restated due to reclassification adjustments so as to be in line with the current period presentation.

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

(Loss)/Profit for the financial period is stated after charging/(crediting) the following:-

	Six Months Ended		
	30 June 2019	30 June 2018	Change
	(Unaudited)	(Unaudited)	%
	S\$'000	S\$'000	
Depreciation on property, plant and equipment	95,727	83,361	+15%
Interest expenses on bank borrowing	32,642	28,419	+15%
Interest income	(459)	(68)	+575%
Provision for doubtful debts	3,138,661	-	n.m.
Foreseeable loss on project	246,677	-	n.m.
Trade and other receivables written off	1,126,310	-	n.m.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	30 June 2019 (Unaudited)	31 December 2018 (Audited)	30 June 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS				
Non-current assets				
Subsidiaries	-	-	4,993,204	4,993,204
Deferred tax assets	9,789	9,789	-	-
Property, plant and equipment	1,859,742	1,918,500	29,267	-
Total non-current asset	1,869,531	1,928,289	5,022,471	4,993,204
Current assets				
Trade and other receivables	1,252,776	6,107,265	2,890,428	2,849,518
Contract assets	567,582	1,296,287	-	-
Cash and bank balances	170,185	1,101,650	70,381	682,415
Total current assets	1,990,543	8,505,202	2,960,809	3,531,933
Total assets	3,860,074	10,433,491	7,983,280	8,525,137
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	9,499,017	9,499,017	9,499,017	9,499,017
Reserves	(2,621,264)	(2,621,264)	-	-
Accumulated losses	(6,459,536)	(773,983)	(3,282,304)	(2,853,174)
Total equity attributable to owners of the Company	418,217	6,103,770	6,216,713	6,645,843
Non-controlling interests	121,118	121,118	-	-
Total equity	539,335	6,224,888	6,216,713	6,645,843
LIABILITIES				
Non-current liabilities				
Borrowings	230,914	377,253	-	-
Finance lease liabilities	108,186	130,527	-	-
Deferred tax liabilities	5,111	5,111	-	-
Total non-current liabilities	344,211	512,891	-	-
Current liabilities				
Trade and other payables	959,204	2,117,812	1,766,567	1,879,294
Borrowings	778,971	791,045	-	-
Finance lease liabilities	47,818	47,930	-	-
Current tax liabilities	1,190,535	738,925	-	-
Total current liabilities	2,976,528	3,695,712	1,766,567	1,879,294
Total liabilities	3,320,739	4,208,603	1,766,567	1,879,294
Total Equity & liabilities	3,860,074	10,433,491	7,983,280	8,525,137

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 June 2019 (Unaudited)		As at 31 December 2018 (Audited)	
Secured	Unsecured	Secured	Unsecured
778,971	-	791,045	-

Amount repayable after one year

As at 30 June 2018 (Unaudited)		As at 31 December 2017 (Audited)	
Secured	Unsecured	Secured	Unsecured
230,914	-	377,253	-

Details of any collateral

The Group's borrowings are secured by the Group's property and personal guarantees from the Executive Chairman of the Group.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

	Six Months Ended	
	30 June 2019	30 June 2018
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
(Loss)/Profit before income tax	(5,622,644)	2,055,089
Adjustments for:		
Depreciation of property, plant and equipment	95,727	83,361
Provision for doubtful debts	3,138,661	
Trade and other receivables written off	1,126,310	-
Interest expense	37,876	14,883
Interest income	(459)	(68)
Operating cash flows before working capital changes	(1,224,529)	2,153,265
Change in contract work-in-progress	728,705	(870,459)
Change in trade and other receivables	589,518	(1,153,876)
Change in trade and other payable	(1,158,608)	349,210
Net cash (used in)/generated from operations	(1,064,914)	478,140
Income tax received/(paid)	388,701	(448,940)
Net cash (used in)/ generated from operating activities	(676,213)	29,200
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	459	68
Purchase of property, plant and equipment	(36,969)	-
Net cash (used in)/generated from investing activities	(36,510)	68
FINANCING ACTIVITIES		
Interest paid	(37,876)	(14,883)
Repayment of bill payables	-	(145,085)
Repayment of bank borrowings	(109,865)	(112,633)
Repayment of finance lease	(22,453)	(44,087)
Cash used in financing activities	(170,194)	(316,688)
Net change in cash and cash equivalents	(882,917)	(287,520)
Cash and cash equivalents at beginning of financial period	533,754	355,177
Cash and cash equivalents at end of the financial period	(349,163)	67,757

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

**Statement of Changes in Equity
Group (Unaudited) (S\$)**

	Share capital	Other reserve	Currency translation account	(Accumulated losses) Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as at 1 January 2019	9,499,017	(2,888,997)	267,733	(773,983)	6,103,770	121,118	6,224,888
Loss for the period	-	-	-	(5,685,553)	(5,685,553)	-	(5,685,553)
Currency translation differences							
Total comprehensive loss for the period	-	-	-	(5,685,553)	(5,685,553)	-	(5,685,553)
Balance as at 30 June 2019	9,499,017	(2,888,997)	267,733	(6,459,536)	418,217	121,118	539,335
Balance as at 1 January 2018	4,913,304	(2,888,997)	256,634	571,945	2,852,886	-	2,852,886
Profit for the period	-	-	-	1,821,117	1,821,117	-	1,821,117
Currency translation differences	-	-	(55,128)	-	(55,128)	-	(55,128)
Total comprehensive income for the period	-	-	(55,128)	1,821,117	1,765,989	-	1,765,989
Balance as at 30 June 2018	4,913,304	(2,888,997)	201,506	2,393,062	4,618,875	-	4,618,875

**Statement of Changes in Equity
Company (Unaudited)**

	Share capital	Accumulated losses	Total equity
Balance as at 1 January 2019	9,499,017	(2,853,174)	6,645,843
Loss for the period	-	(429,130)	(429,130)
Balance as at 30 June 2019	9,499,017	(3,282,304)	6,216,713
Balance as at 1 January 2018	4,913,304	-	4,913,304
Loss for the period	-	(325,935)	(325,935)
Balance as at 30 June 2018	4,913,304	(325,935)	4,587,369

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital – Ordinary Shares

	<u>Number of shares</u>	<u>Paid-up Share Capital</u>
Balance at 1 January 2019	121,108,700	9,499,017
Balance at 30 June 2019	121,108,700	9,499,017

The Company did not have any outstanding options, convertibles, subsidiary holdings or treasury shares as at 30 June 2019 and 30 June 2018.

(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

	<u>As at 30 June 2019</u>	<u>As at 31 December 2018</u>
Total number of issued shares	121,108,700	121,108,700

The Company did not have any treasury shares as at 30 June 2019 and 31 December 2018.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company does not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable, as the Company did not have any subsidiary holdings as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those disclosed in the audited consolidated financial statements for the financial year ended 31 December 2018 as set out in the Company's annual report 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all the applicable new and revised Financial Reporting Standards ("**FRS**") and Interpretations of Financial Reporting Standards ("**INT FRS**") that are mandatory for the accounting periods beginning on or after 1 January 2019. The adoption of these new and revised FRS and INT FRS did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

(Loss)/Earnings per share (“(LPS)/EPS”)	Six Months Ended	
	30 June 2019	30 June 2018
(Loss)/Profit attributable to the owners of the Company	(S\$5,685,553)	S\$1,765,989
Weighted average number of ordinary shares in issue	121,108,700	121,108,700
Basic and fully diluted basis (LPS)/EPS (cents)	(4.69)	1.46

Note:-

- (i) *The basic and diluted (LPS)/EPS were the same as the Company did not have any potentially diluted instruments for both financial periods.*

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

- (a) Current period reported on; and
(b) Immediately preceding financial year.

	Group		Company	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Net asset value (S\$)	539,335	6,224,888	6,216,713	6,645,843
Number of ordinary shares in issue	121,108,700	121,108,700	121,108,700	121,108,700
Net asset value per ordinary share (cent)	0.45	5.14	5.13	5.49

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss:-
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Review for the performance of the Group for the 6 months ended 30 June 2019 and 30 June 2018 ("1H2019" and "1H2018" respectively).

Consolidated Statement of Comprehensive Income

Revenue

	1H2019 S\$'000	1H2018 S\$'000	Change %
Mechanical and electrical services	740,774	3,390,126	-78%
Turnkey contracting services	-	6,147,268	-100%
Total	740,774	9,537,394	-92%

Revenue

Revenue was approximately S\$0.7 million in 1H2019, a decrease of 92% as compared to 1H2018 due mainly to the termination of the Maldives Project (as defined below) and the challenging environment which the Group operates in.

No revenue was derived from our turnkey contracting services for 1H2019. The Group's turnkey contracting services projects for the building works for, *inter alia*, lagoon villas, lagoon club, spa and specialty restaurant for Phase 3B of the Maldives Project ("**Maldives Project**") was terminated on 5 February 2019. The said contract was awarded by Leisure Horizons Private Limited ("**LHPL**"). Since the termination of the said contract, management has entered into discussions with LHPL to resolve all issues arising from the termination. Following recent discussions with LHPL, management believes that there will be amicable resolution pertaining to the Maldives Project. In the meantime, management believes that it is appropriate to make a provision for doubtful debts of approximately S\$3.14 million as the amount due from LHPL is not expected to be collected (Please refer to the discussion in other operating expenses below).

Cost of sales

The Group's cost of sales mainly comprised material costs, sub-contractor costs, labour costs and rental of equipment. Cost of sales was approximately S\$0.96 million which represented approximately 129.8% of our total revenue in 1H2019 as a result of the higher-than-expected cost incurred in one of our job orders under mechanical and electrical services pertaining to the modification works under a variation order.

Gross loss/profit and gross loss/profit margin

The Group incurred gross loss of S\$0.22 million in 1H2019 as compared to gross profit of S\$3.0 million in 1H2018.

Other operating income

The Group's other operating income are mainly interest income and sundry income. The amount is insignificant.

Selling and distribution expenses

There were no such expenses incurred during 1H2019.

Administrative expenses

Administrative expenses comprised mainly staff salary, director's remuneration, rental expenses, insurance premium, depreciation expenses, professional fees, transportation cost and travel expenses. No material variance was noted in 1H2019 as compared to 1H2018.

Other operating expenses

Other operating expenses in 1H2019 was higher as it comprised mainly provision for doubtful debts of approximately S\$3.14 million, trade and other receivables written off of approximately S\$1.13 million and foreseeable loss on project of approximately S\$0.25 million.

The Group made provision for doubtful debts of approximately S\$3.14 million in 1H2019 as a result of the termination of contract by LHPL for the Maldives Project. For details please refer to the Revenue section above.

The Group incurred foreseeable loss on project of approximately S\$0.25 million. This relates to the various work that the Group had performed under the variation orders of one of the project whereby the corresponding revenue had been recognised in the financial year ended 31 December 2018. Based on our management's review and as indicated by the main contractor the potential revenue amount to be approved could be lower than the revenue amount the Group previously expected and therefore it is prudent to make the necessary provisions.

Finance costs

Finance costs comprised mainly interest expenses for bank loans, bank overdrafts, bills payable and finance lease. The amount is insignificant.

Taxation

In view of the loss incurred by the Group in 1H2019, the Group did not incur significant tax expenses.

Depreciation and amortisation

The increase from S\$0.08 million in 1H2018 to S\$0.1 million or 15% in 1H2019 is mainly due to the acquisition of property, plant and machinery.

Consolidated Statement of Financial Position

Non-current assets

As at 30 June 2019, the Group's non-current assets of approximately S\$1.87 million (31 December 2018: S\$1.93 million) accounted for approximately 48.4% (31 December 2018: 18.5%) of our total assets.

The Group's non-current assets comprised mainly property, plant and machinery of S\$1.86 million (31 December 2018: S\$1.92 million). No significant change for property, plant and equipment balance as at 30 June 2019 as compared to 31 December 2018.

Current assets

As at 30 June 2019, the Group's current assets of approximately S\$1.99 million (31 December 2018: S\$8.51 million) accounted for approximately 51.6% (31 December 2018: 81.5%) of our total assets. The Group's current assets consist of trade and other receivables, contract assets and cash and bank balances.

As at 30 June 2019, our trade and other receivables of approximately S\$1.25 million (31 December 2018: S\$6.11 million) constituted approximately 62.9.0% (31 December 2018: 71.8%) of total current assets. Trade and other receivables comprised mainly:

- (i) trade receivables of approximately S\$0.06 million (31 December 2018: S\$4.12 million) due from our customers. The significant decrease was due mainly to the provision for doubtful debts of approximately S\$2.72 million and trade receivables written off of approximately S\$0.64 million;
- (ii) loans to the contractor of approximately S\$0.48 million (31 December 2018: S\$0.58 million) represent the amount paid to Prosper Environmental & Engineering Pte. Ltd. ("PEE") for the work order in relation to the Joint Venture
- (iii) unbilled receivables of approximately S\$0.45 million (31 December 2018: S\$0.65 million). The decrease was due mainly to the foreseeable loss for the project made by the Group of approximately S\$0.25 million; and
- (iv) deposits and prepayment of approximately S\$0.18 million (31 December 2018: S\$0.37 million) in relation to deposits for the performance bonds and tender deposits for projects secured. The decrease was due mainly to the deposits written off of approximately S\$0.19 million as the management was satisfied that these deposits were no longer collectible.

As at 30 June 2019, contract assets stood at S\$0.57 million (31 December 2018: S\$1.30 million) or 28.5% (31 December 2018: 15.2%) of total current assets. The decrease was due to the termination of the Maldives Project whereby provision for doubtful debts of approximately S\$0.42 million had been made against the contract assets.

As at 30 June 2019, cash and bank balances amounted to approximately S\$0.17 million (31 December 2018: S\$1.10 million) or 8.5% (31 December 2018: 12.9%) of total current assets. The significant decrease was due mainly to the disbursements made to support the operations of the Group.

