

CIRCULAR DATED 19 DECEMBER 2018

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

This Circular is issued by BH Global Corporation Limited (the “Company”). This document is important. If you are in any doubt as to the contents of this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

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



CIRCULAR TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE (THE “PROPOSED RIGHTS ISSUE”) OF UP TO 179,999,992 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (“RIGHTS SHARES”) AT AN ISSUE PRICE OF S\$0.085 FOR EACH RIGHTS SHARE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY ENTITLED SHAREHOLDERS OF THE COMPANY AS AT THE BOOKS CLOSURE DATE, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED

Manager for the Proposed Rights Issue



IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form : 1 January 2019 at 10 a.m.
Date and time of Extraordinary General Meeting : 3 January 2019 at 10 a.m.
Place of Extraordinary General Meeting : 8 Penjuru Lane, Singapore 609189

TABLE OF CONTENTS

	Page
DEFINITIONS	2
LETTER TO SHAREHOLDERS	
1. INTRODUCTION	9
2. SGX-ST WATCH-LIST AND ASSOCIATED RISKS	10
3. THE PROPOSED RIGHTS ISSUE	13
4. PURPOSE OF THE PROPOSED RIGHTS ISSUE AND THE USE OF PROCEEDS ..	25
5. FINANCIAL EFFECTS OF THE PROPOSED RIGHTS ISSUE	27
6. FINANCIAL INFORMATION	29
7. OFFER INFORMATION STATEMENT	49
8. BOOKS CLOSURE DATE	49
9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS	49
10. MATERIAL LITIGATION	50
11. MATERIAL CONTRACTS	51
12. EXTRAORDINARY GENERAL MEETING	51
13. ACTION TO BE TAKEN BY SHAREHOLDERS	51
14. DIRECTORS' RECOMMENDATION	52
15. DIRECTORS' RESPONSIBILITY STATEMENT	52
16. MANAGER'S CONSENT	52
17. MANAGER'S RESPONSIBILITY STATEMENT	52
18. DOCUMENTS FOR INSPECTION	53
NOTICE OF EXTRAORDINARY GENERAL MEETING	54
PROXY FORM	

DEFINITIONS

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

“1Q2019”	:	The three months ending 31 March 2019
“2Q2016”	:	The three months ended 30 June 2016
“2Q2018”	:	The three months ended 30 June 2018
“9M2017”	:	The nine months ended 30 September 2017
“9M2018”	:	The nine months ended 30 September 2018
“Announcement”	:	The announcement made by the Company on 28 September 2018 in relation to the Proposed Rights Issue
“ARE”	:	Application and acceptance form for Rights Shares and Excess Rights Shares to be issued to Entitled Depositors in respect of their provisional allotment of Rights Shares pursuant to the Proposed Rights Issue
“ARS”	:	Application and acceptance form for Rights Shares to be issued to purchasers of provisional allotment of Rights Shares under the Proposed Rights Issue traded on the SGX-ST through the book-entry (scripless) settlement system
“ATM”	:	Automated teller machine of a Participating Bank
“Balance Sum”	:	The balance sum of S\$2,362,215 due by the Company to Beng Hui after offsetting the amount to be paid for Beng Hui’s pro-rata entitlement for the Proposed Rights Shares against the Beng Hui Loans under the Maximum Subscription Scenario
“Beng Hui”	:	Beng Hui Holding (S) Pte. Ltd.
“Beng Hui Loans”	:	The outstanding amount of S\$11.5 million owing from the Company to Beng Hui under the loan agreement entered into between the Company as borrower and Beng Hui as lender on 19 March 2018 in relation to the grant of shareholder’s loans
“Board”	:	The board of Directors of the Company as at the date of this Circular

DEFINITIONS

“Books Closure Date”	:	The time and date to be determined by the Directors and to be announced by the Company in due course, at and on which the Register of Members and Share Transfer Books of the Company will be closed to determine the provisional allotments of Rights Shares of the Entitled Shareholders under the Proposed Rights Issue
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 19 December 2018
“Closing Date”	:	The time and date to be determined by the Directors and to be announced by the Company in due course, being the latest time and date for acceptance of and/or excess application and payment for (and in the case of Entitled Scripholders, renunciation of and payment for) the Rights Shares under the Proposed Rights Issue
“Closing Price”	:	S\$0.16 per Share, being the last traded price on the SGX-ST on 24 August 2018, being the last trading day on which the Shares were transacted on the SGX-ST immediately prior to the date of the Announcement
“Code”	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
“Company”	:	BH Global Corporation Ltd
“Constitution”	:	The constitution of the Company, as amended or modified from time to time
“CPF”	:	Central Provident Fund
“CPF Approved Bank”	:	Any bank appointed by the CPF Board to be an agent bank for the purposes of the CPF Regulations
“CPF Funds”	:	Monies standing to the credit of the CPF account savings of CPF members under the CPF Investment Scheme – Ordinary Account
“CPF Investment Account”	:	An account opened by a member of CPF with a respective approved CPF Approved Bank from which money may be withdrawn for, inter alia, payment of the Issue Price

DEFINITIONS

“CPF Regulations”	:	The Central Provident Fund (Investment Schemes) Regulations, as the same may be modified, amended or supplemented from time to time
“CPFIS”	:	The Central Provident Fund Investment Scheme
“CPFIS Shareholders”	:	Shareholders who at the Books Closure Date are holding Shares which were subscribed for or purchased under the CPFIS using their CPF Funds
“Directors”	:	The directors of the Company as at the date of this Circular
“EGM”	:	The extraordinary general meeting of the Company to be held on 3 January 2019, notice of which is set out on page 54 of this Circular and where the context admits, includes any adjournment thereof
“Electronic Application”	:	Acceptance of the Rights Shares and (if applicable) application for Excess Rights Shares made through an ATM of a Participating Bank in accordance with the terms and conditions of the OIS
“Entitled Depositors”	:	Shareholders with Shares standing to the credit of their Securities Accounts and whose registered addresses with CDP are in Singapore as at the Books Closure Date, or who have provided CDP with addresses in Singapore for the service of notices and documents at least three (3) Market Days prior to the Books Closure Date
“Entitled Scripholders”	:	Shareholders whose share certificates have not been deposited with CDP and who have tendered to the Share Registrar duly completed and stamped transfers (in respect of their Shares not registered in the name of CDP) together with all relevant documents of title for registration up to the Books Closure Date and, in each case, whose registered addresses with the Company are in Singapore as at the Books Closure Date or who have provided the Share Registrar with addresses in Singapore for the service of notices and documents at least three (3) Market Days prior to the Books Closure Date
“Entitled Shareholders”	:	Entitled Depositors and Entitled Scripholders
“EPS”	:	Earnings per Share
“Excess Rights Shares”	:	The provisional allotments of Rights Shares which are not taken up by the Entitled Shareholders as at the Closing Date, and which may be applied for by Entitled Shareholders in excess of the number of Rights Shares provisionally allotted to such Entitled Shareholders

DEFINITIONS

“Existing Share Capital”	:	The existing issued and paid-up share capital of the Company of 119,999,995 Shares as at the Latest Practicable Date
“Foreign Purchasers”	:	Persons purchasing the provisional allotment of Rights Shares through the book-entry (scripless) settlement system and whose registered addresses with CDP are outside Singapore
“Foreign Shareholders”	:	Shareholders with registered addresses outside Singapore as at the Books Closure Date, and who have not, at least three (3) Market Days prior to the Books Closure Date, provided to CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents
“FY”	:	Financial year ending or ended (as the case may be) 31 December
“Group”	:	The Company and its subsidiaries
“Issue Price”	:	The issue price of S\$0.085 for each Rights Share
“Latest Practicable Date”	:	5 December 2018, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
“LPS”	:	Loss per share
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Manager”	:	CEL Impetus Corporate Finance Pte. Ltd.
“MAS”	:	Monetary Authority of Singapore
“Maximum Subscription Scenario”	:	Has the meaning ascribed to it in Section 1.1 of this Circular
“Minimum Subscription Scenario”	:	Has the meaning ascribed to it in Section 1.1 of this Circular
“Nil-paid Rights”	:	The “nil-paid” provisional entitlements to subscribe for the Rights Shares
“NTA”	:	Net tangible assets

DEFINITIONS

“Offer Information Statement” or “OIS”	:	The offer information statement referred to in Section 277 of the Securities and Futures Act, and where the context so admits, the PAL, ARE, ARS and any supplementary or replacement document to be issued by the Company in connection with the Proposed Rights Issue
“PAL”	:	The provisional allotment letter setting out the provisional allotment of the Rights Shares of the Entitled Scripholders under the Proposed Rights Issue
“Participating Banks”	:	The banks that will be participating in the Proposed Rights Issue by making available their ATMs to Entitled Depositors for acceptances of the Rights Shares and applications for Excess Rights Shares, as the case may be, to be made under the Proposed Rights Issue
“Proposed Rights Issue”	:	The proposed renounceable non-underwritten rights issue of up to 179,999,992 Rights Shares at the Issue Price on the basis of three (3) Rights Shares for every two (2) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded
“Pro Rata Rights Shares”	:	112,877,551 Rights Shares, being the <i>pro rata</i> entitlement of the five Undertaking Shareholders based on their interest in the Company as at Latest Practicable Date
“Purchaser”	:	A purchaser of the Rights
“Record Date”	:	In relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered with the Company or the Securities Account of the Shareholders must be credited with Shares, as the case may be, in order to participate in such dividends, rights, allotments or other distributions
“Rights”	:	Rights to subscribe for three (3) Rights Shares for every two (2) Shares held by Entitled Shareholders as at the Books Closure Date
“Rights Shares”	:	Up to 179,999,992 new Shares to be allotted and issued by the Company under the Proposed Rights Issue
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent

DEFINITIONS

“Securities and Futures Act” or “SFA”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares in the Register of Members of the Company except that where CDP is the registered holder, the term “Shareholders” shall, in relation to such Shares mean the Depositors whose Securities Accounts are credited with such Shares. Any reference to Shares held by or shareholdings of Shareholders shall include Shares standing to the credit of their respective Securities Accounts
“Share Registrar”	:	Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd)
“Shares”	:	Ordinary shares in the capital of the Company
“SRS”	:	The Supplementary Retirement Scheme constituted under the Income Tax (Supplementary Retirement Scheme) Regulations 2003
“SRS Account”	:	An account opened by a participant in the SRS from which monies may be withdrawn for, <i>inter alia</i> , payment for the subscription of Rights Shares under the Proposed Rights Issue
“SRS Approved Banks”	:	Approved banks in which SRS Investors hold their respective SRS accounts
“SRS Investors”	:	Investors who have purchased Shares pursuant to the SRS
“Substantial Shareholder”	:	A person who has an interest in not less than 5% of the total votes attached to all the voting shares of the Company
“Undertakings”	:	The irrevocable undertakings dated 28 September 2018 given by the Undertaking Shareholders to the Company and the Manager, details of which are set out in Section 3.5 of this Circular
“Undertaking Balance Excess Rights Shares”	:	Up to 67,122,441 Excess Rights Shares (other than the Pro Rata Rights Shares) that are not taken up by the other Shareholders after satisfying the Excess Rights Shares applications by them, to be undertaken by Beng Hui pursuant to its Undertaking

DEFINITIONS

“Undertaking Rights Shares”	:	The Pro Rata Rights Shares and the Undertaking Balance Excess Rights Shares
“Undertaking Shareholders”	:	Beng Hui, Mr Vincent Lim Hui Eng, Mr Patrick Lim Hui Peng, Mr Johnny Lim Huay Hua and Ms Eileen Lim Chye Hoon
“Watch-list”	:	The watch-list of the SGX-ST
“S\$” and “cents”	:	Singapore dollars and cents, respectively, the lawful currency of the Republic of Singapore
“%” or “per cent.”	:	Per centum or percentage

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the same meanings ascribed to them in section 81SF of the SFA and the terms **“Subsidiary”** and **“Treasury Shares”** shall have the same meanings ascribed to them in the Companies Act.