Non-current liabilities

As at 30 June 2019, our non-current liabilities of approximately S\$0.34 million (31 December 2018: S\$0.51 million) accounted for 10.4% (31 December 2018: 12.2%) of our total liabilities. Our non-current liabilities consist mainly of finance lease liabilities and bank borrowings of approximately S\$0.11 million (31 December 2018: S\$0.13 million) and S\$0.23 million (31 December 2018: S\$0.38 million) respectively. The decrease was due to the repayments made during the period.

Current liabilities

As at 30 June 2019, our current liabilities of approximately S\$2.98 million (31 December 2018: S\$3.70 million) accounted for 89.6% (31 December 2018: 87.8%) of our total liabilities. Our current liabilities consist of trade and other payables, borrowings, finance lease liabilities and current tax liabilities.

As at 30 June 2019, trade and other payables of approximately S\$0.96 million (31 December 2018: S\$2.12 million) constituted approximately 32.2% (31 December 2018: 57.3%) of our total current liabilities. Trade payables and other payables comprised mainly:

- (i) trade payables to third parties of approximately S\$0.30 million (31 December 2018: S\$1.16 million). The decrease was due mainly to the lower business activities during the period; and
- (ii) accrued expenses of approximately S\$0.66 million (31 December 2018: S\$0.94 million) mainly relates to accrued operating expenses, audit fee, directors fee and other professional fee. The decrease was due to the reduced amount for accrued operating expenses as a result of lower business activities.

As at 30 June 2019, borrowings of approximately S\$0.78 million (31 December 2018: S\$0.79 million) constituted approximately 26.2% (31 December 2018: 21.4%) of our total current liabilities. Bank borrowings consisted of (i) secured bank loans of approximately S\$0.26 million (31 December 2018: S\$0.22 million); and (ii) bank overdraft of approximately S\$0.52 million (31 December 2018: S\$0.57 million).

As at 30 June 2019, finance lease liabilities of approximately S\$0.05 million (31 December 2018: S\$0.05 million) constituted approximately 1.6% (31 December 2018: 1.3%) of our total current liabilities. Finance lease liabilities mainly related to the purchase of motor vehicles of the Group.

As at 30 June 2019, current tax liabilities of approximately S\$1.19 million (31 December 2018: S\$0.74 million) constituted approximately 40.0% (31 December 2018: 20.0%) of our total current liabilities. Included in the income tax payable as at 31 December 2018 was income tax receivable of approximately S\$0.42 million pertaining to one of our subsidiaries. During the period under review ie 1H2019, the Group received income tax refund of approximately S\$0.39 million.

Consolidated Statement of Cash Flow

Net cash flow used in operating activities

During 1H2019, the Group recorded net cash outflow from operating activities of approximately S\$0.68 million due mainly to the loss incurred in 1H2019.

Net cash used in investing activities

During 1H2019, the Group recorded net cash outflow from investing activities of approximately S\$0.04 million due mainly to the purchase of property, plant and machinery.

Net cash used in financing activities

During 1H2019, the Group recorded net cash outflow from financing activities of approximately S\$0.17 million due mainly to the repayment of borrowings and finance leases.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Looking forward, while our results continue to be impacted by the challenging environment in which the Group operates, the Group expects to incur losses for the financial year ending 31 December 2019.

The Group is looking at securing more mechanical and electrical contracts to enhance the financial performance and position of the Group.

Notwithstanding the above, the Board is of the opinion that the Group will be able to operate as a going concern having regard to the following:

- (i) Cash to be generated from operations based on a cash flow forecast prepared by management;
- (ii) Mr. Manfred Fan, Chairman and substantial shareholder of the Group, has provided a letter of comfort to provide the financial support and assistance as may be required to ensure that the Group maintains capital and liquidity levels to enable it at all times to meet its financial obligations as and when its fall due within the next 12 months;
- (iii) The Group is optimistic that it is able to obtain funds from the sale of its property, if the need arises; and
- (iv) The Group is looking into corporate fund raising exercise(s).

11. Dividend

(a) Current Financial Period Reported On: Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year: Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable:

Not applicable.

(d) Books closure date:

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared for 1H2019 due to the loss during the financial period.

13. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate for interested persons transactions. There were no IPTs of S\$100,000 and above entered into during HY2019.

14. Use of IPO proceeds

The net proceeds amounting to S\$2.854 million (excluding listing expenses of approximately S\$1.401 million) was raised from the Company's IPO on the Catalist Board of the SGX-ST on 25 July 2018. On 30 July 2019, the Company has announced the re-allocation of the use of IPO proceeds and the amount has been fully utilised.

15. Negative Confirmation by the Board Pursuant to Rule 705(5)

To the best of the Board of Directors' knowledge, nothing has come to their attention which may render the unaudited financial results for the 6 months financial period ended 30 June 2019 to be false or misleading in any material aspect.

16. Confirmation that the issue has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual.

BY ORDER OF THE BOARD

Manfred Fan Chee Seng
Executive Chairman

14 August 2019

DLF Holdings Limited (the "**Company**") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 25 July 2018. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**").

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor in accordance with Rules 226(2)(b) and 753(2) of the SGX-ST Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, and E-mail: sponsorship@ppcf.com.sg).

APPENDIX V

EXTRACTS FROM THE CONSTITUTION

The rights of Shareholders in respect of capital, dividends and voting as extracted and reproduced from the Constitution are set out below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution, a copy of which is available for inspection at the registered address of the Company at 140, Paya Lebar Road, #08-07, AZ @ Paya Lebar, Singapore 409015 during normal business hours for the period during which the Offer remains open for acceptance.

(A) RIGHTS IN RESPECT OF CAPITAL

SHARES

- | | | |
|-------|---|---|
| 5. | Subject to the Statutes, no shares may be issued without the prior approval of the Company in General Meeting but subject thereto and to this Constitution relating to new shares and to any special right attached to any share for the time being issued, the Directors may allot (with or without conferring any right of renunciation), grant options over or otherwise dispose of the same to such persons on such terms and conditions (including such consideration) and at such time as the Directors determine Provided Always that the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same. | Shares under control of Company in General Meeting. |
| 6(1). | Subject to the limits referred to in Regulation 57, the Company in General Meeting may by Ordinary Resolution authorise the Directors to exercise any power of the Company to issue shares, such authority being confined to a particular exercise of that power or generally. Any such authority may be unconditional or subject to conditions and shall continue in force until the conclusion of the Annual General Meeting commencing next after the date on which the approval was given or the expiration of the period within which the next Annual General Meeting after that date is required by law to be held whichever is the earlier but may be previously revoked or varied by the Company in General Meeting. | Authority of Directors to issue shares. |
| 6(2). | Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten Market Days of the closing date (or such other period as may be approved by the Exchange) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register as the holder thereof or before such share is entered against the name of a Depositor in the Depository Register, as the case may be, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of such share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit. | |
| 6(3). | The Company may issue shares for which no consideration is payable to the Company. | Issue of shares for no consideration. |

7. Any share in the Company may be issued with such preferred, qualified, deferred or other special rights, privileges and conditions or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine, and subject to the Statutes, the Company may issue preference shares which are or, at the option of the Company, are liable to be redeemed on such terms and in such manner as the Company before the issue thereof may by Ordinary Resolution determine Provided Always that the total number of issued preference shares shall not exceed the total number of issued ordinary shares issued at any time or such other limitation as may be prescribed by the Exchange. Company may issue shares with preferred, qualified, deferred and other special rights.
8. The Company shall have the power to issue further preference capital ranking equally with or in priority to the preference capital then already issued and the rights conferred upon the holders of preference shares shall not, unless otherwise expressly provided by the conditions of issue of such shares, be deemed to be altered by the creation or issue of such further preference capital ranking equally with or in priority thereto. Issue of further preference shares.
9. Subject to the Statutes, all or any of the special rights or privileges for the time being attached to any preference share for the time being issued may from time to time (whether or not the Company is being wound up) be modified, affected, altered or abrogated and preference capital other than redeemable preference shares may be repaid if authorised by a Special Resolution passed by holders of such preference shares at a special meeting called for the purpose. To any such special meeting, all provisions of this Constitution as to General Meetings of the Company shall mutatis mutandis apply but so that the necessary quorum shall be two persons at least holding or representing by proxy not less than one third of the issued preference shares concerned and that every holder of the preference shares concerned shall be entitled on a poll to one vote for every such share held by him and that any holder of the preference shares concerned present either in person or by proxy may demand a poll Provided Always that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing if obtained from holders of three-fourths of the preference shares concerned within two months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting. Alteration of rights of preference shareholders.
10. Preference shares may be issued subject to such limitation thereof as may be prescribed by the Exchange. Preference shareholders shall have the same rights as ordinary Members as regards to the receiving of notices, reports and financial statements and the attending of General Meetings of the Company. Preference shareholders shall also have the right to vote at any General Meeting convened for the purpose of reducing the capital of the Company or winding up or sanctioning the sale of the undertaking of the Company or where the proposal to be submitted to the General Meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears. The total number of issued Rights of preference shareholders.

preference shares shall not at any time exceed the total number of issued ordinary shares.

- | | | |
|--------|--|--------------------------------------|
| 11(1). | If by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by instalments, every such instalment shall, when due, be paid to the Company by the holder for the time being of the share or his legal personal representative. | Instalments of shares. |
| 11(2). | Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital (except treasury shares) as is for the time being paid up for the period and charge the same to capital as part of the cost of the construction of the works or buildings or the provision of the plant, subject to the conditions and restrictions mentioned in the Act. | Power to charge interest on capital. |
| 12(1). | The Company shall not be bound to register more than three persons as the joint holders of any share except in the case of executors, administrators or trustees of the estate of a deceased Member. | Joint holders. |
| 12(2). | Subject to Regulation 12(1), any two or more persons may be registered as joint holders of any share and the joint holders of a share shall be severally as well as jointly liable for the payment of all instalments and calls and interest (if any) due in respect of such share. | |
| 12(3). | The joint holder first named in the Register or the Depository Register, as the case may be, shall as regards voting, proxy, service of notices and delivery of dividend warrants, be deemed to be the sole owner of such share and any notice or delivery of the said documents given to such person shall be deemed notice or delivery to all the joint holders or joint Depositors, as the case may be. | |
| 13. | No person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any other rights in respect of any share other than an absolute right to the entirety thereof in the registered holder or in the person whose name is entered in the Depository Register in respect of that share, as the case may be, except only where this Constitution otherwise provides or as required by the Statutes or pursuant to any order of Court. | No trusts recognised. |
| 14. | No person shall exercise any rights of a Member in respect of a share until his name shall have been entered in the Register as the registered holder thereof or in the Depository Register in respect of such share, as the case may be, and, unless the Directors otherwise determine, such person shall have paid all calls and other moneys for the time being due and payable on any share held by him. | Exercise of rights of Members. |
| 15(1). | The Company may, subject to and in accordance with the Act and any other relevant legislation, rules or regulations enacted or prescribed by any relevant authority from time to time, purchase or | Power to purchase or acquire its |

otherwise acquire its issued shares on such terms and in such manner as the Company may from time to time think fit. Any share which is so purchased or acquired by the Company may be deemed to be cancelled immediately on purchase or acquisition by the Company or, subject to the provisions of the Act, be held and dealt with by the Company as treasury shares. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. issued share.

- 15(2). The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act. Treasury shares.

SHARE CERTIFICATE

16. Every share certificate shall be issued under the Seal. Authentication of certificates.
17. Every share certificate shall specify the numbers and class of shares in respect of which it relates, whether the shares are fully or partially paid up and the amount (if any) unpaid thereon and shall bear the autographic signatures or facsimile signatures of one Director and the Secretary or a second Director or some other person appointed by the Directors. The facsimile signatures may be reproduced by mechanical, electronic or other method approved by the Directors. No share certificate shall be issued representing shares of more than one class. Certificates shall specify number of shares.
18. Every person whose name is entered as a registered holder in the Register shall be entitled without payment to receive within ten Market Days (or such other period as may be approved by the Exchange) after the closing date for applications to subscribe for a new issue of shares and within ten Market Days (or such other period as may be approved by the Exchange) after lodgement of a registrable transfer one certificate under the Seal in respect of each class of shares held by him for all his shares in that class or several certificates in reasonable denominations each for one or more of his shares in any one class subject to such person's prior payment of two Singapore Dollars (or such other sum as the Directors shall from time to time determine having regard to any limitation thereof as the Statutes or the Exchange may prescribe) for every certificate after the first and such stamp duty as is payable on such certificate unless otherwise directed by the Directors. Member's right to certificate & cancellation of certificates.
- 19(1). Where only some of the shares comprised in any share certificate are transferred, the old certificate shall be cancelled and a new certificate for the balance of such shares shall be issued in lieu thereof without charge. Issue of replacement certificates.
- 19(2). Any two or more certificates representing shares of any one class held by any person whose name is entered in the Register may be cancelled at his request and a single new certificate for such shares issued in lieu thereof without charge.

- 19(3). Any share certificate representing shares of any class held by any person whose name is entered in the Register may be surrendered by such person for cancellation and at his request the Company may issue in lieu thereof two or more share certificates representing such shares in such proportions as such person may specify, and the Directors may comply with such request if they think fit. Such person shall pay a maximum of two Singapore Dollars for each share certificate issued in lieu of a share certificate surrendered for cancellation or such other fee as the Directors may from time to time determine, taking into consideration any limitation thereof as may be prescribed by the Exchange.
- 19(4). Subject to the Statutes, if any share certificate shall be defaced, worn out, destroyed, stolen or lost, it may be renewed on such evidence being produced and a letter of indemnity or undertaking (if required) being given by the purchaser, registered holder, transferee, person entitled or member company of the Exchange or on behalf of its or their client(s) as the Directors shall require and in the case of defacement or wearing out on delivery up of the old certificate and in any case on payment of such sum not exceeding two Singapore Dollars as the Directors may from time to time require (or such other amount as may be permitted under the Statutes). In the case of theft, destruction or loss the registered holder or the person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such theft, destruction or loss.
- 19(5). Where shares are registered jointly in the names of several persons, any such request may be made by any one of the registered joint holders.
20. The certificates of shares registered in the names of two or more persons may be delivered to the joint holder first named in the Register and the delivery of a certificate to such person shall be sufficient delivery to all. Delivery of share certificates to joint holders.

LIEN ON SHARES

21. The Company shall have a first and paramount lien on every share (not being a fully-paid share) and all dividends from time to time declared in respect thereof. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may however waive any lien which has arisen and may resolve that any share shall for any limited period be exempt wholly or partially from the provisions of this Regulation 21 upon such terms as they may deem fit in the best interest of the Company. Company's lien on shares.
22. For the purpose of enforcing such lien the Directors may sell all or any of the shares subject thereto in such manner as they think fit, and no sale shall be made until such time as the moneys are presently payable, and until a notice in writing stating the amount due and demanding payment, and giving notice of intention to sell in default, Right to enforce lien by sale.

shall have been served in such a manner as the Directors shall think fit on the holder for the time being of the shares or the person (if any) entitled by transmission to the shares, and default in payment shall have been made by him or them for seven days after such notice.

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| 23. | The net proceeds of any such sale shall be applied in or towards the satisfaction of the unpaid calls and accrued interest and expenses of such sale, and the residue (if any) shall be paid to the person whose shares have been sold, his executors, administrators, trustees or assignees or as he shall direct. | Application of proceeds of sale. |
| 24. | To give effect to any such sale the Directors may authorise some person to transfer or to effect the transfer, as the case may be of the shares sold to the purchaser. | How sale to be effected. |

CALLS ON SHARES

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| 25. | The Directors may from time to time make calls upon the Members in respect of any money unpaid on their shares or on any class of shares and not by the conditions of allotment thereof made payable at fixed times, and each Member shall (subject to his having been given at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be made payable by instalments. A call may be revoked or postponed as the Directors may determine. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. | Powers of Directors to make calls. |
| 26. | The joint holders of a share shall be jointly and severally liable to pay all calls and interest (if any) in respect thereof. | Joint and Several liability. |
| 27. | If before or on the day appointed for payment thereof a call payable in respect of a share is not paid, the person from whom the amount of the call is due shall pay interest on such amount at the rate of eight per cent per annum from the day appointed for payment thereof to the time of actual payment, but the Directors shall have power to waive payment of such interest or any part thereof. | Interest on unpaid calls. |
| 28. | Any sum which by the terms of allotment of a share is made payable upon issue or at any fixed date and any instalment of a call shall for all purposes of this Constitution be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment the provisions of this Constitution as to payment of interest and expenses, forfeiture and the like, and all the other relevant provisions of this Constitution or the Statutes shall apply as if such sum were a call duly made and notified as hereby provided. | Sums payable under terms of allotment to be deemed calls. |
| 29. | The Directors may from time to time make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the time of payment of such calls. | Difference in calls between various holders. |

30. The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon any share held by him, and upon all or any part of the moneys so advanced may (until the same would, but for the advance, become payable) pay interest at such rate not exceeding (unless the Company in General Meeting shall otherwise direct) eight per cent per annum as may be agreed upon between the Directors and the Member paying the sum in advance. Payment of call in advance.

FORFEITURE OF SHARES

31. If any Member fails to pay the whole or any part of any call or instalment of a call on or before the day appointed for the payment of the same or any interest thereon, the Directors may at any time thereafter during such time as the call or instalment or interest remains unpaid serve a notice on such Member requiring him to pay the same, together with any interest (including interest upon interest) and expenses that may have been incurred by the Company by reason of such non-payment. Notice to be given of intended forfeiture.
32. The notice shall name a further day (not being less than fourteen days from the date of service of the notice) and a place on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or instalment or interest is payable shall be liable to be forfeited. Form of notice.
33. If the requirements of any notice as aforesaid are not complied with, any share in respect of which the notice has been given, may at any time thereafter, before payment of all such calls or instalments, interests and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder. If notice not complied with shares may be forfeited.
34. Any share so forfeited or surrendered shall be deemed to be the property of the Company, and the Directors may sell, re-allot, or otherwise dispose of the same in such manner as they think fit. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed. Sale etc. of forfeited and surrendered shares.
35. The Directors may at any time before any share so forfeited or surrendered shall have been sold, re-allotted, or otherwise disposed of, annul the forfeiture or surrender thereof upon such condition as they think fit. Power to annul forfeiture.
36. For the purpose of giving effect to any sale of forfeited or surrendered shares, the Directors may authorise some person to transfer or to effect the transfer of, as the case may be, the shares sold to the purchaser. Transfer of forfeited or surrendered shares.

37. Any Member whose shares shall have been forfeited or surrendered shall cease to be a Member in respect of the forfeited or surrendered shares but shall, notwithstanding such forfeiture or surrender, be liable to pay, and shall forthwith pay to the Company all calls, instalments, interest and expenses owing upon or in respect of such shares at the time of forfeiture or surrender, together with interest thereon from the time of forfeiture or surrender until payment, at the rate of eight per cent per annum and the Directors may enforce the payment of such moneys or any part thereof if they think fit, but shall not be under any obligation so to do. Any residue after the satisfaction of the unpaid calls, accrued interest and expenses shall be paid to the person whose shares have been forfeited or surrendered, his executors, administrators, trustees or assignees or as he shall direct. Liability on forfeited shares.
- 38(1). A statutory declaration in writing that the declarant is a Director or the Secretary, and that a share has been duly forfeited, surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate, where the same be required, delivered to a purchaser or (where the purchaser is a Depositor) to the Depository or the allottee thereof, as the case may be, shall (subject to the execution of a transfer if the same be required) constitute a good title to the share. Declaration by Director or Secretary conclusive of fact of forfeiture.
- 38(2). (a) In the event of such sale, re-allotment or disposal, where the person (the "Relevant Person") to whom the share is sold, re-allotted or disposed of is not a Depositor, the share shall be registered in the Register in the name of the Relevant Person and, where the Relevant Person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of.
- (b) The Relevant Person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.
- 38(3). In the event of a forfeiture of shares or a sale of shares to satisfy the Company's lien thereon, the Member or other person who prior to such forfeiture or sale was entitled thereto shall be bound to deliver and shall forthwith deliver to the Company the certificate or certificates held by him for the shares so forfeited or sold. Certificate of shares to be delivered to the Company.

TRANSFER OF SHARES

39. There shall be no restriction on the transfer of fully paid shares (except where required by law or by the rules, bye-laws or listing rules of the Exchange). All transfers of shares may be effected by way of book-entry in the Depository Register Provided Always that the legal title in the shares may be transferred by the registered holders thereof Shares to be transferable.

by an instrument of transfer in the form approved by the Directors and the Exchange. The instrument of transfer shall be left at the Office accompanied by a certificate of payment of stamp duty (if any), the certificate of the shares to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain the registered holder of the shares until the name of the transferee is entered in the Register in respect thereof.

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| 40. | The instrument of transfer shall be signed both by or on behalf of both the transferor and the transferee, and it shall be witnessed Provided Always that an instrument of transfer in respect of which the transferee is the Depository or its nominee (as the case may be) shall be effective although not signed or witnessed by or on behalf of the Depository or its nominee (as the case may be). | Instrument of transfer. |
| 41. | Shares of different classes shall not be comprised in the same instrument of transfer. | Only shares of same class to be in same instrument. |
| 42. | No share shall in any circumstances be transferred to any infant, bankrupt or person who is mentally disordered and is incapable of managing himself or his affairs but nothing contained herein shall be construed as imposing on the Company any liability in respect of the registration of such transfer if the Company has no actual knowledge of the same. | Restriction on transfer. |
| 43(1). | All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Directors may refuse to register shall (except in any case of fraud) be returned to the party presenting the same. | Retention of Instrument of transfer. |
| 43(2). | (a) The Company shall be entitled to destroy:- | Disposal of documents. |
| | (i) all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof; | |
| | (ii) all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof; and | |
| | (iii) all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof. | |
| | (b) It shall be conclusively presumed in favour of the Company that every entry in the Register purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and that:- | |
| | (i) every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered; | |

- (ii) every share certificate so destroyed was a valid and effective certificate duly and properly cancelled; and
 - (iii) every other document hereinbefore mentioned so destroyed was a valid and effective document,
- in accordance with the recorded particulars thereof in the books or records of the Company.
- (c) Regulations 43(2)(a) and 43(2)(b) shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant.
 - (d) Nothing contained in this Regulation 43(2) shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstance which would not attach to the Company in the absence of this Regulation 43(2), and references in this Regulation 43(2) to the destruction of any document include references to the disposal thereof in any manner.
44. The Directors may decline to accept any instrument of transfer unless:- Fees relating to transfers.
- (a) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid; and
 - (b) such fee not exceeding two Singapore Dollars as the Directors may from time to time determine or such other sum as may from time to time be prescribed by the Exchange is paid to the Company in respect of the registration of any instrument of transfer, probate, letters of administration, certificate of marriage or death, power of attorney or any document relating to or affecting the title to the shares.
45. The Directors may in their sole discretion refuse to register the transfer of shares or allow the entry of or against a person's name in the Depository Register in respect of shares transferred or to be transferred to such person:- Power of Directors to refuse to register.
- (a) which are not fully paid up; or
 - (b) on which the Company has a lien.
46. If the Directors refuse to register any transfer of any share they shall, where required by the Statutes, serve on the transferor and transferee, within ten Market Days (or such other period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Exchange from time to time) after the date which the application for transfer of shares was lodged with the Company, a notice in writing informing each of them of such refusal and of the facts which are considered to justify the refusal. Notice of refusal to be sent by Company

47. The Register, the Depository Register and the register of transfers may be closed at such times and for such periods as the Directors may from time to time determine Provided Always that such register shall not be closed for more than thirty days in any year Provided Always that the Company shall give prior notice of such closure as may be required to the Exchange stating the period and purpose or purposes for which such closure is to be made.
- Closure of the Register, the Depository Register and the register of transfer.

TRANSMISSION OF SHARES

- 48(1). In the case of the death of a Member the survivor where the deceased was a joint holder, and the legal personal representative of the deceased who was a sole or only surviving holder, or where such legal representative is entered in the Depository Register in respect of the shares of the deceased Member who was a Depositor, shall be the only person recognised by the Company as having any title to his shares.
- Transmission of registered shares.
- 48(2). Nothing herein contained shall release the estate of a deceased Member from any liability in respect of any share solely or jointly held by him.
- Rights of registration and transfer upon demise or bankruptcy of Member.
49. Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a person whose name is entered in the Register may upon producing such evidence of his title as the Directors may require, have the right either to be registered himself as the holder of the share, upon giving to the Company notice in writing of such intent, or to make such transfer thereof as such deceased or bankrupt person could have made, but the Directors shall in either case have the same right to refuse or suspend registration as they would have had in the case of such transfer by such deceased or bankrupt person before the death or bankruptcy, as the case may be.
50. Save as otherwise provided in this Constitution, a person becoming entitled to a share pursuant to Regulations 48(1) and 49, shall have the right to receive and give a discharge for any dividends or other moneys payable in respect of the share, but he shall have no right to receive notice or to attend or vote at General Meetings of the Company, or (save as aforesaid) to any of the rights or privileges of a Member until he shall have been registered as a Member in the Register or his name shall have been entered in the Depository Register, as the case may be Provided Always that the Directors may at any time give notice requiring any such person to elect either to be registered himself or transfer the share, and if the notice is not complied with within ninety days of the date of such notice, the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with.
- Person registered under transmission clause entitled to dividends.

STOCK

51. The Company in General Meeting may by Ordinary Resolution convert any paid-up shares into stock and may from time to time reconvert such stock into paid-up shares. Conversion of shares to stock.
52. When any shares have been converted into stock, the several holders of such stock may transfer their respective interests therein or any part of such interests in such manner as the Company in General Meeting shall direct, but in default of any direction then in the same manner and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances will admit. But the Directors may if they think fit from time to time fix the minimum unit of stock transferable. Stockholders entitled to transfer interest.
53. The several holders of stock shall be entitled to participate in the dividends and profits of the Company according to the number of stock units held by them and such interests shall, in proportion to the number of stock units thereof, confer on the holders thereof respectively the same rights, privileges and advantages for the purposes of voting at meetings of the Company and for other purposes as if they held the shares from which the stock arose, but so that none of such rights, privileges or advantages, except the participation in the dividends, profits and assets of the Company, shall be conferred by any such number of stock units as would not, if existing in shares, have conferred such rights, privileges or advantages. Stockholders entitled to profits.
54. All such provisions of this Constitution as are applicable to paid up shares shall apply to stock and in all such provisions the words "shares" shall include "stock", and "Depositor", "Member" and "shareholder" shall include "stockholder". Definitions.

INCREASE OF CAPITAL

55. The Company in General Meeting may from time to time by Ordinary Resolution, whether all the shares for the time being issued have been fully paid up or not, increase its capital by the creation and issue of new shares, such aggregate increase to be of such amount as the Company by the resolution authorising such increase shall direct. Power to increase capital.
- 56(1). Unless otherwise determined by the Company in General Meeting or except as permitted by the listing rules of the Exchange, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings, in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled. Issue of new shares to Members.
- 56(2). The offer shall be made by notice specifying the number of shares offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial. Notice of issue.

to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered in the manner hereinbefore provided.