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

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

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

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

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

LETTER TO SHAREHOLDERS

BH GLOBAL CORPORATION LIMITED

(Company Registration No. 200404900H)
(Incorporated in the Republic of Singapore)

Board of Directors

Vincent Lim Hui Eng (*Executive Chairman and Chief Executive Officer*)
Patrick Lim Hui Peng (*Executive Director and Chief Operating Officer*)
Loh Weng Whye (*Lead Independent Director*)
Henry Tan Song Kok (*Independent Director*)
Winston Kwek Choon Lin (*Independent Director*)

Registered Office:

8 Penjuru Lane
Singapore 609189

19 December 2018

To: The Shareholders of **BH Global Corporation Limited**

Dear Sir/Madam

THE PROPOSED RIGHTS ISSUE

1. INTRODUCTION

The Directors are convening the EGM to seek Shareholders' approval for the Proposed Rights Issue.

1.1 Proposed Rights Issue

On 28 September 2018, the Company announced that it is proposing to undertake a renounceable non-underwritten rights issue of up to 179,999,992 Rights Shares, at the Issue Price, on the basis of three (3) Rights Shares for every two (2) existing Shares held by Entitled Shareholders as at the Books Closure Date subject to certain conditions, details of which are set out in Section 3.3 of this Circular.

On 13 December 2018, the SGX-ST granted approval in-principle to the Company for, *inter alia*, the dealing in, listing of and quotation for up to 179,999,992 Rights Shares on the Official List of the SGX-ST, subject to certain conditions, details of which are set out in Section 3.3 of this Circular. Shareholders should note that the approval in-principle granted by the SGX-ST is not to be taken as an indication of the merits of the Proposed Rights Issue, the Rights Shares, the Shares, the Company and/or its subsidiaries. The SGX-ST assumes no responsibility for the accuracy or correctness of any of the statements made, reports contained or opinions expressed in this Circular.

In order to show its support for the Proposed Rights Issue and to demonstrate its commitment and confidence in the prospects of the Group, each of the Undertaking Shareholders, had on 28 September 2018 pursuant to the Undertakings, irrevocably and unconditionally undertaken to the Company to subscribe for and/or procure the subscription of their Pro Rata Rights Shares. In addition, Beng Hui has pursuant to its Undertaking irrevocably and unconditionally undertaken to the Company to subscribe for and/or procure the subscription of the Undertaking Balance Excess Rights Shares. Please refer to Section 3.5 of this Circular for details of the Undertakings.

LETTER TO SHAREHOLDERS

Beng Hui previously extended a loan of S\$11,500,000 to the Company (“Beng Hui Loans”). The aggregate payment for the subscription of Beng Hui pro-rata entitlement of the Rights Shares under the Proposed Rights Issue is to be satisfied entirely by the offsetting of the outstanding amount of Beng Hui Loans. After such offsetting, there remains a balance of S\$2,362,215 (“Balance Sum”) due by the Company to Beng Hui. The payment for the subscription by Beng Hui, pursuant to its Undertaking, of any excess Rights Shares not subscribed for by the Entitled Shareholders (other than the Undertaking Shareholders), is to be satisfied by the offsetting of such Balance Sum and any shortfall will be satisfied by Beng Hui in cash.

Based on the Existing Share Capital and assuming that all the Entitled Shareholders subscribe in full for their pro rata Rights Shares under the Proposed Rights Issue, 107,503,350 of the 179,999,992 Rights Shares under the Proposed Rights Issue will be paid for by Beng Hui by offsetting part of the Beng Hui Loans to leave the Balance Sum and the remaining 72,496,642 Rights Shares under the Proposed Rights Issue will be paid for in cash of approximately S\$6.2 million (“Maximum Subscription Scenario”), and the net proceeds (“Net Proceeds”) after deducting estimated expenses of approximately S\$0.5 million are expected to be approximately S\$5.7 million.

Based on the Existing Share Capital and that none of the Entitled Shareholders (other than the Undertaking Shareholders who subscribe for the Rights Shares in accordance with the terms of the Undertakings) subscribes for any Rights Shares, the entire 179,999,992 Rights Shares under the Proposed Rights Issue will be paid for by the Undertaking Shareholders by offsetting all of the Beng Hui Loans and a cash payment of approximately S\$3.8 million (“Minimum Subscription Scenario”), and the Net Proceeds after deducting estimated expenses of approximately S\$0.5 million are expected to be approximately S\$3.3 million.

- 1.2 The purpose of this Circular is to provide Shareholders with relevant information relating to, and seek Shareholders’ approval for the Proposed Rights Issue.

2. SGX-ST WATCH-LIST AND ASSOCIATED RISKS

- 2.1 The Company was placed on the SGX-ST Watch-list under the financial entry criteria with effect from 5 June 2017 and under the minimum trading price (“MTP”) entry criteria with effect from 5 December 2017. An issuer on the relevant Watch-list may be removed from that Watch-list if it satisfies the following requirements, where applicable:

- (a) Financial exit criteria

The issuer:

- (i) records consolidated pre-tax profit for the most recently completed financial year (based on the latest full year consolidated audited accounts); and
- (ii) has an average daily market capitalisation of S\$40 million or more over the last six (6) months.

LETTER TO SHAREHOLDERS

(b) MTP exit criteria

The issuer:

- (i) records a volume-weighted average price of at least S\$0.20 over the last six (6) months; and
- (ii) an average daily market capitalisation of S\$40 million or more over the last six (6) months.

2.2 The Company had taken the following steps to try to improve its financial circumstances since being placed on the SGX-ST Watch-list under the financial entry criteria and MTP entry criteria on 5 June 2017 and 5 December 2017, respectively:

- (a) The Group's core business, the Supply Chain Management division, experienced an increase in revenue for 2Q2018 as the Group continued its focus on enhancing its business functions, rationalizing operating processes and reduce operating costs to stabilize and in the longer term improve the Group's financial performance. Concurrently, the Group continues to explore viable opportunities in the industrial, petro-chemical and related sectors.
- (b) The Security division was formed in 2Q2016 and focuses on cybersecurity, enterprise IT (information technology) operation management and sensing security products for both public and private sectors in Singapore and the region. The Group is optimistic as to prospects for this division, as evidenced by orders from both government agencies and private companies. The Group aims to build on the partnerships forged and geographically expand the Security division to regional markets.
- (c) The Group's associated company, GL Lighting Holding Pte. Ltd. ("**GLH**"), continues to face headwinds in the form of supplier-related issues, affecting production and resulting in lower sales to major customers. The Group will focus on increasing production and sales once the factory becomes operational by 1Q2019.
- (d) The Group entered into an assets sale agreement in 2Q2018 to dispose of the operating assets of Gulf Specialty Steel Industries ("**GSSI**"), including its galvanized steel wire factory in Oman, to an unrelated purchaser. The proposed disposal was completed in 2018. The Group has since completed the disposal and commenced the winding-up process of GSSI. The Group will make announcements on the progress of the winding-up of GSSI, where necessary. It is part of the Group's strategy to remove loss making business units which do not expect to not turn profitable in the foreseeable future and reduce overseas investment operations and refocus its attention on its core business activities.
- (e) Applying the same rationale of the streamlining the existing overseas investment operations, in relation to its Engineering Services division, the liquidation of Oil & Gas Solutions Pte. Ltd. is still ongoing. In relation to PT. BH Marine & Offshore Engineering ("**PTE**"), the Group has disposed of the Batam land in 2Q2018 as announced on SGXNet on 4 May 2018 and 9 May 2018.

LETTER TO SHAREHOLDERS

The Company has announced in its 3Q2018 results announcement an update of its operation: *“The Group also continues to explore viable opportunities in the industrial, petro-chemical and related sectors. The Security division continues to show potential, steadily growing with orders from both government agencies and private companies in Singapore. With a research and development facility set up in Taipei, the Group hopes to push out proprietary technologies alongside establishing more distributorships. Leveraging on recent partnerships, the Group aims to broaden the reach of its cybersecurity, enterprise IT operation management and sensing security products to regional markets.”*

The steps as disclosed above is expected to contribute positively to the Group and segments such as (i) cybersecurity and (ii) environmentally friendly technological solutions for marine applications which are showing promising potential. Barring any unforeseen circumstances, these new business initiatives are expected to facilitate the Group’s efforts towards meeting criteria in exiting the SGX-ST Watchlist.

- 2.3 **Shareholders should note that the Company must meet both criteria in sections 2.1(a) and 2.1(b) in order to avoid delisting. If the Company fails to satisfy the criteria set out in sections 2.1(a) and 2.1(b) of this Circular by 4 June 2020 and 4 December 2020 respectively, being 36 months from the date on which it was placed on the respective watch-list, the SGX-ST may either remove the Company from the Official List of the Main Board of the SGX-ST, or suspend trading of the Shares (without the agreement of the Company) with a view to removing the Company from the Official List of the Main Board of the SGX-ST.**

The table below shows the movements in the market capitalization and volume weighted average price (“VWAP”) in the last 12 months:

	VWAP for the Month (S\$)	Market Capitalisation (S\$ mil)
November 2017	0.222	26.6
December 2017	0.212	25.4
January 2018	0.2444	29.3
February 2018	N.A.	29.3 ⁽¹⁾
March 2018	0.196	23.5
April 2018	0.138	16.6
May 2018	0.082	9.9
June 2018	0.142	17.1
July 2018	0.184	22.1
August 2018	0.159	19.1
September 2018	N.A.	19.1 ⁽¹⁾
October 2018	N.A.	19.1 ⁽¹⁾
November 2018	N.A.	19.1 ⁽¹⁾

Notes:

N.A. – Not available as there were no trades done during the month

(1) – Market capitalisation computed based on the VWAP of the preceding trading month as there were no trades done during the month

LETTER TO SHAREHOLDERS

3. THE PROPOSED RIGHTS ISSUE

3.1 Overview of the Proposed Rights Issue

Based on the Company's total issued share capital comprising 119,999,995 Shares as at the Latest Practicable Date, and assuming that there is no further change to the Company's total issued share capital as at the Books Closure Date, up to 179,999,992 Rights Shares are proposed to be offered on a renounceable basis of three (3) Rights Shares for every two (2) existing Shares held by Entitled Shareholders as at the Books Closure Date at the Issue Price of S\$0.085 for each Rights Share.

The Rights Shares are payable in full upon the acceptance and application. The Rights Shares, when allotted and issued, will rank *pari passu* in all respects with the then existing Shares and with each other for any dividends, rights, allotments or other distributions that may be declared or paid, the Record Date for which falls on or after the date of issue of the Rights Shares.

Entitled Shareholders will be entitled to participate in the Proposed Rights Issue and receive the OIS together with the appropriate application forms and accompanying documents at their respective Singapore addresses. Please refer to Section 3.4 of this Circular for further information on eligibility to participate in the Proposed Rights Issue.

Entitled Shareholders will be at liberty to accept (in full or in part), or decline, or otherwise renounce or in the case of Entitled Depositors only, trade on the SGX-ST (during the provisional allotment trading period prescribed by the SGX-ST) their provisional allotment of Rights Shares, and are eligible to apply for additional Rights Shares in excess of their provisional allotments under the Proposed Rights Issue.

Fractional entitlements to the Rights Shares will be disregarded in arriving at the Entitled Shareholders' provisional allotments of Rights Shares and will, together with the provisional allotment of Right Shares which are not taken up or allotted for any reason, be aggregated and allotted to satisfy excess applications for Rights Shares (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion deem fit in the interest of the Company.

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

LETTER TO SHAREHOLDERS

3.2 Principal Terms of the Proposed Rights Issue

Number of Rights Shares to be issued	:	Based on the Company's total issued share capital comprising 119,999,995 Shares as at the Latest Practicable Date, and assuming that there is no change to the Company's total issued share capital as at the Books Closure Date, up to 179,999,992 Rights Shares.
Basis of provisional allotment	:	Three (3) Rights Shares for every two (2) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.
Issue Price	:	S\$0.085 for each Rights Share, payable in full on acceptance and application.
Discount	:	The Issue Price represents a discount of approximately: (a) 46.88% to the Closing Price; (b) 26.09% to the theoretical ex-rights price ¹ of S\$0.115 per Share, based on the Closing Price; and (c) 46.88% discount to the closing price of S\$0.16, being the last traded price of the Shares on the SGX-ST on 24 August 2018, being the last trading day of the Shares on the SGX-ST immediately prior to the Latest Practicable Date.
Acceptance, excess Applications and payment procedures	:	Entitled Shareholders will be at liberty to accept (in full or in part), decline or otherwise renounce or, in the case of Entitled Depositors only, trade (during the provisional allotment trading period prescribed by the SGX-ST) their provisional allotments of Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Proposed Rights Issue.

¹ The theoretical ex-rights price per Share is equal to (A) the sum of (i) the market capitalisation of the Company based on the closing price of S\$0.16 per Share on the SGX-ST on 24 August 2018; and (ii) the gross proceeds of the Proposed Rights Issue, divided by (B) the enlarged total number of Shares in issue following the completion of the Proposed Rights Issue.

LETTER TO SHAREHOLDERS

Fractional entitlements if any, to the Rights Shares will be disregarded in arriving at Entitled Shareholders' entitlements and together with provisional allotments which are not taken up for any reason shall be aggregated and used to satisfy excess applications (if any) or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company.

The basis of allotting any excess Rights Shares will be determined at the absolute discretion of the Directors. In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Proposed Rights Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares.

Provisional allotments of Rights Shares which would otherwise have been made to Foreign Shareholders will be dealt with in the manner described in Section 3.4 of this Circular.

The Rights Shares are payable in full upon acceptance of the provisional allotments of the Rights Shares and/or application for the Excess Rights Shares.

The procedures for acceptance, payment and excess application by Entitled Depositors and the procedures for acceptance, payment, splitting and excess application by Entitled Scripholders will be set out in the OIS to be dispatched to Entitled Shareholders in due course, subject to, *inter alia*, the Proposed Rights Issue being approved by Shareholders at the EGM.

Listing of the Rights Shares

: On 13 December 2018, the SGX-ST granted approval in-principle to the Company for, *inter alia*, the dealing in, listing of and quotation for up to 179,999,992 Rights Shares on the Official List of the SGX-ST, subject to certain conditions, details of which are set out in Section 3.3 of this Circular. Shareholders should note that the approval in-principle granted by the SGX-ST is not to be taken as an indication of the merits of the Proposed Rights Issue, the Rights Shares, the Shares, the Company and/or its subsidiaries.

LETTER TO SHAREHOLDERS

- Trading of the Rights Shares** : Upon the listing of and quotation for the Rights Shares on the SGX-ST, the Rights Shares will be traded on the SGX-ST under the book-entry (scripless) settlement system. For the purpose of trading on SGX-ST, each board lot of Rights Shares will consist of 100 Shares or such number as may be notified by the Company. Odd lots of Shares in board lot of one (1) Share may be traded on the Unit Share Market of the SGX-ST.
- Status of the Rights Shares** : The Rights Shares, when allotted and issued, will rank *pari passu* in all respects with the then existing Shares, for any dividends, rights, allotments or other distributions, the Record Date for which falls on or after the date of issue of the Rights Shares.
- Non-underwritten Basis** : The Proposed Rights Issue will not be underwritten, after taking into consideration of the Undertakings provided and cost savings in underwriting fees. Details of the Undertakings are disclosed in Section 3.5 of this Circular.
- Eligibility to participate in the Proposed Rights Issue** : Please refer to Section 3.4 of this Circular.
- Undertakings** : Each of the Undertaking Shareholders has given their Undertakings to, inter alia, subscribe for their Pro Rata Rights Shares under the Proposed Rights Issue. In addition, Beng Hui has, pursuant to its Undertaking, irrevocably and unconditionally undertaken to the Company to subscribe for and/or procure the subscription of any Excess Rights Shares not subscribed for by the Entitled Shareholders (other than the Undertaking Shareholders' Pro Rata Rights Shares).

Please refer to Section 3.5 of this Circular for details of the Undertakings.

LETTER TO SHAREHOLDERS

Use of CPF Funds : CPFIS Shareholders who have previously bought their Shares under the CPFIS and wish to accept their provisional allotments of Rights Shares and (if applicable) apply for Excess Rights Shares using CPF Funds can, subject to applicable CPF Regulations, accept the provisional allotment of the Rights Shares and (if applicable) apply for the Excess Rights Shares in accordance with the terms and conditions of the OIS. Such Shareholders will need to consult their respective CPF Approved Banks with whom they hold their CPF Investment Accounts on how they may do so. Any acceptance and/or application made directly through CDP, the Share Registrar, the Company or by way of Electronic Application at any ATMs will be rejected.

CPF Funds cannot be used for the purchase of the Nil-paid Rights directly from the market.

Save as set out above, CPF Funds may not be used to purchase shares of issuers on the Watch-list. As the Company was placed on the Watch-list under the financial entry criteria and the MTP entry criteria on 5 June 2017 and 5 December 2017 respectively, CPF Funds can no longer be used to purchase the Company's Shares.

Use of SRS Accounts : SRS Investors who wish to accept their provisional allotment of Rights Shares and (if applicable) apply for Excess Rights Shares can only do so if permitted under applicable SRS rules and regulations, using the monies standing to the credit of their respective SRS Accounts. SRS Investors who wish to accept their provisional allotment of Rights Shares and (if applicable) apply for Excess Rights Shares using the SRS Accounts, must first check with and thereafter instruct their relevant SRS Approved banks in which they hold their SRS Accounts to accept their provisional allotment of Rights Shares and (if applicable) apply for Excess Rights Shares on their behalf in accordance with the OIS. Any acceptance and/or application made directly through CDP, the Share Registrar, the Company or by way of Electronic Application at any ATMs will be rejected. The SRS funds cannot be used for the purchase of Nil-paid Rights directly from the market. Notwithstanding the foregoing, SRS Investors should consult their respective SRS Approved Banks for information and directions as to the use of monies standing to the credit of their respective SRS Accounts.

Governing Law : Laws of the Republic of Singapore.

LETTER TO SHAREHOLDERS

The above terms and conditions of the Proposed Rights Issue are subject to such changes as the Directors may, in consultation with the Manager, deem fit. The final terms and conditions of the Proposed Rights Issue will be set out in the OIS to be despatched by the Company to Entitled Shareholders in due course, subject to, *inter alia*, the Proposed Rights Issue being approved by the Shareholders at the EGM.

3.3 Conditions to the Proposed Rights Issue

3.3.1 Conditions to the Proposed Rights Issue

The Proposed Rights Issue is subject to, *inter alia*:

- (a) the approval in-principle of the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Official List of the SGX-ST granted on 13 December 2018 not having been withdrawn or revoked as at the date of completion of the Proposed Rights Issue;
- (b) the Proposed Rights Issue, including the allotment and issue of the Rights Shares, having been approved by Shareholders at the EGM; and
- (c) the lodgement of the OIS, together with all other accompanying documents (if applicable) with the MAS.

3.3.2 SGX-ST Approval

On 13 December 2018, the SGX-ST granted its approval in-principle for the dealing in, listing of and quotation for the Rights Shares on the Official List of the SGX-ST, subject to, *inter alia*, the following conditions:

- (a) compliance with the SGX-ST's listing requirements;
- (b) Shareholders' approval for the Proposed Rights Issue;
- (c) a written undertaking from the Company that it will comply with Rules 704(30), 815 and 1207(20) of the Listing Manual in relation to the use of proceeds from the Proposed Rights Issue and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report;
- (d) a written undertaking from the Company that it will comply with the confirmation given in Rule 877(10) of the Listing Manual with regards to the allotment of any Excess Rights Shares; and
- (e) a written confirmation from financial institution(s) as required under Rule 877(9) of the Listing Manual that the Undertaking Shareholders who have given the irrevocable undertakings have sufficient financial resources to fulfil their obligations under their Undertakings.

LETTER TO SHAREHOLDERS

Shareholders should note that the approval in-principle of the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Official List of the SGX-ST granted on 13 December 2018 and the listing of and quotation of the Rights Shares is not to be taken as an indication of the merits of the Proposed Rights Issue, the Rights Shares, the Company and/or its subsidiaries. The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

3.4 Eligibility of Shareholders to Participate in the Proposed Rights Issue

Entitled Shareholders

Entitled Shareholders will be entitled to participate in the Proposed Rights Issue and to receive the OIS together with the PAL or the ARE, as the case may be, and other accompanying documents at their respective addresses in Singapore. Entitled Depositors who do not receive the OIS and the ARE may obtain them from CDP during the period up to the Closing Date. Entitled Scripholders who do not receive the OIS and the PAL may obtain them from the Share Registrar during the period up to the Closing Date.

Entitlements to subscribe for the Rights Shares will be renounceable and are expected to be tradable on the SGX-ST over a period to be determined by the Board in compliance with the Listing Manual. Entitled Shareholders will be at liberty to accept (in full or in part), decline, renounce or trade their provisional allotments of the Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Proposed Rights Issue. For avoidance of doubt, only Entitled Shareholders (and not the Purchasers or the renounees) shall be entitled to apply for additional Rights Shares in excess of their provisional allotment.

Fractional entitlements to the Rights Shares will be disregarded and will be aggregated with entitlements to the Rights Shares not taken up or allotted for any reason, and shall be used to satisfy applications for Excess Rights Shares (if any), or disposed of, or otherwise dealt with in such manner as the Board may, in its absolute discretion, deem fit in the interests of the Company. Excess Rights Shares will be allotted in such manner as the Board may, in its absolute discretion, deem fit in the interests of the Company, subject to applicable laws and the Listing Manual.

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

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

All dealings in and transactions of the provisional allotments of Rights Shares through the SGX-ST will be effected under the book-entry (scripless) settlement system. Accordingly, the PALs to be issued to Entitled Scripholders will not be valid for delivery pursuant to trades done on the SGX-ST.