57. Notwithstanding Regulation 55, the Company may pursuant to Section 161 of the Act by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to issue shares whether by way of rights, bonus or otherwise, and make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, and (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while the Ordinary Resolution was in force, provided that:-
- Authority to Directors to issue shares and convertible securities.
- (a) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Exchange;
 - (b) in exercising the authority conferred by the Ordinary Resolution, the Directors shall comply with the provisions of the listing rules of the Exchange for the time being in force (unless such compliance is waived by the Exchange) and this Constitution; and
 - (c) unless previously revoked or varied by the Company in General Meeting, such authority conferred by the Ordinary Resolution shall not continue beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution or the date by which such Annual General Meeting is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).
58. Subject to any directions that may be given in accordance with the powers contained in this Constitution, any capital raised by creation of new shares shall be considered as part of the original capital and all new shares shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as if it had been part of the original capital.
- New capital considered part of original capital.

ALTERATION OF CAPITAL

- 59(1). The Company may by Ordinary Resolution:-
- Alteration of capital.
- (a) consolidate and divide all or any of its capital; or

- (b) cancel the number of shares which at the date of the passing of the Ordinary Resolution have not been taken or agreed to be taken by any person or which have been forfeited and diminish its share capital in accordance with the Act; or
- (c) subdivide its existing shares or any of them. The Ordinary Resolution by which the subdivision is effected may determine that, as between the holders of the resulting shares, one or more of such shares may have any such preferred, deferred or other special rights or be subject to any restriction as the Company has power to attach to unissued or new shares; or
- (d) subject to the provisions of this Constitution and the Act, convert its share capital or any class of shares from one currency to another currency; or
- (e) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while the Ordinary Resolution was in force.

59(2). The Company may by Special Resolution reduce its share capital or any other undistributable reserve in any manner and subject to any incident authorised and consent required by law. Power to reduce capital.

59(3). The Company may by Special Resolution subject to and in accordance with the Act, convert any class of shares into any other class of shares. Power to convert shares.

MODIFICATION OF CLASS RIGHTS

60. Subject to the Statutes and save as provided by this Constitution, all or any of the special rights or privileges attached to any class of shares in the capital of the Company for the time being issued may, at any time, as well before as during liquidation, be modified, affected, altered or abrogated, either with the consent in writing of the holders of not less than three-fourths of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting, but so that the quorum thereof shall be not less than two persons personally present and holding or representing by proxy one-third of issued shares of the class, and that any holder of shares of the class, present in person or by proxy, shall on a poll be entitled to one vote for each share of the class held or represented by him, and if at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of shares of the class who are personally present shall be a quorum. The Directors shall comply with the provisions of Section 186 of the Act as to forwarding a copy of any such consent or Resolution to the Registrar of Companies. Modification of class rights.

(B) RIGHTS IN RESPECT OF DIVIDENDS

DIVIDENDS

132. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted by the Act:- Appropriation of profits.
- (a) all dividends shall be declared and paid in proportion to the number of shares held by a Member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
- (b) all dividends shall be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.
- For the purposes of this Regulation 132, no amount paid or credited as paid on a share in advance of a call shall be treated as paid on the share.
133. The Company in General Meeting may by Ordinary Resolution declare a dividend on or in respect of any share to the Members according to their rights and interest in the profits and may fix the time for payment. Declaration of Dividend.
134. No dividend shall be payable except out of the profits of the Company. No dividend shall carry interest. Dividend payable out of profits.
135. The declaration of the Directors as to the net profits of the Company shall be conclusive. Declaration conclusive.
- 136(1). The Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies provided no such dividends shall be declared more than once in six months. Interim dividend.
- 136(2). Subject to the listing rules of the Exchange, whenever the Directors or the Company in General Meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:- Scrip dividend scheme.
- (a) the basis of any such allotment shall be determined by the Directors;

- (b) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Regulation 136;
- (c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and
- (d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on the ordinary shares in respect whereof the share election has been duly exercised (the "elected ordinary shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and notwithstanding the provisions of Regulation 145, the Directors may (i) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the financial statement or otherwise for distribution as the Directors may determine, such sums as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holder of the elected ordinary shares on such basis.

137. The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities, or engagements in respect of which the lien exists. Debts may be deducted.

138. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer or the entry of the shares against the Depositor's name in the Depository Register, as the case may be. Effect of transfer.
139. Any General Meeting declaring a dividend may direct payment of such dividend wholly or in part by the distribution of specific assets, and in particular of wholly or partly paid-up shares, debentures, or debenture stock of the Company, or wholly or partly paid-up shares, debentures or debenture stock of any other company, or in any one or more of such ways, and the Directors shall give effect to such resolution; and where any difficulty arises in regard to the distribution, they may settle the same as they think expedient, and in particular may issue fractional certificates, and may fix the value for distribution of such specific assets, or any part thereof and may determine that cash payment shall be made to any Member upon the footing of the value so fixed, in order to adjust the rights of all parties, and may vest any such specific assets in trustees upon such trusts for the persons entitled to the dividends as may seem expedient to the Directors. Where requisite, a proper contract shall be filed in accordance with Section 63 of the Act, and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend, and such appointment shall be effective. Dividend in specie.
140. The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmissions of shares hereinbefore contained entitled to become a Member, or which any person under those provisions is entitled to transfer until such person shall become a Member in respect of such shares or shall duly transfer the same. Power to retain dividends.
141. In case several persons are registered in the Register or entered in the Depository Register, as the case may be, as the holders of any share, any resolution of the Directors or the Company in General Meeting declaring a dividend on shares of any class may specify that the dividend shall be payable to such persons at the close of business on a particular date and thereupon the dividend shall be payable in accordance with their respective holdings so registered. Any person registered in the Register or in the Depository Register, as the case may be, as the holder or joint holder of any share or is entitled jointly to a share in consequence of the death or bankruptcy of the holder may give effectual receipts for dividends, bonuses, other moneys payable or properties distributable and payment on account of dividends on or in respect of such shares. Payment to and receipt by joint holders.
142. Notice of declaration of any dividend, whether interim or otherwise, may be given by advertisement. Notice of dividend.
143. Unless otherwise directed, any dividend may be paid by cheque, dividend warrant or Post Office Order, sent through the post to the registered address appearing in the Register or the Depository Register, as the case may be, of the Member or person entitled, or where two or more persons are registered in the Register or entered in the Depository Register, as the case may be, as joint holders or

are entitled to the dividend as a result of the death or bankruptcy of the holder, to that one whose name shall stand first on the Register or the Depository Register, as the case may be, in respect thereof and every cheque, dividend warrant or Post Office Order so sent shall be made payable to the order of the person to whom it is sent or to any person and address as such Member(s) or person(s) may direct in writing. The Company shall not be responsible for the loss of any cheque, dividend warrant or Post Office Order, which shall be sent by post duly addressed to and at the sole risk of the Member or person for whom it is intended. Payment of the cheque, dividend warrant or Post Office Order by the bank upon which they are respectively drawn shall be a full and valid discharge to the Company. Notwithstanding the provisions of this Constitution, payment by the Company to the Depository of any dividend payable to a Depositor shall also be a full and valid discharge of the Company from liability to the Depositor in respect of that payment to the extent of the payment made to the Depository.

144. The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends remaining unclaimed after one year from the date of declaration of such dividend may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six years has elapsed from the date of the declaration of such dividend or the date on which such other moneys are first payable. For the avoidance of doubt no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, however and whatsoever.
- Unclaimed dividends.

BONUS ISSUES, CAPITALISATION OF PROFITS AND RESERVES

- 145(1). The Directors may, with the sanction of the Company by way of an Ordinary Resolution, including any Ordinary Resolution passed pursuant to Regulation 5:-
- Capitalisation of profits and reserves.
- (a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register or (as the case may be) the Depository Register at the close of business on:-
 - (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

- (ii) (in the case of an Ordinary Resolution passed pursuant to Regulation 5) such other date as may be determined by the Directors,

in proportion to their then holdings of shares; and

- (b) capitalise any sum for the time being standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of the financial statements by appropriating such sum to the persons registered as holders of shares in the Register or (as the case may be) the Depository Register at the close of business on:-

- (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

- (ii) (in the case of an Ordinary Resolution passed pursuant to Regulation 5) such other date as may be determined by the Directors,

in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

145(2). The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under Regulation 145(1), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter, on behalf of all the Members interested, into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

145(3). In addition and without prejudice to the powers provided for by Regulations 145(1) and 145(2), the Directors shall have the power to issue shares for which no consideration is payable and to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full unissued shares, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the

Company and approved by shareholders in General Meeting, in such manner and on such terms as the Directors shall think fit.

RESERVE FUND

146. The Directors may, before declaring any dividend or bonus in respect of any class of shares out of or in respect of the earnings or profits of the Company for any yearly or other period, cause to be reserved or retained and set aside out of such sums as they may determine to form a Reserve Fund to meet contingencies or depreciation in the value of the property of the Company, or for equalising dividends or for special dividends or for distribution of bonuses or for repairing, improving and maintaining any of the property of the Company, or for such other purposes the Directors shall, in their absolute discretion, think conducive to the interest of the Company.
- Formation and object of Reserve Fund.

(C) RIGHTS IN RESPECT OF VOTING

GENERAL MEETINGS

65. In addition to any other meetings, a General Meeting shall be held at least once in every year, at such time and place as may be determined by the Directors, but so that no more than fifteen months shall be allowed to elapse between any two such General Meetings. If required by the listing rules of the Exchange, all General Meetings shall be held in Singapore, unless prohibited by relevant laws and regulations of the jurisdiction of the Company's incorporation, or unless such requirement is waived by the Exchange.
- General Meetings.
66. The abovementioned General Meetings shall be called Annual General Meetings. All other General Meetings shall be called Extraordinary General Meetings.
- Annual General Meetings.
67. The First Annual General Meeting of the Company shall be held at such time within a period of not more than eighteen months from the date of incorporation of the Company and at such time and place as the Directors may determine.
- First Annual General Meeting.
68. The Directors may call an Extraordinary General Meeting of the Company whenever they think fit in accordance with the Statutes.
- Directors may call Extraordinary General Meetings.
69. The Directors shall, on the requisition of the holders of not less than ten per cent. of issued share capital of the Company upon which all calls or other sums then due have been paid and disregarding any of the Company's paid-up shares held as treasury shares, forthwith proceed to convene an Extraordinary General Meeting of the Company, and in the case of such requisition the following provisions shall have effect:-
- Extraordinary General Meetings called on requisition of shareholders.

- (a) The requisition must state the objects of the Extraordinary General Meeting and must be signed by the requisitionists and deposited at the Office, and may consist of several documents in like form each signed by one or more requisitionists.
- (b) If the Directors do not proceed to cause an Extraordinary General Meeting to be held within twenty-one days from the date of the requisition being so deposited, the requisitionists or any of them representing more than one-half of the voting rights of all of them may themselves convene the meeting, but any meeting so convened shall not be held after three months from the date of the deposit.
- (c) In the case of an Extraordinary General Meeting at which a resolution is to be proposed as a Special Resolution the Directors shall be deemed not to have duly convened the meeting if they do not give such notice as is required by the Statutes.
- (d) Any Extraordinary General Meeting convened under this Regulation 69 by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by Directors.

70(1). Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Act) a resolution of which special notice has been given to the Company, shall be called by at least twenty-one days' notice in writing and an Annual General Meeting and any other Extraordinary General Meeting, by at least fourteen days' notice in writing. The period of notice shall in each case be exclusive of both the day on which the notice is served or deemed to be served and of the day on which the General Meeting is to be held and shall be given in a manner hereinafter mentioned to all Members other than such as are not entitled under this Constitution to receive such notices from the Company Provided that a General Meeting notwithstanding that it has been called by a shorter notice specified above, shall be deemed to have been duly called if it is so agreed:-

Notice of
General
Meeting.

- (a) in a case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and
- (b) in the case of an Extraordinary Meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding no less than ninety-five per cent. of the total voting rights of all the Members having a right to vote thereat.

So long as the share of the Company are listed on the Exchange, at least fourteen days' notice in writing (exclusive of both the day on which the notice is served or deemed to be served and of the day on which the General Meeting is held) of any General Meeting to pass an Ordinary Resolution and at least twenty-one days' notice in writing (exclusive of both the day on which the notice is served or deemed to

be served and of the day on which the General Meeting is held) in the case of a General Meeting to pass a Special Resolution shall be given to by advertisement in the daily press and in writing to the Exchange. Whenever any General Meeting is adjourned for fourteen days or more, at least seven days' notice of the place and hour of such adjourned General Meeting shall be given in like manner Provided Always that when a General Meeting is adjourned for thirty days or more, notice of the adjourned General Meeting shall be given as in the case of an original General Meeting.

- 70(2). (a) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that proxy need not be a Member. Contents of notice of General Meeting.
- (b) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.
- (c) In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of such business, and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.
- (d) Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.
- 70(3). Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:- Routine business.
- (a) declaring dividends; or
- (b) receiving and adopting the financial statements, the Directors' statement, the Auditor's report and other documents required to be attached or annexed to the financial statements; or
- (c) appointing or re-appointing the Auditor and fixing the remuneration of the Auditor or determining the manner in which such remuneration is to be fixed; or
- (d) appointing or re-appointing Directors in place of those retiring by rotation or otherwise and fixing the remuneration of the Directors.
71. Any Member entitled to be present and vote at a meeting or his proxy may submit any resolution to any General Meeting, provided that at least for the prescribed time before the day appointed for the meeting he shall have served upon the Company a notice in writing by him containing the proposed resolution, and stating his intention to submit the same. The prescribed time abovementioned shall be such that, Members may submit resolution to meeting on giving notice to Company.

between the date that the notice is served and the day appointed for the meeting, there shall be not less than three nor more than fourteen intervening days.

72. Upon receipt of any such notice set out in Regulation 71, the Secretary shall include in the notice of the meeting in any case where the notice of intention is received before the notice of the meeting is issued, and shall in any other case issue as quickly as possible to the Members notice that such resolution will be proposed. Secretary to give notice to Members.
73. The accidental omission to give any notice to or non-receipt of any notice by any Member shall not invalidate the meeting or any resolution passed or proceedings at any such meeting. Accidental omission to give notice.

PROCEEDINGS AT GENERAL MEETINGS

74. All business that is transacted at an Extraordinary General Meeting and also all business that is transacted at an Annual General Meeting with the exception of the routine business set out in Regulation 70(3) shall be deemed special. Special business.
75. Save as is herein otherwise provided, two Members present in person or by proxy shall be a quorum for a General Meeting and no business shall be transacted at any General Meeting unless the quorum is present at the commencement of the business but shall, as required by the Act, exclude the Company where it is a Member by reason of its holding of treasury shares, provided that (a) a proxy representing more than one Member shall only count as one Member for the purpose of determining the quorum; and (b) where a Member is represented by more than one proxy such proxies shall count as only one Member for the purpose of determining quorum. A corporation being a Member shall be deemed to be personally present if represented in accordance with the provisions of Regulation 90. Quorum
76. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place. At the adjourned meeting, any two or more Members present in person or by proxy shall be a quorum. If quorum not present.
77. The chairman (if any) of the board of Directors shall preside as chairman at every General Meeting, but if there be no such chairman, or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding the same, or shall be unwilling to act as chairman of the General Meeting, the Members present shall choose some Director or, if no Director be present or if all the Directors present decline to take the chair, one of themselves to be chairman of the General Meeting. Chairman.
- 78(1). The chairman may with the consent of any General Meeting at which a quorum is present (and shall if so directed by the General Meeting), adjourn the General Meeting from time to time and from place to place, but no business shall be transacted at any adjourned General Adjournment.

Meeting other than the business left unfinished at the General Meeting from which the adjournment took place.

- 78(2). Provided that if required by the listing rule of the Exchange or the listing rules of any stock exchange upon which the shares of the Company may be listed, all resolutions at General Meeting shall be voted by poll (unless such requirement is waived by the Exchange or such stock exchange). Mandatory Polling.
79. Subject to Regulation 78(2), at every General Meeting a resolution put to the vote of the General Meeting shall be decided on a show voting where of hands by the Members present in person and entitled to vote, unless before or upon the declaration of the result of the show of hands a poll be demanded by:- Method of voting where mandatory polling not required.
- (a) the Chairman of the General Meeting; or
 - (b) not less than two Members present in person or by proxy and entitled to vote; or
 - (c) a Member or Members present in person or by proxy, holding or representing, as the case may be:-
 - (i) not less than five per cent. of the total voting rights of all Members entitled to vote at the General Meeting; or
 - (ii) shares in the Company conferring a right to vote at the General Meeting being shares on which an aggregate sum has been paid up equal to not less than five per cent. of the total sum paid up on all the shares conferring that right.
- 80(1). Where a poll is taken, it shall be taken in such manner as the chairman of the General Meeting directs, and the results of the poll shall be deemed to be the resolution of the General Meeting at which the poll was taken. The chairman of the General Meeting may (and if required by the listing rules of the Exchange or if so directed by the General Meeting, shall) appoint at least one scrutineer who shall be independent of the persons undertaking the polling process and may adjourn the General Meeting to some place and time fixed by him for the purpose of declaring the result of the poll. Chairman's direction as to poll.
- 80(2). No poll shall be taken on the election of a chairman of a General Meeting or on a question of adjournment. A poll taken on any other question shall be taken at such time as the chairman of the General Meeting directs.
81. A demand for a poll made pursuant to Regulation 79 shall not prevent the continuance of the General Meeting for the transaction of any business, other than the question on which the poll has been demanded. Unless a poll be so demanded, a declaration by the chairman of the General Meeting that a resolution has been carried, or has been carried by a particular majority, or lost, or not carried by a particular majority shall be conclusive, and an entry to that effect in Declaration of chairman of the General Meeting conclusive.

the minute book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution. A demand for a poll may be withdrawn only with the approval of the General Meeting.

- 82(1). No objection shall be raised as to the admissibility of any vote except at the General Meeting or adjourned General Meeting, as the case may be, at which the vote objected to is or may be given, tendered or cast, and every vote not disallowed at such General Meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the General Meeting whose decision shall be final and conclusive. Objection to admissibility.
- 82(2). If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same General Meeting, or at any adjournment thereof, and unless in the opinion of the chairman at of the General Meeting or at any adjournment thereof as the case may be, it shall be of sufficient importance to vitiate the result of the voting.
83. In case of an equality of votes, whether on a show of hands or on a poll, the chairman of the General Meeting at which the show of hands takes place or at which the poll is demanded, as the case may be, shall have a second or casting vote in addition to the vote or votes to which he may be entitled to as a member or as a proxy of a Member. In the event of equality of votes.

VOTES OF MEMBERS

- 84(1). Subject to and without prejudice to any special privileges or restriction as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Regulation 15(2):- Voting rights
- (a) every Member who is present in person or by proxy, or in the case of a corporation, by its representative, shall have one vote on a show of hands, provided that:-
- (i) in the case of a Member who is not a relevant intermediary and is represented by two proxies, only one of the two proxies as determined by that Member or, failing such determination, by the chairman of the General Meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands; and
- (ii) in the case of a Member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.
- (b) every Member who is present in person or by proxy, or in the case of a corporation, by its representative, in case of a poll, shall have one vote for every share which he holds or represents and upon which all calls or other sums due thereon to the Company have been paid.

- 84(2). For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting upon a poll being called, the number of shares held or represented shall, in relation to the shares of that Depositor, be the number of shares entered against his name in the Depository Register as at the Cut-Off Time before such General Meeting as certified by the Depository to the Company. A Member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a Member, or attend, vote or act at any General Meeting.
- 84(3). Subject to these this Constitution and the Statutes, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile. Voting in absentia
85. In the case of joint holders, any one of such persons may vote and be reckoned in a quorum at any General Meeting either personally or by proxy as if he were solely entitled thereto, but if more than one of such persons is present in person or by proxy at a General Meeting, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register or the Depository Register, as the case may be. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Regulation 85 be deemed joint holders thereof. Right of joint holders.
86. Unless the Directors otherwise determine, no person other than a Member who shall have paid everything for the time being due from him and payable to the Company in respect of his shares, shall be entitled to be present or to vote on any question either personally or by proxy at any General Meeting. Members only entitled to vote upon full payment.
87. A Member who has become mentally disordered and incapable of managing himself or his affairs, or in respect of whom an order has been made by any Court having jurisdiction in lunacy or mental capacity, may vote, whether on a show of hands or on a poll by the person duly appointed to manage his estate (who may appoint a proxy) provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than the Cut-Off Time before the General Meeting. Votes of mentally disordered Members.
- 88(1). On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. Vote personally or by proxy.

- 88(2). To the extent permitted by the Act, any other applicable laws or regulations, where a Member is required by the listing rules of the Exchange or a court order to abstain from voting on a resolution at a General Meeting, such Member shall not be entitled to vote on the relevant resolution and shall be required to abstain from voting his shares (including by proxy or by attorney) in respect of such resolution, and if the Member casts any votes in contravention of this Regulation 88(2), or if the listing rules of the Exchange require the Company to do so, the Company shall be entitled to disregard such votes. Voting Member to abstain
- 89(1). A proxy need not be a Member. Proxies.
- 89(2). Save as otherwise provided in the Act:- Appointment of proxies.
- (a) a Member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the same General Meeting. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy; and
- (b) a Member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
- 89(3). In any case where the Member is a Depositor, the Company shall be entitled and bound:- Shares entered in Depository Register
- (a) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at the Cut-Off Time before the General Meeting as certified by the Depository to the Company;
- (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at the Cut-Off Time before the General Meeting as certified by the Depository to the Company, whether that number be greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor; and
- (c) in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.

- 89(4). In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.
90. Any corporation which is a Member may, by resolution of its directors or other governing body, authorise any person to act as its representative at any General Meetings or any class of Members, and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as if he had been an individual shareholder and such corporate Member shall for the purpose of this Constitution (but subject to the Act) be deemed to be present in person at any such General Meeting if a person so authorised is present thereat. Corporation may appoint representative
91. An instrument appointing a proxy shall be in writing in any usual or common form (including the form approved from time to time by the Depository) or in any other form which the Directors may approve and:- Execution of instrument of proxy on behalf of appointor.
- (a) in the case of an individual:-
- (i) shall be signed by the appointor or his attorney if the instrument is delivered personally or sent by post; or
- (ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument of proxy is submitted by electronic communication; and
- (b) in the case of a corporation or limited liability partnership shall be:-
- (i) either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation or limited liability partnership if the instrument of proxy is delivered personally or sent by post; or
- (ii) authorised by that corporation or limited liability partnership through such method and in such manner as may be approved by the Directors, if the instrument of proxy is submitted by electronic communication.

The Directors may, for the purposes of electronic communication, designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

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| 92. | Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or the power of attorney or other authority, if any, or a duly certified copy thereof shall (failing previous registration with the Company) if required by law, be duly stamped and be deposited at the Office, not less than the Cut-off Time before the time for holding the General Meeting or adjourned General Meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. The deposit of an instrument appointing a proxy does not preclude the Member concerned from attending and voting in person at the General Meeting, as well as for any adjournment of the meeting to which it relates. In such an event, the appointment of the proxy or proxies is deemed to be revoked by the Member concerned at the point when the Member attends the General Meeting. | Authority to sign instrument appointing proxy to be deposited with Company. |
| 93. | The signature on an instrument of proxy need not be witnessed. | No witness needed for instrument of proxy. |
| 94. | A vote given in accordance with the terms of an instrument of proxy When vote by shall be valid notwithstanding the previous death of the principal or proxy valid revocation of the proxy or transfer of the share in respect of which the vote is given Provided Always that no notice in writing of the death or revocation or transfer shall have been received by the Company at the Office one hour at least before the Cut-Off Time fixed for holding the General Meeting. | When vote by proxy valid though authority revoked. |
| 95. | An instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the General Meeting. | Instrument deemed to confer authority. |

APPENDIX VI
VALUATION REPORT

PRIVATE & CONFIDENTIAL

11 October 2019

Our File: 2019-203

DLF Holdings Limited
140 Paya Lebar Road,
#08-07 AZ@Paya Lebar,
Singapore 409015

Dear Sirs

VALUATION ON 15 JALAN SAUDARA KU, SINGAPORE 457451

Pursuant to your instructions we have inspected the above property in order to advise you of our opinion of the Fair Market Value, as at 8 October 2019.

It is our understanding that this appraisal report shall be utilised for offeree circular purpose.

The term "Fair Market Value" as used herein, is defined as being the amount, in terms of money, at which the property would exchange in the current real estate market, allowing a reasonable time to find a purchaser, as between a willing buyer and a willing seller, both having reasonable knowledge of all relevant facts, and with equity to both.

This definition assumes that any transaction that may occur will be for cash or its equivalent consideration. The terms of sale, whether favourable or unfavourable would undoubtedly influence the price of the property if it were offered for sale in the open market. It is further assumed that title to the property is good and marketable, and that it would be transferable without unreasonable restriction.

Our report consists of:-

This report containing descriptive information of the property,
the approach to valuation, and the conclusion reached;

Photographs identifying the property appraised;

Plans showing the general location of the property; and

Limiting Conditions.

2019-203

LOCALITY

The subject property is a residential unit located along Jalan Saudara Ku. It is about 110 metres away from its intersection with East Coast Road and approximately 11 kilometres from the city centre near Collyer Quay.

The immediate vicinity comprises mixture of landed houses and low-rise private residential developments. Prominent private residential developments nearby include United Mansion, Finland Gardens, Fernwood Towers and Ocean Park.

Social amenities and public facilities are within easy reach of the subject property. Educational institutions in the vicinity include Ngee Ann Primary School, CHIJ Katong Convent, St. Patrick's School, Victoria School, Victoria Junior College, Sekolah Indonesia Singapura and Global Indian International School (East Coast Campus).

Public transports are easily available along East Coast Road.

DESCRIPTION

The subject property is a residential unit located on the ground floor of a 3-storey block. It is part of a development comprising two 3-storey blocks.

Construction of the blocks are generally of reinforced concrete frame with brick infill walls, tiled pitched roof, reinforced concrete floors and reinforced concrete staircases. Carpark is provided within the compound.

The subject property is currently being used as an office with a front porch, general office area, 2 rooms, a store and a bathroom. There is a back door leading to a common private driveway. Floor finishes are of carpet and ceramic tiles.

The subject property is generally fitted with steel swing gate, timber doors, glass swing door, aluminium framed glass panelled windows, steel window grilles and suspended acoustic ceiling boards. It is served by split-unit air-conditioning system.

2019-203

SERVICES

Essential utility and tele-communication services are connected.

CONDITION OF SUBJECT PROPERTY

As at the date of valuation, the subject property is in a good state of repair and maintenance.

TITLE AND TENURE

Mukim	:	26
Strata Lot No.	:	U220M (Old Strata Lot No.2798/U11)
Tenure	:	Private leasehold 999 years commencing from 1 January 1965
Strata Floor Area	:	88 square metres
Registered Owner	:	Acmes-Kings Corporation Pte. Ltd.
Encumbrances	:	The subject property is mortgaged to DBS Bank Ltd

TENANCY DETAILS

As at the date of valuation, the subject property is owner-occupied.

MASTER PLAN ZONING

The subject site is zoned "Residential" in the current Singapore Master Plan (2014 Edition).

It is within an area designated for 3-storey mixed landed.

2019-203

VALUATION APPROACH

We have arrived at the valuation of the subject property mainly by the Comparison Method. In this method, a comparison is made between recent sales of similar properties in the vicinity. Due adjustments have been made for any difference in location, size, Master Plan Zoning, design and layout, tenure, age and conditions of buildings, and dates of transactions, amongst other relevant factors which may affect value.