LETTER TO SHAREHOLDERS

Entitled Depositors

Entitled Depositors should note that all correspondences and notices will be sent to their last registered addresses with CDP. Entitled Depositors are reminded that any request to CDP to update their records or effect any change in address must reach CDP not later than 5.00 p.m. (Singapore time) on the date falling three (3) Market Days before the Books Closure Date.

Entitled Scripholders

Entitled Scripholders should note that all correspondence and notices will be sent to their last registered addresses with the Company. Entitled Scripholders are reminded that any request to the Company to update their records or effect any change in address must reach the Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #02-00, Singapore 068898 not later than 5.00 p.m. on the date being three (3) Market Days prior to the Books Closure Date.

Entitled Scripholders who are holding physical share certificates are encouraged to open Securities Accounts if they have not already done so and to deposit their share certificates with CDP before the Books Closure Date so that their Securities Accounts may be credited by CDP with their Shares and the provisional allotments of Rights Shares. Such Shareholders should note that their Securities Accounts will only be credited with the Shares on the twelfth (12th) Market Day from the date of lodgement of the share certificates with CDP or such later date as CDP may determine.

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

Foreign Shareholders

The OIS and its accompanying documents relating to the Proposed Rights Issue will be lodged with the MAS in Singapore. The OIS and its accompanying documents have not been and will not be lodged, registered or filed in any jurisdiction other than Singapore. The distribution of the OIS and accompanying documents may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) by the laws of certain jurisdictions.

For practical reasons and in order to avoid any violation of the securities legislations applicable in countries other than in Singapore where Shareholders may have their registered addresses, the Proposed Rights Issue is only made in Singapore, and the OIS and its accompanying documents will not be despatched to Foreign Shareholders or to any jurisdictions outside Singapore.

LETTER TO SHAREHOLDERS

Accordingly, Foreign Shareholders will not be entitled to participate in the Proposed Rights Issue. No provisional allotment of the Rights Shares will be made to Foreign Shareholders and no purported acceptance of Rights Shares or application for Excess Rights Shares by Foreign Shareholders will be valid.

The OIS and its accompanying documents in relation to the Proposed Rights Issue will also not be despatched to persons purchasing the provisional allotments of Rights Shares through the book-entry (scripless) settlement system if their registered addresses with CDP are outside Singapore as at the Books Closure Date and who have not, at least three (3) market days prior to the Books Closure Date, provided to the Share Registrar or CDP, as the case may be, addresses in Singapore for the service of notices and documents (“**Foreign Purchasers**”). Foreign Purchasers who wish to be eligible to participate in the Proposed Rights Issue may provide a Singapore address by notifying in writing, as the case may be, (i) CDP at 9 North Buona Vista Drive, #1-19/20 The Metropolis Tower 2, Singapore 138588, or (ii) the Share Registrar at 80 Robinson Road #02-00 Singapore 068898, by 5.00 p.m. on the date being three (3) Market Days prior to the Books Closure Date.

The Company reserves the right to reject any acceptances of Rights Shares and/or applications for Excess Rights Shares where it believes, or has reason to believe, that such acceptances and/or applications may violate the applicable legislation of any jurisdiction. The Company further reserves the right to treat as invalid any ARE, ARS or PAL or decline to register such application or purported application which (a) appears to the Company or its agents to have been executed in any jurisdiction outside Singapore which may violate the applicable legislation of such jurisdiction; (b) provides an address outside Singapore for the receipt of the share certificate(s) or which requires the Company to despatch the share certificate(s) to an address in any jurisdiction outside Singapore; or (c) purports to exclude any deemed representation or warranty.

If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotment of Rights Shares which would otherwise have been provisionally allotted to Foreign Shareholders to be sold “nil-paid” on the SGX-ST as soon as practicable after dealings in the provisional allotments of Rights Shares commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register as at the Books Closure Date and sent to them by ordinary post to their respective mailing addresses as recorded with CDP or in such other manner as they may have respectively agreed with CDP for the payment of any cash distributions at their own risk, provided that where the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, the Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit, and no Foreign Shareholder shall have any claim whatsoever against the Company, the Directors, the Manager, CDP and/or the Share Registrar in connection therewith.

Where such provisional allotments of Rights Shares are sold “nil-paid” on the SGX-ST, they will be sold at such price or prices as the Company, may in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, the Directors, the Manager, the CDP or the Share Registrar in respect of such sales or the proceeds thereof, the provisional allotments of Rights Shares or the Rights Shares represented by such provisional allotments.

LETTER TO SHAREHOLDERS

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

Shareholders should note that the special arrangements described above will apply only to Foreign Shareholders.

The information set out in this section is not to be regarded as advice on the position of any Foreign Shareholder. Foreign Shareholders who are in doubt as to their position should consult his professional advisers without delay.

Notwithstanding the above, Entitled Shareholders and any other person having possession of the OIS and/or its accompanying documents are advised to keep themselves informed of and to observe all legal requirements applicable thereto at their own expense and without liability to the Company. No person in any jurisdiction outside Singapore receiving the OIS and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares unless such offer, invitation or solicitation could lawfully be made without violating any regulatory or legal requirement in such jurisdiction.

The procedures for, and the terms and conditions applicable to, the acceptance, renunciation and/or sale of the provisional allotments of Rights Shares and for application for Excess Rights Shares pursuant to the Proposed Rights Issue will be set out in the OIS and its accompanying documents to be despatched by the Company to the Entitled Shareholders in due course.

3.5 Undertakings by the Undertaking Shareholders

Undertakings

As at the Latest Practicable Date, the interest of the Undertaking Shareholders in the Shares are as follows:

Undertaking Shareholders	Direct Interest		Deemed Interest	
	Shares	%	Shares	%
Beng Hui Holding (S) Pte. Ltd.	71,668,900	59.72	–	–
Vincent Lim Hui Eng ⁽¹⁾⁽⁵⁾	951,172	0.80	71,668,900	59.72
Patrick Lim Hui Peng ⁽²⁾⁽⁵⁾	951,172	0.80	71,668,900	59.72
Johnny Lim Huay Hua ⁽³⁾⁽⁵⁾	951,172	0.80	71,668,900	59.72
Eileen Lim Chye Hoon ⁽⁴⁾⁽⁵⁾	729,285	0.61	71,688,900	59.74

Notes:

- (1) Vincent Lim Hui Eng holds 21.00% of the issued share capital in Beng Hui
- (2) Patrick Lim Hui Peng holds 21.00% of the issued share capital in Beng Hui
- (3) Johnny Lim Huay Hua holds 21.00% of the issued share capital in Beng Hui
- (4) Eileen Lim Chye Hoon holds 16.00% of the issued share capital in Beng Hui. In addition, Eileen Lim Chye Hoon's deemed interests arises from the 20,000 Shares held by her husband, Ken Hing Kah Wah.
- (5) Vincent Lim Hui Eng, Patrick Lim Hui Peng, Johnny Lim Huay Hua and Eileen Lim Chye Hoon are siblings.

LETTER TO SHAREHOLDERS

To show their support for the Proposed Rights Issue and demonstrate their commitments to the Group, Beng Hui, Mr Vincent Lim Hui Eng, Mr Patrick Lim Hui Peng, Mr Johnny Lim Huay Hua and Ms Eileen Lim Chye Hoon, had on 28 September 2018 respectively undertaken to the Company and the Manager that in respect of their respective direct interest in the Company, each of them had undertaken to subscribe for and/or procure the subscription and payment, in full for their Pro Rata Rights Shares, being their pro rata entitlement under the Proposed Rights Issue, in accordance with the terms and conditions of the Proposed Rights Issue, on or prior to the Closing Date.

In addition, Beng Hui had undertaken to subscribe for and/or procure the subscription of the Undertaking Balance Excess Rights Shares, which covers up to 67,122,441 Excess Rights Shares under the Proposed Rights Issue, to the extent that such Rights Shares are not subscribed for by the other Entitled Shareholders (other than the Undertaking Shareholders), in accordance with the terms and conditions of the Proposed Rights Issue, on or prior to the Closing Date.

In the Undertakings, each of the Undertaking Shareholders has undertaken to the Company and the Manager, *inter alia*, to exercise or procure the exercising of all their voting rights in favour of resolutions relating to the Proposed Rights Issue, at the EGM. As at the Latest Practicable Date, the Undertaking Shareholders have an aggregate interest of 62.73% of the issued share capital of the Company.

The obligations of the Undertaking Shareholders as set out in the above are subject to and conditional upon:

- (a) the receipt of the listing and quotation approval in-principle notice from the SGX-ST for the listing and quotation of the Rights Shares on the Official List of the SGX-ST;
- (b) the Proposed Rights Issue, including the allotment and issue of the Rights Shares, having been approved by the Shareholders at the EGM; and
- (c) the lodgement of the OIS, together with all other accompanying documents, by the Company with MAS

(the “**Undertaking Conditions**”).

The Undertakings shall terminate (i) if the Company decides not to proceed with the Proposed Rights Issue, upon the release of an announcement by the Company of such decision; or (ii) if any of the Undertaking Conditions is not fulfilled on or prior to 28 February 2019 (or such other date as may be agreed in writing between the Undertaking Shareholders, the Company and the Manager) (“**Termination Date**”), on the Termination Date.

LETTER TO SHAREHOLDERS

Undertaking Rights Shares as a percentage of the Proposed Rights Issue

On the assumption that the Proposed Rights Issue is fully subscribed by all Entitled Shareholders and no new Share is issued on or prior to completion of the Proposed Rights Issue, upon completion of the Proposed Rights Issue, the Undertaking Shareholders will have a total interest in approximately 62.73% of the enlarged share capital of the Company.

On the assumption that there are no subscription applications for the Rights Shares by the Entitled Shareholders (other than the Undertaking Shareholders), and that Beng Hui subscribes for all such Excess Rights Shares, the Undertaking Shareholders would have a total interest in approximately 85.08% of the enlarged share capital of the Company.

Payment by Beng Hui

Beng Hui previously extended Beng Hui Loans of S\$11,500,000 to the Company. As announced by the Company on 22 March 2018, the loan agreement in respect of the Beng Hui Loans was entered into on 19 March 2018, with interest chargeable at 3.92% per annum and repayable by the Company in full after 12 months from the date of disbursement, subject to cash flow availability, or a further period on terms mutually agreed. The proceeds of the Beng Hui Loans were used mainly to settle liabilities of the Group's galvanised steel wire factory in Oman as part of the exit process from that investment.

The aggregate payment for the subscription of Beng Hui pro-rata entitlement of the Rights Shares under the Proposed Rights Issue is to be satisfied entirely by the offsetting of the outstanding amount of Beng Hui Loans. After such offsetting, there remains a Balance Sum of S\$2,362,215 due by the Company to Beng Hui.

The offsetting of the loans extended by Beng Hui is presented as follows:

	Amount to be paid for pro-rata entitlement of the Rights Shares	Offsetting against Beng Hui Loans	Balance due by the Company to Beng Hui (i.e. Balance Sum)
Beng Hui	S\$9,137,785	S\$11,500,000	S\$2,362,215

The payment for the subscription by Beng Hui, pursuant to its Undertaking, of any Undertaking Balance Excess Rights Shares is to be satisfied by the offsetting of the Balance Sum and any shortfall will be satisfied by Beng Hui in cash. On the assumption that there are no subscription applications for the Rights Shares by the Entitled Shareholders (other than the Undertaking Shareholders' Pro Rata Rights Shares), and that Beng Hui subscribes for all Undertaking Balance Excess Rights Shares, the total subscription amount payable by Beng Hui for all Undertaking Balance Excess Rights Shares is S\$5,705,407 of which S\$2,362,215 will be satisfied by offsetting of the Balance Sum and balance subscription amount payable by Beng Hui in cash would be S\$3,343,192.