The valuer undertaking the valuation, Ms Tay Shiow Jiuán, is authorised to practice as a valuer in Singapore.

Tay Shiow Jiuán is a licensed appraiser and a member of Singapore Institute of Surveyors and Valuers (SISV). She graduated with a degree of Bachelor of Science (Estate Management) from National University of Singapore (NUS).

The valuer has more than 25 years of experience as a licensed real estate appraiser. She undertakes valuation of residential properties comprising both landed and non-landed; commercial and industrial properties including strata-titled units, landed buildings and shophouses; development sites; as well as specialised properties such as oil terminals, shipyards, power stations, bus terminals, logistic facilities, recreational facilities and places of worship. She liaises with corporate clients, individual owners, financial institutions, auditors, lawyers and government bodies to provide valuation for purpose of sale, acquisition, public listing, collective sales, accounting/audit, financing, property taxation, compulsory acquisition, insurance renewal and rental renewal.

2019-203

VALUATION

Having due regard to the prevailing property market conditions and all the relevant information, we are of the opinion that the Fair Market Value of the subject property known 15 Jalan Saudara Ku, Singapore 457451, as at 8 October 2019, free from encumbrances and with vacant possession, is as follows:-

FAIR MARKET VALUE

S\$1,400,000/-

SINGAPORE DOLLARS ONE MILLION FOUR HUNDRED THOUSAND ONLY

The report is issued subject to the accompanying limiting conditions.

WE HEREBY CERTIFY that we have neither present nor prospective interest in the property appraised, or in the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY PTE LTD

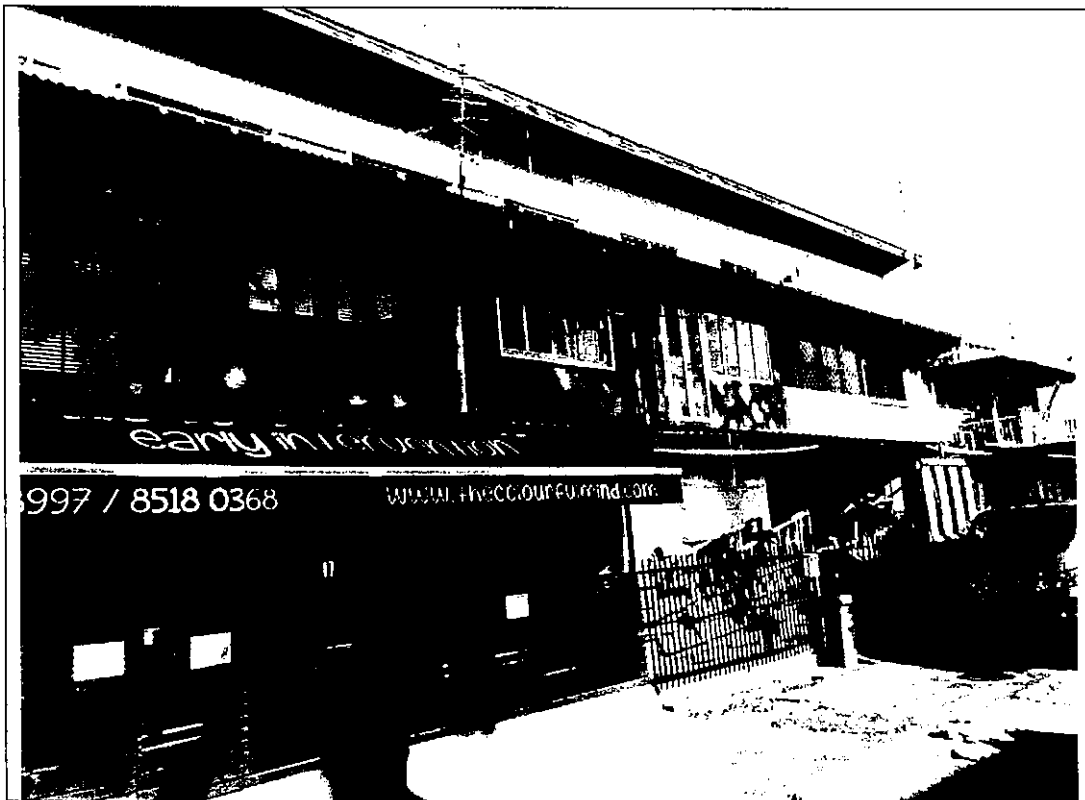
Appraised By : Tay Shiow Jiuan
Appraiser's Licence No. : AD041-2006184J

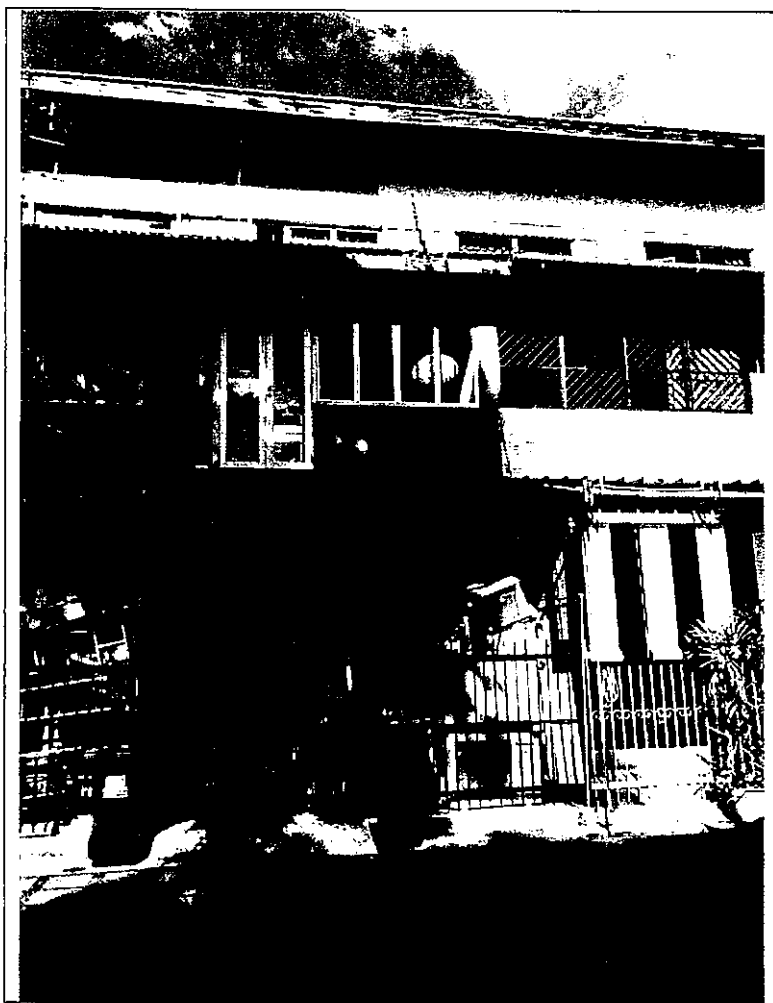
PHOTOGRAPHS AND PLANS

15 JALAN SAUDARA KU,
SINGAPORE 457451



EXTERIOR VIEWS OF THE 3-STOREY BLOCK





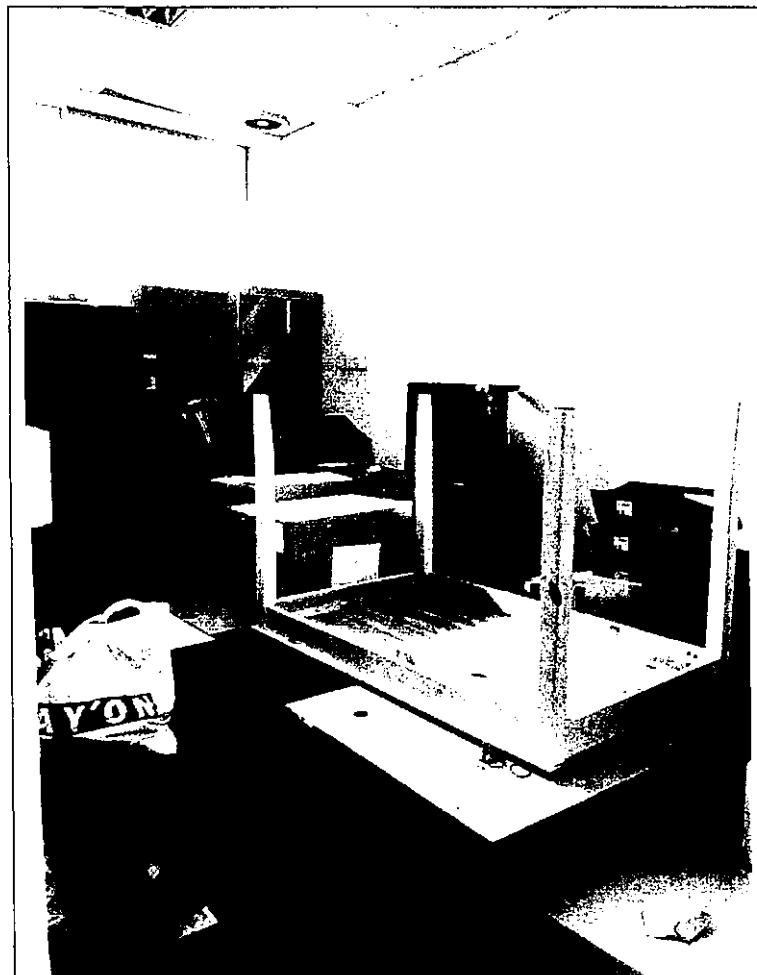
EXTERIOR VIEW OF SUBJECT PROPERTY



GENERAL OFFICE AREA

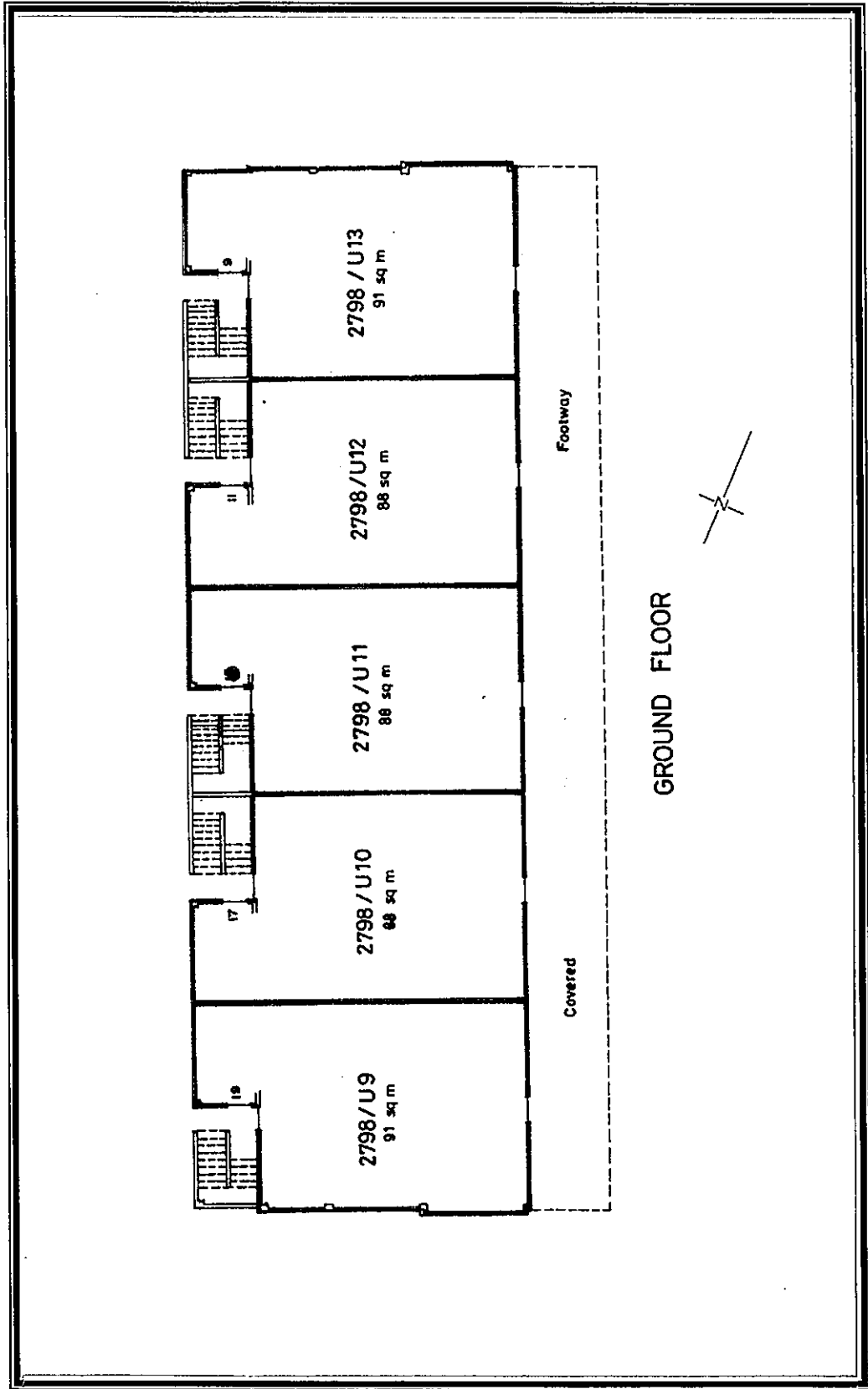


TWO PARTITIONED ROOMS



FLOOR PLAN

15 JALAN SAUDARA KU,
SINGAPORE 457451



GROUND FLOOR

NOT TO SCALE, FOR IDENTIFICATION PURPOSES ONLY



LIMITING CONDITIONS FOR REAL ESTATE PROPERTY

This appraisal report is subject to the following limiting conditions:-

1. While due care is taken to note the building defects in the course of inspection, no structural survey or engineering tests were made. No responsibility is assumed for the soundness of the structure or condition of the services.
2. In the event that Asian Appraisal Company Private Limited is required to give testimony or attendance in court, or to any government agency, with reference to the property appraised in this report, the Company would be willing to do so provided prior arrangements have been made and we be properly reimbursed.
3. Whilst we have conducted a search into the title and area of the property as recorded by the Land Registry, we are unable to accept any responsibility for it, or for any liabilities against the property which were unrecorded at the time of our inspection.
4. Where it is stated in the report that information has been provided to us by the client, this information is believed to be reliable and we cannot accept responsibility if it is proved otherwise. Any other necessary interpretation that we have been obliged to make are informal, and our own, and without any liability.
5. All existing liens and encumbrances, if any, have been disregarded, and the property is valued as though free, clear and under responsible ownership.
6. We have assumed in our valuation that the property as currently used is not in contravention of any planning or similar government regulations.
7. No requisition on road or drainage proposal has been made. Such information will not be tendered unless specifically requested for and we be properly reimbursed.
8. Any plans included in this report are for identification purposes only and should not be treated as certified copies of areas or other particulars contained therein.
9. This appraisal report is invalid unless it bears the service seal of Asian Appraisal Company Private Limited. Our appraisal report shall also be invalidated if our appraisal fee is not paid.
10. This report is confidential to the client for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the client in respect of that purpose, but the client shall not disclose the report to any other person. The valuer's responsibility in connection with this report is limited only to the client to whom the report is addressed.
11. Neither the whole nor part of this report and valuation, nor any reference thereto, may be included in any published document, circular or statement nor published in any way whatsoever without our written approval of the form and context in which it will appear.
12. In the event that Asian Appraisal Company Private Limited is subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability against the company including its directors, officers, employees, subcontractors, affiliates or agents shall be limited to the amount of fees we received for this engagement.

* * * * *



We provide the following services throughout the Asia Pacific Region:-

- * **Valuation of Real Estate**
- * **Valuation of Plant and Machinery/
Equipment/Motor Vehicle/
Office Furniture**
- * **Investment Sales and Real Estate Agency**
- * **Development Consultancy**
- * **Feasibility Studies**
- * **Property Management**
- * **Auction Services**

Our address:-

151 Chin Swee Road,
#07-11/13, Manhattan House,
Singapore 169876

Tel : 6252 5866
Fax : 6298 3334
Email : enquiries@asianappraisal.com
Website : www.asianappraisal.com

Associates in Malaysia, Indonesia, Thailand, Philippines, Hong Kong, China & Japan

APPENDIX VII

STATEMENTS OF PROSPECTS

1. STATEMENTS OF PROSPECTS

1.1 1H2019 Results

The following statements were made in the 1H2019 Results released by the Company on 14 August 2019:

“Looking forward, while our results continue to be impacted by the challenging environment in which the Group operates, the Group expects to incur losses for the financial year ending 31 December 2019.

“Notwithstanding the above, the Board is of the opinion that the Group will be able to operate as a going concern having regard to the following:

- (i) Cash to be generated from operations based on a cash flow forecast prepared by management;*
- (ii) Mr. Manfred Fan, Chairman and substantial shareholder of the Group, has provided a letter of comfort to provide the financial support and assistance as may be required to ensure that the Group maintains capital and liquidity levels to enable it at all times to meet its financial obligations as and when its fall due within the next 12 months;*
- (iii) The Group is optimistic that it is able to obtain funds from the sale of its property, if the need arises; and*
- (iv) The Group is looking into corporate fund raising exercise(s).”*

1.2 SIC Confirmation

SIC has confirmed that the Statements of Prospects set out in paragraph 1.1 of this Appendix VII constitutes a profit forecast for the purposes of Rule 25.6 of the Code. However, SIC has stated that *“as a point forecast has not been made, it will suffice for a statement of prospects (setting out all the bases and commercial assumptions) for that financial year to be included in the offeree circular. The statement of prospects must be examined and reported on by the auditors or reporting accountant and the financial adviser must examine the statement of prospects and state whether in their view, the statement has been made after due and careful enquiry.”*

2. ASSUMPTIONS

2.1 Accounting Policies

Each of the Statements of Prospects, for which the Directors are solely responsible, was arrived at on the bases consistent with the accounting policies normally adopted by the Company.

2.2 Assumptions

Pursuant to Note 2 to Rule 25.2 of the Code, *“(t)he directors must prepare a profit forecast with scrupulous care and objectivity. The forecast and the assumptions on which it is based are the sole responsibility of the directors....In addition, the auditor or reporting accountant should*

satisfy himself that the forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the footing of the assumptions made.”

The Statements of Prospects for the financial year ending 31 December 2019 made in paragraph 1.1 of this Appendix VII have been made on the following assumptions and/or information available as at 14 August 2019, being the date on which the Statements of Prospects were made:

- (a) There will be no material changes in the existing political, regulatory, or legal conditions affecting the activities of the Group, the industry and the countries in which the Group operates.
- (b) There will be no material changes in the principal activities, management and organisation structure of the Group or in their principal sources of revenue.
- (c) There will be no material changes in the competitive environment in which the Group operates.
- (d) There will be no material changes in the accounting policies of the Group.
- (e) There will be no material changes in the bases or rates of taxation, CPF contributions and government levies from those prevailing and which may affect the Group's financial performance or condition.
- (f) There will be no significant changes in inflation rates.
- (g) There will be no material changes in interest rates from those prevailing as at the date of the Statements of Prospects.
- (h) There will be no significant changes to the major foreign currency exchange rates that will adversely affect the Group's results.
- (i) There will be no material effect on the Group arising from any changes in the economic and financial positions of the Group, its contractors and sub-contractors and its customers.
- (j) There will be no material disruptions arising from any delays from any suppliers or sub-contractors or customers in relation to *inter alia* payments, quality of supplies and finished works, disputes, variation orders.
- (k) There will be no material adverse changes in the costs of suppliers, labour costs and other costs from those prevailing, schedules for projects outstanding.
- (l) There will be no material change in the operating cost structure of the Group, including the cost of materials and supplies, labour and all other cost required for the business and cost which the Group has committed to.
- (m) There will be no material one-off item or cost to be incurred that has adverse impact on the Group's financial performance.
- (n) There will be no material impairment to the carrying values of assets of the Group including receivables and property, plant and equipment.
- (o) There will be no material changes in the key management personnel who may impact the Group's business, operations and future viability.

- (p) There will be no material changes to the existing employment benefits and incentive scheme of the Group.
- (q) There will be no requirement for material additional provisions to be made in respect of any liability of the Group.
- (r) There will be no exceptional circumstances that require material provision to be made or costs to be expensed (where applicable) by the Group in respect of any existing or new contracts that the Group have embarked or will embark upon of a revenue or cost nature as the case may be, contingent liability, litigation, or arbitration threatened or otherwise, abnormal bad debts or unexpected termination of contracts.
- (s) There will be no material acquisitions or disposals of subsidiaries by the Group, save for the disposal of the Group's property if the need arises.
- (t) There will be no material changes to the Group's schedule for projects in relation to payments.
- (u) There will be no material changes to the budgeted capital expenditure of the Group.
- (v) There will be no material exceptional item or expense item.
- (w) There will be no material changes to the relationships the Group has with major clients and customers which may affect the Group's activities.
- (x) There will be no material changes in the availability of the Group's existing financing facilities (in relation to *inter alia* rates, charges, repayment terms or rollovers, covenants, security) with the Group's financiers or credit terms with suppliers.
- (y) There will be no material changes to the terms and costs of suppliers and sub-contractors, labour costs and other construction related costs from those then prevailing. It is assumed that there will be no material adverse impact to the projects in terms of credit terms and schedules agreed upon arising from changes in the cost structure and/or the schedules or variation orders.
- (z) There will be no material changes or disruptions to the Group's working capital cycle.
- (aa) Executive Chairman, Mr. Fan Chee Seng, who, at or about 14 August 2019 prior to the release of the unaudited financial information and dividend announcement for the six months period ended 30 June 2019, had provided a letter of comfort to provide the financial support and assistance as may be required to ensure that the Group maintains capital and liquidity levels to enable it at all times to meet its financial obligations as and when it falls due within the next 12 months. Subsequent to the said announcement on 14 August 2019, Mr. Fan Chee Seng, had provided an interest-free loan of S\$500,000 as announced on 2 October 2019.
- (bb) Sale of certain property of the Group at or about fair market values after taking into account transaction costs on a willing buyer and seller basis and without duress.

Shareholders should note that the underlying bases and assumptions on which the aforesaid Statements of Prospects were based were arrived at based on information available to the Directors as at 14 August 2019, being the date of the release of the 1H2019 Results. Such Statements of Prospects were based on the best assessment of the business by the Board and management of the Company as at the date of the Statements of Prospects, which did not

include the Offeror's intentions with respect to the Company. Accordingly, there may or may not be changes to such underlying bases and assumptions subsequent to the close of the Offer.

APPENDIX VIII

LETTER FROM THE AUDITOR IN RELATION TO THE STATEMENTS OF PROSPECTS



21 October 2019

**The Board of Directors
DLF Holdings Limited**
140, Paya Lebar Road
#08-07, AZ @ Paya Lebar
Singapore 409015

**The Board of Directors
PrimePartners Corporate Finance Pte. Ltd.**
16 Collyer Quay
#10-00 Income At Raffles
Singapore 049318

Dear Sirs,

This letter is prepared for the purposes of Rule 25.3 of the Singapore Code on Take-overs and Mergers (the "Code") in connection with the offeree circular ("Offeree Circular") despatched by DLF Holdings Limited (the "Company") in relation to the mandatory unconditional cash offer ("Offer") for all of the issued and paid-up ordinary shares in the capital of the Company, other than those already owned, controlled or agreed to be acquired by QRC Pte. Ltd. (the "Offeror") in accordance with Rule 14 of the Code.

This letter has been prepared for inclusion in the Offeree Circular.

We have examined the Statements of Prospects, relating to the profit forecast of the Company and its subsidiaries ("Group") for the financial year ending 31 December 2019, set out below:

Extract from Section 10 of the half-year results announcement dated 14 August 2019:

"Looking forward, while our results continue to be impacted by the challenging environment in which the Group operates, the Group expects to incur losses for the financial year ending 31 December 2019."

"The Group is looking at securing more mechanical and electrical contracts to enhance the financial performance and position of the Group."

"Notwithstanding the above, the Board is of the opinion that the Group will be able to operate as a going concern having regard to the following:

- (i) Cash to be generated from operations based on a cash flow forecast prepared by management;
- (ii) Mr. Manfred Fan, Chairman and substantial shareholder of the Group, has provided a letter of comfort to provide the financial support and assistance as may be required to ensure that the Group maintains capital and liquidity levels to enable it at all times to meet its financial obligations as and when its fall due within the next 12 months;
- (iii) The Group is optimistic that it is able to obtain funds from the sale of its property, if the need arises; and
- (iv) The Group is looking into corporate fund raising exercise(s)."



We have examined the Statements of Prospects in accordance with the Singapore Standards on Assurance Engagements applicable to the examination of prospective financial information. The Directors are solely responsible for the Statements of Prospects including the completeness of the Statements of Prospects and assumptions on which the Statements of Prospects are based.

Based on our examination of the evidence supporting the assumptions as set out in Appendix VII to the Circular, nothing has come to our attention to cause us to believe that these assumptions do not provide a reasonable basis for the Statements of Prospects. Further, in our opinion, the Statements of Prospects are properly prepared on the basis of such assumptions and is consistent with the accounting policies normally adopted by the Group which are in accordance with Singapore Financial Reporting Standards (International).

Actual results are likely to be different from the profit forecast since anticipated events frequently do not occur as expected and the variation may be material.

This letter is not to be used for any other purpose and shall not be distributed to any other parties, save that the Company may append this letter to the Offeree Circular which it will issue to its shareholders in connection with the Offer made by the Offeror for the Company.

Yours faithfully

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants
Singapore

APPENDIX IX

LETTER FROM THE IFA IN RELATION TO THE STATEMENTS OF PROSPECTS

**LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD.
TO THE INDEPENDENT DIRECTORS OF DLF HOLDINGS LIMITED**

ASIAN CORPORATE ADVISORS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200310232R)

160 Robinson Road #21-05
SBF Center
Singapore 068914

The Independent Directors (as hereinafter defined)
DLF Holdings Limited
140 Paya Lebar Road
#08-07 AZ @ Paya Lebar
Singapore 409015

25 October 2019

MANDATORY UNCONDITIONAL CASH OFFER (THE “OFFER”) BY CEL IMPETUS CORPORATE FINANCE PTE. LTD. (“CICF”) FOR AND ON BEHALF OF QRC PTE. LTD. (THE “OFFEROR”) FOR ALL THE ISSUED AND PAID UP ORDINARY SHARES IN THE CAPITAL OF DLF HOLDINGS LIMITED (“SHARES”), EXCLUDING TREASURY SHARES AND THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR (THE “OFFER SHARES”)

Unless otherwise defined or where the context otherwise requires, all terms used herein shall have the same meanings as defined in the circular dated 25 October 2019 (the “Circular”) issued by DLF Holdings Limited (“Company”) and our letter dated 25 October 2019 as set out in Appendix I of the Circular.

This letter is prepared for inclusion in the Circular in connection with the Offer pursuant to Rule 25 of the Singapore Code on Take-overs and Mergers (“Code”).

The Company had on various occasions, before the commencement of the Offer, issued statements which are deemed as prospects statements (“Prospects Statements”) under Rule 25 of the Code. The extracted statements below was issued by the Company in connection with the Company’s commentary on the unaudited financial results for the six-months ended 30 June 2019.

Unaudited Financial Statement and Dividend Announcement For the Six Months Period Ended 30 June 2019 (“1HY2019 Results”)

The following statements were made in the 1HY2019 Results released by the Company on 14 August 2019:

“Looking forward, while our results continue to be impacted by the challenging environment in which the Group operates, the Group expects to incur losses for the financial year ending 31 December 2019.