No commission or fee will be payable by the Company to the Undertaking Shareholders in consideration of the Undertakings. Each of the Undertaking Shareholders has made advance payment to the Company in respect of the application moneys to be paid pursuant to their respective Undertakings and the Company has confirmed receipt of the same.

LETTER TO SHAREHOLDERS

4. PURPOSE OF THE PROPOSED RIGHTS ISSUE AND THE USE OF PROCEEDS

4.1 Rationale

The Company is undertaking the Proposed Rights Issue to strengthen the financial position and capital base of the Group. The Company believes that the Proposed Rights Issue will improve the Group's working capital position, strengthen the Group's balance sheet and thereby provide the Group with more flexibility and enhance its ability to formulate, strategise and execute its business plans. A stronger financial position will also allow the Group to seize opportunities for business growth through acquisition opportunities and expansion in a timely manner and as and when the opportunities arise.

As at the Latest Practicable Date, the Directors are of the reasonable opinion that the improvement in the financial position and capital base of the Group will facilitate the efforts of the Group towards exiting the Watch-list.

In addition, depending on the price per Share upon the completion of the Proposed Rights Issue, the market capitalisation of the Company may increase upon the completion of the Proposed Rights Issue and allow the Company to fulfil the second limb of the financial exit criteria and the MTP exit criteria as described in sections 2.1(a)(ii) and 2.1(b)(ii) respectively of this Circular.

The Proposed Rights Issue will also provide Shareholders with an opportunity to maintain their equity participation in the Company.

4.2 Use of Proceeds

Maximum Subscription Scenario

Based on the Existing Share Capital and assuming that all the Entitled Shareholders subscribe in full for their pro rata Rights Shares under the Proposed Rights Issue, 107,503,350 of the 179,999,992 Rights Shares under the Proposed Rights Issue will be paid for by Beng Hui by offsetting part of the Beng Hui Loans to leave the Balance Sum and the remaining 72,496,642 Rights Shares under the Proposed Rights Issue will be paid for in cash of approximately S\$6.2 million, and the Net Proceeds after deducting estimated expenses of approximately S\$0.5 million are expected to be approximately S\$5.7 million.

Minimum Subscription Scenario

Based on the Existing Share Capital and that none of the Entitled Shareholders (other than the Undertaking Shareholders who subscribe for the Rights Shares in accordance with the terms of the Undertakings) subscribes for any Rights Shares, the entire 179,999,992 Rights Shares under the Proposed Rights Issue will be paid for by the Undertaking Shareholders by offsetting all of the Beng Hui Loans and a cash payment of approximately S\$3.8 million, and the Net Proceeds after deducting estimated expenses of approximately S\$0.5 million are expected to be approximately S\$3.3 million.

Shareholders should note that the estimated expenses for the Proposed Rights Issue has increased from the approximate figure of S\$0.3 million as previously disclosed in the Announcement to approximately S\$0.5 million. Consequently, the estimated Net Proceeds under the Maximum Subscription Scenario and the Minimum Subscription Scenario, after deducting the estimated expenses of approximately S\$0.5 million, has decreased from approximately S\$5.9 million to approximately S\$5.7 million and from approximately S\$3.5 million to approximately S\$3.3 million, respectively.

LETTER TO SHAREHOLDERS

The Company intends to use the entire Net Proceeds from the Proposed Rights Issue under both the Maximum Subscription Scenario and the Minimum Subscription Scenario in accordance with the proportions set out below:

Use of Proceeds	Maximum Subscription Scenario		Minimum Subscription Scenario	
	(\$ mil)	%	(\$ mil)	%
R&D activities and patents applications	1.9	33.33	1.8	54.55
Expansion of production facilities, product range, engineering capabilities, cyber security operation and digitalisation service offerings	2.0	35.09	1.4	42.42
Repayment of borrowings	0.8	14.04	–	–
General working capital	1.0	17.54	0.1	3.03
Total Net proceeds arising from the Proposed Rights Issue	5.7	100.00	3.3	100.00

The above allocations are based on the Maximum Subscription Scenario and the Minimum Subscription Scenario only. In the event the Net Proceeds fall in between the Maximum Subscription Scenario and the Minimum Subscription Scenario, the Company will make the necessary announcements on the allocations when the final Net Proceeds have been determined. It is anticipated that the allocations would not deviate significantly from the above illustrations.

Pending the deployment of the Net Proceeds, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities, or used for any other purposes on a short-term basis as the Directors may deem appropriate in the interests of the Group.

On the basis that the Undertakings are fulfilled by the Undertaking Shareholders and barring any unforeseen circumstances, the Directors are of the opinion that the Net Proceeds from the Minimum Subscription Scenario will be sufficient to meet the Company's present funding requirements and will be sufficient to enable the Company to meet its obligations and continue to operate as a going concern.

The Company will make periodic announcements on the utilisation of such proceeds from the Proposed Rights Issue as and when such proceeds are materially disbursed and provide a status report on the use of the proceeds in the Company's annual report. Where the proceeds have been used for working capital, the Company will also provide a breakdown with specific details on the use of proceeds for working capital in the announcements and status reports.

LETTER TO SHAREHOLDERS

5. FINANCIAL EFFECTS OF THE PROPOSED RIGHTS ISSUE

The financial effects of the Proposed Rights Issue set out below are purely for illustrative purposes only and are not necessarily indicative or a projection of the actual future financial performance or financial position of the Group after completion of the Proposed Rights Issue.

The financial effects of the Proposed Rights Issue have been computed based on the latest audited consolidated financial statements of the Group for FY2017. The financial effects of the Proposed Rights Issue under both the Maximum Subscription Scenario and Minimum Subscription Scenario are presented herein after taking into account the following assumptions:

- (a) for the purpose of computing the financial effects of the Proposed Rights Issue on the NTA per Share of the Group, the Proposed Rights Issue is assumed to have been completed on 31 December 2017;
- (b) for the purpose of computing the financial effects of the Proposed Rights Issue on the EPS of the Group, the Proposed Rights Issue is assumed to have been completed on 1 January 2017;
- (c) the estimated expenses incurred in relation to the Proposed Rights Issue is approximately S\$0.5 million; and
- (d) the Beng Hui Loan has been provided on 31 December 2017.

5.1 Share Capital

As at the Latest Practicable Date, there are no other share options or awards or convertible securities under which the Company has an obligation to issue additional Shares. The effects of the Proposed Rights Issue on the issued share capital of the Company are as follows:

	Maximum Subscription Scenario		Minimum Subscription Scenario	
	No. of Shares ('000)	S\$'000	No. of Shares ('000)	S\$'000
Existing Share Capital	120,000	43,461	120,000	43,461
Add: Rights Shares to be issued under the Proposed Rights Issue	180,000	15,300	180,000	15,300
Issued share capital after the Proposed Rights Issue	300,000	58,761	300,000	58,761

LETTER TO SHAREHOLDERS

5.2 NTA

Assuming that the Proposed Rights Issue had been effected on 31 December 2017, the financial effects of the Proposed Rights Issue on the NTA (representing NTA attributable to equity holders of the Company) and NTA per Share of the Group would be as follows:

	Before the Proposed Rights Issue	Immediately after the Proposed Rights Issue	
		Maximum Subscription Scenario	Minimum Subscription Scenario
NTA (S\$'000)	29,974	44,774	44,774
No. of Shares ('000)	120,000	300,000	300,000
NTA per Share (S\$ cents)	25.0	14.9	14.9

5.3 LPS

Assuming that the Proposed Rights Issue had been effected on 1 January 2017, the financial effects of the Proposed Rights Issue on the LPS of the Group would be as follows:

	Before the Proposed Rights Issue	Immediately after the Proposed Rights Issue	
		Maximum Subscription Scenario	Minimum Subscription Scenario
Loss attributable to Shareholders (S\$'000)	(24,844)	(24,844)	(24,844)
Number of Shares ('000)	120,000	300,000	300,000
Basic EPS/(LPS) per Share attributable to Shareholders of the Company (S\$ cents) ⁽¹⁾	(20.7)	(8.3)	(8.3)
Diluted EPS/(LPS) per Share attributable to Shareholders of the Company (S\$ cents) ⁽¹⁾	(20.7)	(8.3)	(8.3)

Note:

- (1) The basic and diluted EPS/LPS after the Proposed Rights Issue are calculated based on the assumption that the Proposed Rights Issue was completed at the beginning of the financial year and without taking into account the effect of the use of the Net Proceeds from the Proposed Rights Issue on the earnings of the Group.

LETTER TO SHAREHOLDERS

5.4 Gearing

Gearing is computed based on the ratio of total borrowings to Shareholders' equity as at 31 December 2017.

	Before the Proposed Rights Issue	Immediately after the Proposed Rights Issue	
		Maximum Subscription Scenario	Minimum Subscription Scenario
Total borrowings (S\$'000)	25,795	16,657	14,295
Shareholders' equity (S\$'000)	36,279	51,579	51,579
Gearing (times)	0.7	0.3	0.3

6. FINANCIAL INFORMATION

The audited consolidated profit and loss statements, the cash flow statements, the balance sheets and the working capital position of the Group for the last three financial years ended 31 December and for the unaudited 9 months financial period ended 30 September 2018 are set out below.

6.1 Profit and Loss Statement

A summary of the Group's audited consolidated profit and loss statement for the last three financial years and unaudited 9 months financial period ended 30 September 2018 is set out below.

(\$'000)	Audited		Unaudited		
	FY2015 (Re-presented)*	FY2016 (Restated)*	FY2017	9M2017	9M2018
Revenue	57,159	51,987	38,345	26,703	28,375
Cost of sales	(41,056)	(34,099)	(25,942)	(18,040)	(18,443)
Gross profit	16,103	17,888	12,403	8,663	9,932
Other operating income	711	1,251	113	(212)	1,863
Selling and distribution expenses	(8,507)	(10,170)	(15,036)	(6,062)	(7,349)
Administrative expenses	(12,444)	(16,752)	(25,025)	(4,081)	(6,800)
Finance cost	(355)	(452)	(377)	(273)	(573)
Share of results of joint ventures	(2,125)	(2,116)	762	758	310
Share of results of associated companies	(524)	(798)	(1,244)	(812)	(868)
Loss before taxation	(7,141)	(11,149)	(28,404)	(2,019)	(3,485)
Tax (expense)/credit	(650)	(125)	1,441	(145)	87

LETTER TO SHAREHOLDERS

(\$'000)	FY2015 (Re-presented)*	Audited FY2016 (Restated)*	FY2017	Unaudited 9M2017	Unaudited 9M2018
(Loss)/Profit for the period	(7,791)	(11,274)	(26,963)	(2,164)	(3,398)
Profit from discontinued operations	1,567	–	–	–	–
(Loss)/Profit for the financial year	(6,224)	(11,274)	(26,963)	(2,164)	(3,398)
(Loss)/Profit attributable to:					
Equity holders of the Company	(4,210)	(11,206)	(24,844)	(1,691)	(2,637)
Non-controlling interests	(2,014)	(68)	(2,119)	(473)	(761)
	(6,224)	(11,274)	(26,963)	(2,164)	(3,398)
Other comprehensive income/(loss):					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Currency translation differences arising on consolidation	(184)	(276)	554	723	(412)
Currency translation differences arising on loss of control reclassified to profit or loss	145	–	–	–	–
Share of other comprehensive income of associated companies	265	(112)	(74)	(152)	(122)
Share of other comprehensive (loss)/income of joint ventures	40	60	(183)	(100)	46
Other comprehensive income/(loss) for the financial year, net of tax	266	(328)	297	471	(488)
Total comprehensive loss for the period	(5,958)	(11,602)	(26,666)	(1,693)	(3,886)
Total comprehensive loss attributable to:					
Owners of the Company	(3,943)	(11,512)	(24,608)	(1,220)	(2,997)
Non-controlling interests	(2,015)	(90)	(2,058)	(473)	(889)
	(5,958)	(11,602)	(26,666)	(1,693)	(3,886)

LETTER TO SHAREHOLDERS

(\$'000)	Audited		Unaudited		
	FY2015 (Re-presented)*	FY2016 (Restated)*	FY2017	9M2017	9M2018
(Loss)/Profit per share (cents)					
– basic	(3.51)	(9.34)	(20.70)	(1.41)	(2.20)
– diluted	(3.51)	(9.34)	(20.70)	(1.41)	(2.20)

* Re-presented/Restated the results of relevant subsidiaries from discontinued operations to continuing operations

FY2016 compared to FY2015

Revenue

Revenue decreased by approximately 9.0% or approximately S\$5.2 million from approximately S\$57.2 million in FY2015 to approximately S\$51.9 million in FY2016 due mainly to the decrease in revenue from the Supply Chain Management Division.

Supply Chain Management

Supply Chain Management Division accounts for 94% of the Group's turnover in FY2016, of which marine cables and accessories contributed 68%, marine lighting equipment and accessories 15% and others 11%. Revenue from the division decreased by 9% from approximately S\$54.0 million in FY2015 to approximately S\$49.1 million in FY2016 due to the severe slowdown in activities in the marine and offshore sectors as a result of weak global shipping markets and low oil prices.

Security

Security division mainly provides security products and solutions relating to information technology. The division accounts for 2% of the Group's turnover in FY2016.

Gross profit

The Group's overall gross profit increased by approximately S\$1.8 million from \$16.1 million in FY2015 to S\$17.9 million in FY2016 and the Group's overall gross margin increased from approximately 28% in FY2015 to approximately 34% in FY2016. The increase in gross profit and gross margin was mainly due to gross profit recognised on the project undertaken by the Engineering division in FY2016 while gross losses were recorded for the same project in FY2015. In addition, the Security division contributed gross profits with high margins in FY2016 since the acquisition of OMS in FY2016.

Other operating income

Other operating income increase by approximately S\$0.5 million from S\$0.7 million in FY2015 to S\$1.2 million in FY2016. The increase in other operating income was mainly due to unrealised exchange gains in FY2016, offset by losses from disposal of fixed assets.

LETTER TO SHAREHOLDERS

Operating expenses

The Group's operating expenses comprise mainly selling & distribution and administrative expenses. The overall operating expenses increased by approximately S\$6.0 million from approximately S\$20.9 million in FY2015 to S\$26.9 million in FY2016 due mainly to a provision for losses in GSSI and provision for impairment in investment in GLH.

Share of results in associated companies

Share of results in associated companies decreased by approximately S\$0.3 million from a loss of approximately S\$0.5 million in FY2015 to approximately S\$0.8 million in FY2016 due mainly to lower sales to major customers. The performance of GLH was affected by supplier-related issues which disrupted production and the associate company's ability to meet its sales orders.

Interest on borrowings

Interest on borrowings increased by approximately S\$97,000 from approximately S\$0.4 million in FY2015 to approximately S\$0.5 million in FY2016 due mainly to higher bank borrowings.

Tax expense

Tax expense decrease by approximately S\$0.5 million from approximately S\$0.6 million in FY2015 to approximately S\$0.1 million in FY2016 mainly due to lower profits.

FY2017 compared to FY2016

Revenue

Revenue decreased by approximately 26.2% or approximately S\$13.6 million from approximately S\$51.9 million in FY2016 to approximately S\$38.3 million in FY2017 mainly due to the decrease in revenue from the Supply Chain Management Division and the Engineering Services Division.

Supply Chain Management

Supply Chain Management Division accounts for 76% of the Group's turnover in FY2017, of which marine cables and accessories contributed 38%, marine lighting equipment and accessories 25% and others 13%.

Revenue from the division decreased by 42% due to continuing slowdown in activities in the marine and offshore sectors as a result of weak global shipping markets and low oil prices. However, revenue from marine lighting equipment and accessories increased by 20% due to sales of new product range to a Japanese customer.

Security

Security Division was established in 2Q2016 and mainly provides products and solutions relating to cyber security and security system. The division accounts for 7% of the Group's turnover in FY2017.

LETTER TO SHAREHOLDERS

Engineering Services

Engineering Services Division accounts for 17% of the Group's turnover in FY2017. Revenue from Engineering Services Division increased by 238% due mainly to higher progressive recognition of revenue of an existing project in procurement phase in FY2017 as compared to FY2016 where the project was in its engineering phase.

Gross profit

The Group's overall gross profit decreased by approximately S\$5.5 million from approximately S\$17.9 million in FY2016 to approximately S\$12.4 million in FY2017. The Group's overall gross margin decreased from 34% in FY2016 to 32% in FY2017 due to higher revenue from Engineering Division where the gross margin is lower.

Other operating income

Other operating income decreased by approximately S\$1.1 million from approximately S\$1.3 million in FY2016 to approximately S\$0.1 million in FY2017 due mainly to foreign exchange loss in FY2017 as compared to a gain in FY2016.

Operating expenses

The Group's operating expenses comprise of mainly selling and distribution and administrative expenses. Operating expenses increased by approximately S\$13.2 million from approximately S\$26.9 million in FY2016 to approximately S\$40.1 million in FY2017. Selling and distribution expenses increased by approximately S\$4.9 million due to higher provision for doubtful debts and stock obsolescence. Administrative expenses increased by approximately S\$8.3 million mainly due to higher impairment loss on goodwill, intangible assets and investment in an associated company, and provision for liabilities.

Share of results in associated companies

Share of results in associated companies decreased by approximately S\$0.4 million from a loss of approximately S\$0.8 million in FY2016 to a loss of approximately S\$1.2 million mainly due to lower sales to major customers. The performance of GLH was affected by supplier-related issues which disrupted production and the associate company's ability to meet its sales orders.

Share of results in joint ventures

Share of results in joint ventures improved by approximately S\$2.9 million from a loss of approximately S\$2.1 million in FY2016 to a gain of approximately S\$0.8 million in FY2017 due mainly to the Group cessation to the share of loss in GSSI as the cost of investment has been fully written down. However, the Group has provided additional provision for liabilities because of a corporate guarantee given by the Group to GSSI's banker.

Interest on borrowings

Interest on borrowings remains comparable.

LETTER TO SHAREHOLDERS

Tax credit

Tax credit increased by approximately S\$1.6 million from a tax expense of approximately S\$0.1 million in FY2016 to a tax credit of approximately S\$1.4 million in FY2017. The tax credit of S\$1.4 million is due mainly to the utilisation of group relief of a loss-making subsidiary and write back of deferred tax resulting from impairment loss on intangible assets.

9M2018 compared to 9M2017

Revenue

Revenue increased by approximately S\$1.7 million from approximately S\$26.7 million in 9M2017 to approximately S\$28.4 million in 9M2018 mainly due to the increase in revenue from the Supply Chain Management Division and Security Division, which was partially offset by decrease in revenue from the Engineering Services Division.

Supply Chain Management

Supply Chain Management Division accounts for 89% of the Group's turnover in 9M2018, of which marine cables and accessories contributed 57%, marine lighting equipment and accessories 30% and others 13%. Revenue increased by 23% due to increased business activities of customers.

Security

Security Division mainly provides security products and solutions relating to information technology. The division accounts for 10% of the Group's turnover in 9M2018. Revenue from the division increased by 25% due to sales to new customers.

Engineering Services

Engineering Services Division accounts for 1% of the Group's turnover in 9M2018. Revenue from Engineering Services Division decreased by 92% due mainly to termination of an engineering contract by a customer in 4Q2017. There is no other significant contract in 9M2018.

Gross profit

The Group's overall gross profit increased by approximately S\$1.3 million from approximately S\$8.7 million in 9M2017 to S\$9.9 million in 9M2018 due to higher revenue. The Group's overall gross margin increased from 32% in 9M2017 to 35% in 9M2018 due to higher revenue from the Supply Chain Management Division where the gross margin is higher and due to the write back of provision of claims and vendor costs by the Engineering Division.

Other operating income

Other operating income increased by approximately S\$2.1 million from a loss of approximately S\$0.2 million in 9M2017 to a gain of approximately S\$1.9 million in 9M2018 mainly due to gain on disposal of Batam subsidiary of approximately S\$1.6 million and lower foreign exchange losses.

LETTER TO SHAREHOLDERS

Operating expenses

The Group's operating expenses comprise of mainly selling & distribution and administrative expenses. Operating expenses increased by approximately S\$4.0 million from approximately S\$10.1 million in 9M2017 to approximately S\$14.1 million in 9M2018. Selling & distribution expenses increased by approximately S\$1.3 million due to higher provision for doubtful debts and stock obsolescence. Administrative expenses increased by approximately S\$2.8 million due mainly to higher provision for liabilities.

Interest on borrowings

Interest on borrowings increased by approximately S\$0.3 million from approximately S\$0.3 million in 9M2017 to approximately S\$0.6 million in 9M2018 mainly due to an increase in bank borrowings and shareholder's loan.