Notwithstanding the above, the Board is of the opinion that the Group will be able to operate as a going concern having regard to the following:

- (i) Cash to be generated from operations based on a cash flow forecast prepared by management;*
- (ii) Mr. Manfred Fan, Chairman and substantial shareholder of the Group, has provided a letter of comfort to provide the financial support and assistance as may be required to ensure that the Group maintains capital and liquidity levels to enable it at all times to meet its financial obligations as and when its fall due within the next 12 months;*

(iii) *The Group is optimistic that it is able to obtain funds from the sale of its property, if the need arises; and*

(iv) *The Group is looking into corporate fund raising exercise(s)."*

We note that the Prospects Statements were not made in conjunction with the Offer. The Directors have not issued a profit forecast for the Company in connection with the Offer.

We have discussed the key bases and assumptions underlying the Prospects Statements with the management of the Company ("**Management**") and directors of the Company ("**Directors**") as reproduced in Appendix VII of the Circular. We have noted and have considered the letter dated 21 October 2019 addressed to the Directors by the auditors of the Company ("**Auditors**") in relation to its review of the Prospects Statements, in Appendix VIII of the Circular.

We have relied on the accuracy and completeness of all financial and other information discussed with us and assumed such accuracy and completeness for the purposes of providing this letter. We have not independently verified the information both written and verbal and accordingly cannot and do not make any representation or warranty, expressly or impliedly, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have not undertaken any independent evaluation or appraisal of any of the assets or liabilities or contracts of the Company or the Group. Save as provided in this letter, we do not express any other opinion on the Prospects Statements.

Based on the above discussions with the Management and Directors and having considered the letter from the Auditors as reproduced in Appendix VIII of the Circular, we are of the view that the Prospects Statements (for which the Directors are solely responsible) had been issued by the Directors after due and careful enquiry.

This letter is addressed to the Directors for the sole purpose of complying with Rule 25 of the Code, and we do not accept any responsibility to any other person (other than the Directors) in respect of, arising from or in connection with this letter.

Yours faithfully,

For and on behalf of

ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU
MANAGING DIRECTOR

FOO QUEE YIN
MANAGING DIRECTOR

APPENDIX X
NOTICE OF COMPLIANCE

Our Ref: REG/LC/GT/TY/NOC-DLF

26 September 2019

The Board of Directors

DLF Holdings Limited
140 Paya Lebar Road
#08-07, AZ @ Paya Lebar
Singapore 409015

Dear Sirs,

DLF HOLDINGS LIMITED (“DLF” OR THE “COMPANY”, TOGETHER WITH ITS SUBSIDIARIES, THE “GROUP”)

NOTICE OF COMPLIANCE (THE “NOTICE”)

1. Singapore Exchange Regulation (“**SGX RegCo**” or the “**Exchange**”) refers to:
 - (a) The Company’s SGXNet announcement dated 20 September 2019 (Announcement Reference No: SG190920TENDST9X) titled “Mandatory Unconditional Cash Offer” released by CEL Impetus Corporate Finance Pte Ltd for and on behalf of QRC Pte Ltd (“**Offeror**”) (“**20 September 2019 Announcement**”); and
 - (b) The Company’s SGXNet announcement dated 22 September 2019 (Announcement Reference No: SG190920TENDST9X) titled “Mandatory Unconditional Cash Offer by CEL Impetus Corporate Finance Pte Ltd for and on behalf of QRC Pte Ltd, for DLF Holdings Limited” (“**22 September 2019 Announcement**”).

Background

2. The Company was listed on 25 July 2018 and is a Singapore-based mechanical & electrical engineering services and solutions service provider. Its core business is in the provision of (i) Project Management Services; and (ii) Turnkey Contracting Services.

3. In the 20 September 2019 Announcement, CEL Impetus Corporate Finance Pte Ltd announced, for and on behalf of QRC Pte Ltd (“**Offeror**”), that the Offeror has on 20 September 2019 entered into sale and purchase agreements (“**SPAs**”) with Mr Wong Ming Kwong (“**Mr Wong**”), the controlling shareholder, former Chief Executive Officer and former Executive Director of the Company, and Mr Fan Chee Seng (“**Mr Fan**”), controlling shareholder, Executive Chairman and Executive Director of the Company. Pursuant to the SPAs, the Offeror will purchase 45,000,000 and 24,221,740 ordinary shares (“**Sale Shares**”) in the capital of the Company from Mr Wong and Mr Fan respectively. The aggregate consideration for the total of 69,221,740 Sale Shares is S\$5,601,353.98, being approximately S\$0.0809 (“**Sale Price**”) for each Sale Share.
4. The total Sale Shares represents approximately 57.16% of the total number of ordinary shares in the share capital of the Company. As a result, the Offeror is required to make a mandatory unconditional cash offer (“**Offer**”) for all the shares, excluding treasury shares and those already owned, controlled and agreed to be acquired by the Offeror, in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore and Rule 14 of the Singapore Code on Take-overs and Mergers. The consideration for each Offer Share is S\$0.081 (“**Offer Price**”) in cash.
5. In the 22 September 2019 Announcement, the Company announced that the Board will appoint an independent financial adviser (“**IFA**” to be appointed) to advise the directors of the Company who are considered independent for the purposes of the Offer (“**Independent Directors**”).
6. The Company was listed in July 2018, with IPO price of S\$0.23/share. The Offer Price of \$0.081 is at a 56% discount to the last transacted price, and also at significant discounts to the 1-month; 3-month; and 12-month VWAP prices.
7. The Offeror was incorporated in 2018 and is in the business of providing business and management consultancy services. This is completely different from the Group’s existing business as set out in paragraph 2 of this Notice.
8. SGX RegCo notes that Mr Fan is the founder of the Group and the sole Executive Director of the Company currently. Mr Wong was formerly the Executive Director cum CEO of the Company. SGX RegCo is of the view that the rationale for Mr Wong and Mr Fan entering into the SPAs to sell their shares at the Sale Price to the Offeror constitutes important information for shareholders in deciding whether to accept the Offer.
9. On 23 September 2019, SGX RegCo queried the Company on, amongst others, the rationale and intention of the Offer and the SPAs, as well as relationships (if any) between the Offeror, the Group, its directors, key management and their associates. (“**RegCo Queries of 23 September 2019**”)

Other Matters

10. Since the Company’s initial public offering in July 2018, SGX RegCo noted developments in the Group, in particular changes to the board and key management and termination of a key project (collectively the “**Developments**”). As a result, SGX RegCo queried and required the Company to announce its responses to 3 sets of queries via SGXNet.

Exchange's Directives

11. Catalyst Rule 305(1)(b) provides that the Exchange may, for the purposes of ensuring that the market is fair, orderly and transparent, require an issuer to make specific disclosures. Catalyst Rule 305(1)(k) further provides that the Exchange may impose on Relevant Persons any other requirements which it considers appropriate.
12. Pursuant to Catalyst Rules 305(1)(b) and (k), the Exchange requires:
 - (a) The Company to disclose via SGXNet, its responses to RegCo Queries of 23 September 2019;
 - (b) The Independent Directors to scrutinize the bases taken into consideration by the IFA in arriving at the IFA opinion on the Offer. Thereafter, the Independent Directors must set out in the Offeree Circular to be despatched to shareholders, detailed justifications and bases in arriving at their recommendation to shareholders;
 - (c) The Company to engage the Offeror to set out its business plans and future direction for the Group and to disclose these in the Offeree Circular to shareholders, in view of the Offeror's intention to maintain the listing status of the Company following completion of the Offer; and
 - (d) The Company and its directors to provide full assistance to RegCo's review of the Developments.
13. Pursuant to Catalyst Rule 305(4), failure to comply with the requirements imposed by the Exchange shall be deemed to be a contravention of the Rules.
14. Please note that compliance with this Notice does not constitute a waiver of any kind, and SGX RegCo reserves the right to take disciplinary action against the Company and / or Relevant Persons for breaches of the Listing Rules, including any failure to comply with the requirements imposed by the Exchange.

Yours faithfully,

June Sim
Senior Vice President
Head, Listing Compliance
Singapore Exchange Regulation

cc: Ms Gillian Goh, PrimePartners Corporate Finance Pte. Ltd.

APPENDIX XI

RESPONSE TO SGX-ST QUERIES DATED 23 SEPTEMBER 2019

DLF HOLDINGS LIMITED

Company Registration No.: 201726076W
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX QUERIES DATED 23 SEPTEMBER 2019

DLF Holdings Limited (the “**Company**” or “**DLF**”) wishes to announce its responses to the following queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) with reference to the announcements dated 20 September 2019 and 22 September 2019 pertaining to the mandatory unconditional cash offer by CEL Impetus Corporate Finance Pte. Ltd. for and on behalf of QRC Pte. Ltd. (“**Offeror**”).

1. DLF was listed in July 2018 (14 months ago), with IPO price of \$0.23/share. The Offer price of S\$0.081 is at a 56% discount to the last done price, and also at significant discount to the 1-month, 3 month, 6-month and 12-month VWAP prices. What is the rationale for Mr Wong Ming Kwong (“**Mr Wong**”) and Mr Fan Chee Seng (“**Mr Fan**”) entering into the SPA to dispose their shares? This is in the context of the Company being newly listed and the Offer price being at a steep discount, and other relevant factors. In addition, Mr Fan was the founder of the Group, having established the Group since 1999.

Company’s Response

	as at 30 June 2019	as at 31 Dec 2018	as at 31 Dec 2017 (for IPO)
NAV/share	\$ 0.0045*	\$ 0.0514*	\$ 0.0278**

* extracted from 6-mths unaudited financial statement ended 30 June 2019 results

** NTA per share, based on IPO prospectus; pre-Placement share capital of 102,608,700 shares

	6-month ended 30 June 2019	6-month ended 30 June 2018	as at 31 Dec 2017 (for IPO)
EPS	-\$0.0469*	\$0.0146*	\$0.0277**

* extracted from 6-mths unaudited financial statement ended 30 June 2019 results

* *EPS based on IPO prospectus, post-Placement

Based on DLF results announcement on 14 August 2019, its Net Assets Value on 31 Dec 2018 (5 months after listing) was \$0.0515. However, its NAV has dropped significantly (>90%) to \$0.0045 as of 30 June 2019 results.

On the Income Statement side, DLF registered a loss of \$5.685M for the 6 months ended 30 June 2019 versus a profit of \$1.766M for the corresponding result ended 30 June 2018.

Both the Balance Sheet and Income have deteriorated significantly since IPO. Based on the above factors, Mr Fan feels that the offer price of \$0.081 is reasonable especially considering the illiquidity of this stock. As such he has entered into the SPA on a willing buyer, willing seller basis.

As for Mr Wong, none of the directors including Mr Fan has spoken to Mr Wong since May 2019. As such, they could not comment on the rationale for Mr Wong to enter into the SPA to dispose his interests.

2. To provide more details on the Offeror. Are there any relationships, business or otherwise between the Offeror, the Group, directors, key management and / or their associates?

Company's Response

None

3. The Offeror was only incorporated in 2018 and is in the business of business and management consultancy services. This is totally different from the Group's existing business of mechanical and electrical engineering project development, and turnkey contracting services. The Offeror has indicated its intention to carry on the existing business and maintain listing status.

4. What are the key projects the Group is working on now?

Company's Response

- a) Sengkang General Hospital (plumbing & sanitary subcontract) – project completed, defects liability period and is in process of accounts closing
- b) Tanglin Club (retrofitting & improvement Works) – on 12 months defects liability period
- c) Sheraton Tower (replacement of water pipes) – on-going about half completed
- d) Woodlands Hospital (M&E subcontract) – awaiting confirmation to commence
- e) Minor on-going projects at Esplanade Hotel, Royal Plaza on Scotts, 8 on Claymore

5. Under what circumstances were Mr Wong and Fan approached by the Offeror. When and how did the Offeror approach Mr Wong and Mr Fan?

Company's Response

Sometime in early September, after the results were announced on 14 August 2019, Mr Fan was approached by the Offeror. The Offeror has expressed interest to purchase shares from Mr Fan. However, Mr Fan did not agree to sell at that time. It was not until 20 September that both sides agreed on the price of \$0.081.

During the time when the Offeror approached Mr Fan, it happened that both Mr Fan and Mr Wong have not been on good terms for some time. This was more apparent from the last AGM on 30 Apr 2019 where Mr Wong was not re-elected. Mr Wong also stood down as the CEO immediately after the last AGM.

As for Mr Wong, none of the directors including Mr Fan has spoken to Mr Wong since May 2019. As such, they could not comment on the circumstances, when and how did the Offeror approach Mr Wong.

6. Understand there were other potential offers made to Mr Fan and Mr Wong. What other offers did Mr Wong and Mr Fan receive? What are their considerations in determining that this offer is in the best interest of the Company and its shareholders?

Company's Response

According to Mr Fan, a few parties have spoken to him but none has given him any concrete proposal.

Mr Fan feels that this mandatory unconditional cash offer gives minorities an opportunity for those who want to exit in view of the recent poor financial results and illiquidity of the stock.

As for Mr Wong, none of the directors including Mr Fan has spoken to Mr Wong since May 2019. As such, they could not comment whether if Mr Wong has received any other offers.

7. What is the intention of the Offeror in relation to this Offer? Please elaborate.

Company's Response

Based on the offer announcement that was announced on 20 September 2019, "it is the intention of the Offeror to carry on the existing business of the Company, and the Offeror presently has no intention to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Group, or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror regards to be in the interests of the Offeror and/or the Company."

BY ORDER OF THE BOARD

Manfred Fan Chee Seng
Executive Chairman
26 September 2019

DLF Holdings Limited (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 25 July 2018. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor in accordance with Rules 226(2)(b) and 753(2) of the SGX-ST Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).