6.2 Balance Sheet

The audited consolidated balance sheets of the Group as at 31 December 2015, 31 December 2016 and 31 December 2017 and the unaudited consolidated balance sheet of the Group as at 30 September 2018 are set out below:

(\$'000)	As at	Audited As at	As at	Unaudited As at
	31 December 2015	31 December 2016	31 December 2017 (Restated)*	30 September 2018
ASSETS				
Non-Current assets				
Property, plant and equipment	16,499	15,827	12,572	11,447
Investment in joint ventures	2,416	2,705	2,504	2,472
Investment in associated companies	12,149	11,982	3,260	2,269
Loan to an associated company	–	–	–	4,000
Deferred tax assets	44	11	15	15
Intangible assets	49	5,254	1,096	1,197
Purchase deposit to a supplier	5,756	5,077	2,673	2,597
Financial assets, at fair value through profit or loss	162	–	42	25
Total non-current assets	37,075	40,856	22,162	24,022

LETTER TO SHAREHOLDERS

(S\$'000)	As at 31 December 2015	Audited As at 31 December 2016	As at 31 December 2017 (Restated)*	Unaudited As at 30 September 2018
Current assets				
Inventories	30,123	27,179	24,772	23,885
Due from customers on construction contracts	129	8	1,655	47
Trade receivables	16,223	14,222	8,910	11,146
Other receivables	2,427	5,044	2,234	1,476
Tax recoverable	–	–	1,708	97
Cash and cash equivalents	5,718	8,409	7,219	3,535
	54,620	54,862	46,498	40,186
Asset held for sale	–	–	2,274	–
Total current assets	54,620	54,862	48,772	40,186
Total Assets	91,695	95,718	70,934	64,208
Non-current liabilities				
Deferred tax liabilities	915	1,463	434	366
Convertible loan notes	–	–	690	709
Other payable	–	765	–	–
Shareholders' loan	–	–	–	11,500
Bank borrowings	–	–	–	3,667
Finance lease liabilities	354	207	95	95
Total non-current liabilities	1,269	2,435	1,219	16,337
Current liabilities				
Due to customers on construction contracts	–	3,645	25	–
Trade payables	5,873	2,504	2,576	3,557
Other payables	1,746	2,351	2,195	2,349
Provisions	4,845	12,351	17,621	676
Bank borrowings	9,310	14,090	13,486	13,704
Finance lease liabilities	166	147	119	21
Tax payable	1,197	495	2,125	348
	23,137	35,583	38,147	20,655

LETTER TO SHAREHOLDERS

(\$'000)	As at 31 December 2015	Audited As at 31 December 2016	As at 31 December 2017 (Restated)*	Unaudited As at 30 September 2018
Liabilities directly associated with disposal group classified as held for sale	–	–	498	–
Total current liabilities	23,137	35,583	38,645	20,655
Total liabilities	24,406	38,018	39,864	36,992
Net assets	67,289	57,700	31,070	27,216
Equity				
Share capital	43,461	43,461	43,461	43,461
Currency translation reserve	908	602	268	(92)
Equity component of convertible loan notes	–	–	36	36
(Accumulated losses)/retained earnings	27,994	16,788	(7,454)	(10,091)
Reserve of disposal group classified as held for sale	–	–	(32)	
Equity attributable to equity holders of the Company, total	72,363	60,851	36,279	33,313
Non-controlling interests	(5,074)	(3,151)	(5,209)	(6,098)
Total equity	67,289	57,700	31,070	27,216

* The Group has adopted the new Singapore Financial Statements (International) (“SFRS(I)”) framework for the financial year ending 31 December 2018 and has applied SFRS(I) 1 with 1 January 2017 as the date of transition. The Group has elected the optional exemption in SFRS(I) 1 to reset its cumulative Currency Translation Reserve of approximately S\$0.6 million as at 1 January 2017 as determined in accordance with the previous Financial Reporting Standards at that date to Retained Earnings.

As at 31 December 2015 compared to 31 December 2016

Property, plant and equipment

Property, plant and equipment decreased by approximately S\$0.7 million from S\$16.5 million as at 31 December 2015 to approximately S\$15.8 million as at 31 December 2016 due mainly to the ongoing disposal of yard facilities in Batam.

LETTER TO SHAREHOLDERS

Investment in associated companies

Investment in associated companies decreased by approximately S\$0.2 million from approximately S\$12.1 million as at 31 December 2015 to approximately S\$11.9 million as at 31 December 2016 due mainly to the additional investment in GLH offset against the Group's share of results and provision of impairment in investment in GLH.

Intangible assets

Intangible assets increased by approximately S\$5.2 million from approximately S\$49,000 as at 31 December 2015 to approximately S\$5.3 million as at 31 December 2016 mainly due to goodwill and fair value of intangible assets such as the applied technology on products arising from the acquisition of a new subsidiary, Omnisense Systems Pte Ltd ("**OMS**") and the capitalization of development cost of products.

Purchase deposit to a supplier

Purchase deposit paid to a supplier decreased by approximately S\$0.7 million from approximately S\$5.8 million as at 31 December 2015 to approximately S\$5.1 million as at 31 December 2016. The purchase deposit is paid to a main cable supplier which is offset from future purchases over a five-year period. The decrease is due to a partial repayment from the supplier during the year.

Inventories

Inventories decreased by approximately S\$2.9 million from approximately S\$30.1 million as at 31 December 2015 to approximately S\$27.2 million as at 31 December 2016 due to management's intention to reduce the Group's inventory level as a result of the slowdown in the marine and offshore sectors.

Trade receivables

Trade receivables decreased by approximately S\$2.0 million from S\$16.2 million as at 31 December 2015 to S\$14.2 million as at 31 December 2016 corresponding to lower revenue.

Other receivables

Other receivables increased by approximately S\$2.6 million from approximately S\$2.4 million as at 31 December 2015 to approximately S\$5.0 million as at 31 December 2016 mainly due an increase in deposit to supplier for project procurement by BOS Offshore & Marine Pte. Ltd. ("**BOS**").

Non-current payables

The increase in non-current payable is due mainly to provision of contingent consideration payable arising from acquisition of OMS.

LETTER TO SHAREHOLDERS

Due to customers on construction contracts

Amount due to customers on construction contracts increased by approximately S\$3.6 million from nil as at 31 December 2015 to S\$3.6 million as at 31 December 2016 due to an advance billing of a project by BOS.

Trade payables

Trade payables decreased by approximately S\$3.3 million from approximately S\$5.8 million as at 31 December 2015 to approximately S\$2.5 million as at 31 December 2016 due mainly to lower stock purchases in line with the management's intention to lower the inventory level.

Other payables

Other payables increased by approximately S\$0.6 million from approximately S\$1.7 million as at 31 December 2015 to approximately S\$2.3 million as at 31 December 2016 mainly due to deferred revenue billed in advance to customer.

Provisions

Provisions increased by approximately S\$7.5 million from approximately S\$4.8 million as at 31 December 2015 to approximately S\$12.3 million as at 31 December 2016 due mainly to additional provision for impairment losses on investment in GSSI.

Bank borrowings

Bank borrowings increased by approximately by S\$4.7 million from S\$9.3 million as at 31 December 2015 to approximately S\$14.0 million as at 31 December 2016 mainly due to the increase in financing to increase the Group's investment in GLH and acquisition of a new subsidiary OMS.

As at 31 December 2016 compared to 31 December 2017

Property, plant and equipment

Property, plant and equipment decreased by approximately S\$3.2 million from S\$15.8 million as at 31 December 2016 to approximately S\$12.6 million as at 31 December 2017 mainly due to reclassification of Batam land to asset held for sale.

Investment in associated companies

Investment in associated companies decreased by approximately S\$8.7 million from approximately S\$12.0 million as at 31 December 2016 to approximately S\$3.3 million as at 31 December 2017 mainly due to the share of loss and provision of impairment in GLH.

Intangible assets

Intangible assets decreased by approximately S\$4.2 million from approximately S\$5.3 million as at 31 December 2016 to approximately S\$1.1 million as at 31 December 2017 mainly due to impairment of goodwill and provision of impairment on acquired technology in OMS.

LETTER TO SHAREHOLDERS

Purchase deposit to a supplier

Purchase deposit to a supplier decreased by approximately S\$2.4 million from approximately S\$5.1 million as at 31 December 2016 to approximately S\$2.7 million as at 31 December 2017. The decrease is due to a partial repayment from the supplier during the year.

Inventories

Inventories decreased by approximately S\$2.4 million from approximately S\$27.2 million as at 31 December 2016 to approximately S\$24.8 million as at 31 December 2017 mainly due to higher provision for stock obsolescence and management's intention to reduce the Group's inventory level as a result of the slowdown in the marine and offshore sectors.

Due from customers on construction contracts

Amount due from customers on construction contracts increased by approximately S\$1.6 million from S\$8,000 as at 31 December 2016 to approximately S\$1.6 million as at 31 December 2017. The increase in amount due from customers on construction contracts is due to unbilled work-in-progress of project of the Engineering Division in 4Q2017.

Trade receivables

Trade receivables decreased by approximately S\$5.3 million from S\$14.2 million as at 31 December 2016 to S\$8.9 million as at 31 December 2017 due mainly to higher provision for doubtful debts in FY2017.

Other receivables

Other receivables decrease by approximately S\$2.8 million from approximately S\$5.0 million as at 31 December 2016 to approximately S\$2.2 million as at 31 December 2017 mainly due to offsetting of deposits paid to trade payables for project procurement upon receipts of such supplies.

Tax recoverable

Tax recoverable increased by approximately S\$1.7 million from nil as at 31 December 2016 to approximately S\$1.7 million as at 31 December 2017 mainly due to the utilization of group relief of a subsidiary.

Asset held for sale

Asset held for sale increased by approximately S\$2.3 million from nil as at 31 December 2016 to approximately S\$2.3 million as at 31 December 2017. Asset held for sale relates to the Batam yard where the Group is in discussion with a potential buyer. Consequently, the Batam yard is classified from property, plant and equipment to asset held for sale.

LETTER TO SHAREHOLDERS

Deferred tax liability

Deferred tax liability decreased by approximately S\$1.0 million from S\$1.5 million as at 31 December 2016 to approximately S\$0.4 million as at 31 December 2017. The decrease in deferred tax liability of S\$1.0 million is due mainly to reversal of deferred tax liability arising from impairment loss of intangible assets and asset held for sale.

Convertible loan notes

Convertible loan notes increased by S\$0.7 million from nil as at 31 December 2016 to approximately S\$0.7 million as at 31 December 2017, mainly due to issuance of convertible notes by one of the Group's subsidiary, OMS, to its shareholders, of up to an aggregate principal amount of up to S\$4 million to the Company at an interest rate at 6.0% per annum.

Non-current payables

The decrease in non-current payables is due mainly to fair value gain on contingent consideration payable arising from acquisition of OMS in FY2016

Other payables

Other payable decreased by approximately S\$0.2 million from approximately S\$2.4 million in FY2016 to approximately S\$2.2 million in FY2017 mainly due to decrease in accrual of project cost from Engineering Division and deferred revenue arising from service contract from Security Division.

Provisions

Provisions increased by approximately S\$5.3 million from approximately S\$12.3 million in FY2016 to approximately S\$17.6 million mainly due to additional provision for impairment losses on investment in GSSI.

As at 31 December 2017 compared to 30 September 2018

Investment in associated companies

Investment in associated companies decreased by approximately S\$1.0 million from approximately S\$3.3 million as at 31 December 2017 to approximately S\$2.5 million as at 30 September 2018 due mainly to the Group's share of losses GLH.

Loan to an associated company

Loan to associated company increased by approximately S\$4.0 million from nil as at 31 December 2017 due to a new loan provided to GLH in Q32018.

Inventories

Inventories decreased by approximately S\$0.9 million from approximately S\$24.8 million as at 31 December 2017 to approximately S\$23.9 million as at 30 September 2018 due mainly to higher level of sales by the Supply Chain Management Division, which is partially offset by increase in raw materials and work in progress by the Security division.

LETTER TO SHAREHOLDERS

Trade receivables

Trade receivables increased by approximately S\$2.2 million from approximately \$8.9 million as at 31 December 2017 to approximately S\$11.1 million as at 30 September 2018 due mainly to higher revenue from the Supply Chain Management Division.

Other receivables

Other receivables decreased by approximately S\$0.8 million from S\$2.2 million as at 31 December 2017 to approximately S\$1.5 million as at 30 September 2018 mainly due to deposit paid to suppliers upon receipts of such supplies, partially offset by higher progressive recognition of deferred cost.

Tax recoverable

Tax recoverable decreased by approximately S\$1.6 million from approximately S\$1.7 million as at 31 December 2017 to approximately S\$0.1 million as at 30 September 2018 mainly due to the receipt of refund from the tax authority.

Asset held for sale

Asset held for sale decreased by approximately S\$2.3 million from approximately S\$2.3 million as at 31 December 2017 to nil as at 30 September 2018 mainly due to the disposal of the Batam land and the assets held by a subsidiary where the Group has disposed in 2Q2018.

Convertible loan notes

Convertible loan notes increased by approximately S\$19,000 from approximately S\$0.69 million as at 31 December 2017 to approximately S\$0.7 million as at 30 September 2018 mainly due to accrual of interest payable.

Trade payables

Trade payables increased by approximately S\$1.0 million from approximately S\$2.6 million as at 31 December 2017 to approximately S\$3.6 million as at 30 September 2018. The higher trade payables are due mainly to higher purchases as a result of higher revenue from the Supply Chain Management Division.

Other payables

Other payables increased by approximately S\$0.2 million from approximately S\$2.2 million as at 31 December 2017 to approximately S\$2.3 million as at 30 September 2018. The increase in other payables is due mainly to higher deferred revenue billed in advance to and deposits from customers.

Provisions

Provisions decreased by approximately S\$16.9 million from approximately S\$17.6 million as at 31 December 2017 to approximately S\$0.7 million as at 30 September 2018. The decrease in provisions is due mainly to settlement of liabilities of GSSI that were previously provided for.

LETTER TO SHAREHOLDERS

6.3 Cashflow

A summary of the audited consolidated cashflow statement of the Group for FY2015, FY2016 and FY2017 and unaudited 9 months financial period ended 30 September 2018 is set out below.

(\$S'000)	FY2015 (Re-presented)*	Audited FY2016 (Restated)*	FY2017	Unaudited 9M2018
Cash flows from operating activities				
Loss before tax from continuing operations	(7,141)	(11,149)	(28,404)	(3,485)
Profit before tax from discontinued operations	1,618	–	–	–
Loss before tax	(5,523)	(11,149)	(28,404)	(3,485)
Adjustments for:				
Amortisation of intangible assets	–	286	702	169
Exchange differences	–	(16)	485	125
Depreciation of property, plant and equipment	1,653	1,449	1,344	1,114
Gain on disposal of property, plant and equipment	–	–	(4)	–
Gain on disposal of property held for sale	(1,073)	–	–	–
Fair value gain on contingent consideration payable	–	–	(765)	–
Fair value loss on financial assets at fair value through profit or loss	–	–	14	17
Impairment loss on investment in an associated company	–	2,000	7,663	–
Impairment loss on intangible assets	–	–	2,482	–
Impairment loss on goodwill	–	–	1,236	–
Impairment loss on equity loan to a joint venture	184	–	–	–
Impairment loss on property, plant and equipment	249	–	–	–
Interest expense	365	452	377	573
Interest income	(134)	(210)	(132)	(71)
Loss on disposal of property, plant and equipment, net	425	132	–	–
Loss on deconsolidation of subsidiaries	1,050	–	–	–
Provisions, net	4,862	7,506	7,717	2,049
Share of results of associated companies	530	798	1,244	868
Share of results of joint ventures	2,125	2,116	(762)	(310)
Gain on disposal of a subsidiary	(4,321)	–	–	(1,581)

LETTER TO SHAREHOLDERS

(\$S'000)	FY2015 (Re-presented)*	Audited FY2016 (Restated)*	FY2017	Unaudited 9M2018
Operating cash flows before working capital changes	392	3,364	(6,803)	(532)
Inventories	1,624	3,421	2,407	887
Due (to)/from customers on construction contracts, net	(645)	3,766	(5,258)	1,583
Receivables	3,568	461	7,702	(1,479)
Payables	1,633	(3,389)	(101)	1,155
Currency translation adjustments	(252)	(341)	650	(27)
Provision for claims and vendor costs	–	–	1,211	(1,211)
Cash generated from/(used in) operations	6,320	7,282	(192)	376
Income tax (paid)/refund	(755)	(790)	847	(196)
Net cash from/(used in) operating activities	5,565	6,492	655	180
Cash flows from investing activities				
Contribution from a non-controlling interest	50	25	–	–
Decrease in restricted cash	681	–	–	–
Dividend received from a joint venture	267	385	781	392
Interest received	134	210	132	71
Loan to an associated company	–	–	–	(4,000)
Net cash inflow on deemed disposal of a subsidiary	–	–	–	3,000
Additional investment in an associated company	(1,323)	(2,743)	–	–
Additional investment in a joint venture	(2,780)	(2,749)	–	–
Net cash outflow on acquisition of subsidiaries	–	(2,651)	–	–
Net cash inflow/(outflow) on disposal of a subsidiary	7,192	(13)	–	–
Net cash outflow on deconsolidation of subsidiaries	(666)	–	–	–
Investment in an associated company	–	–	(257)	–
Investment in quoted equity shares	–	–	(56)	–
Purchase deposit to a supplier	(6,772)	–	–	–
Repayment of purchase deposit from a supplier	339	696	2,339	–
Proceeds from disposal of property held for sale	2,600	–	–	–

LETTER TO SHAREHOLDERS

(\$S'000)	FY2015 (Re-presented)*	Audited FY2016 (Restated)*	FY2017	Unaudited 9M2018
Proceeds from disposal of property, plant and equipment	619	21	4	1
Purchase of property, plant and equipment	(501)	(602)	(488)	(268)
Settlement of provision for liabilities	–	–	(3,658)	(17,783)
Development costs	–	(538)	(262)	(270)
Government grants received	–	–	–	279
Net cash used in investing activities	(160)	(7,959)	(1,465)	(18,578)
Cash flows from financing activities				
Net (repayment)/drawdown of short term borrowings	(930)	3,233	(1,384)	(1,515)
Drawdown of bank borrowings	4,300	2,700	2,500	6,000
Repayment of bank borrowings	(6,700)	(1,153)	(1,720)	(600)
Repayment of finance lease liabilities	(172)	(171)	(140)	(98)
Dividends paid to shareholders of the Company	(2,400)	–	–	–
Interest paid	(365)	(452)	(363)	(573)
Decrease in fixed deposits under pledge	–	–	479	12
Proceeds from issuance of convertible loan notes	–	–	727	–
Proceeds from shareholder loan	–	–	–	11,500
Net cash (used in)/from financing activities	(6,267)	4,157	99	14,726
Net (decrease)/increase in cash and cash equivalents	(862)	2,690	(711)	(3,672)
Cash and cash equivalents at beginning of period	5,160	4,349	7,040	6,329
Effects of exchange rate changes on cash and cash equivalents	51	1	–	–
Cash and cash equivalents at end of period	4,349	7,040	6,329	2,657

* Re-presented/Restated the results of relevant subsidiaries from discontinued operations to continuing operations

LETTER TO SHAREHOLDERS

Review of cash flow for FY2015

In FY2015, the Group generated cash from operating activities of approximately S\$5.6 million. This was mainly due to lower receivables, lower inventories holding as well as higher payables, which was partially offset by a lower amount due from customers on construction contracts.

The Group had net cash outflow from investing of approximately S\$0.2 million. This was mainly due to the additional investments in an associated company and in a joint venture of approximately S\$1.3 million and approximately S\$2.8 million respectively, coupled with the purchase deposit paid to a supplier of approximately S\$6.8 million, which was partially offset by net cash inflow from a disposal of a subsidiary of approximately S\$7.2 million, proceeds from disposal of property held from sale of approximately S\$2.6 million and a decrease in restricted cash of approximately S\$0.7 million.

The Group had net cash outflow from financing activities of approximately S\$6.3 million which was mainly due to the repayment of bank loans of approximately S\$7.6 million and dividends paid to shareholders of S\$2.4 million, offset by drawdown of bank borrowings of S\$4.3 million.

Review of cash flow for FY2016

In FY2016, the Group generated cash from operating activities of approximately S\$6.5 million. This was mainly due to higher receivables, higher inventories as well as higher amount due to customers on construction contracts, which was partially offset by lower payables.

The Group had net cash outflow from investing of approximately S\$8.0 million. This was mainly due to the additional investments in an associated company and in a joint venture of approximately S\$2.7 million and approximately S\$2.7 million respectively, coupled with the acquisition of subsidiaries of approximately S\$2.7 million, which was partially offset by net cash inflow from the repayment of purchase deposit from a supplier of approximately S\$0.7 million,

The Group had net cash inflow from financing activities of approximately S\$4.2 million which was mainly due to the drawdown of borrowings of approximately S\$5.9 million and repayment of bank loans of approximately S\$1.2 million.

Review of cash flow for FY2017

In FY2017, the Group generated cash from operating activities of approximately S\$0.7 million. This was mainly due to lower receivables, lower inventories holding as well as higher payables, which was partially offset by a lower amount due from customers on construction contracts.

The Group had net cash outflow from investing of approximately S\$1.5 million. This was mainly due to the settlement of provision for liabilities approximately S\$3.7 million, which was partially offset by net cash inflow from the repayment of purchase deposit from a supplier of approximately S\$2.3 million.

LETTER TO SHAREHOLDERS

The Group had net cash inflow from financing activities of approximately S\$0.1 million which was mainly due to the drawdown of bank borrowings of approximately S\$2.5 million and proceeds from issuance of convertible loan notes of approximately S\$0.7 million. This was partially offset by the repayment of bank loans of approximately S\$3.1 million.

Review of cash flow for 9M2018

In 9M2018, the Group generated cash from operating activities of approximately S\$0.1 million. This was mainly due to lower amounts due from customers on construction contracts, lower inventories and higher payables, which was partially offset by higher receivables as well as the settlement of provision for claims.

The Group had net cash outflow from investing of approximately S\$18.6 million. This was mainly due to loan to an associated company of S\$4 million and the settlement of provision for liabilities of approximately S\$17.8 million, which was partially offset by net cash inflow on deemed disposal of a subsidiary of approximately S\$3.0 million.

The Group had net cash inflow from financing activities of approximately S\$14.7 million which was mainly due to the drawdown of borrowings of approximately S\$6.0 million and proceeds from shareholder loan of approximately S\$11.5 million. This was partially offset by a repayment of borrowings of approximately S\$2.1 million.

6.4 Working Capital

The summary of the working capital of the Group as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018 is set out below.

Working Capital

	As at	Audited	As at	Unaudited
	31 December	31 December	31 December	30 September
(S\$'000)	2015	2016	2017	2018
Total current assets	54,620	54,862	48,772	40,186
Total current liabilities	23,137	35,583	38,645	20,655
Working capital	31,483	19,279	10,127	19,531

As at 31 December 2016 compared to 31 December 2015

Working capital decreased by approximately S\$12.2 million from approximately S\$31.5 million as at 31 December 2015 to approximately S\$19.3 million as at 31 December 2016. This was mainly due to the increase in current liabilities of approximately S\$12.4 million.

Current liabilities increased by approximately S\$12.4 million due to an increase in provisions of S\$7.5 million and an increase in bank borrowings of approximately S\$4.7 million.

LETTER TO SHAREHOLDERS

As at 31 December 2017 compared to 31 December 2016

Working capital decreased by approximately S\$9.2 million from approximately S\$19.3 million as at 31 December 2016 to approximately S\$10.1 million as at 31 December 2017. This was due to the decrease in current assets of approximately S\$6.1 million and the increase in current liabilities of approximately S\$3.1 million.

Current assets decreased by approximately S\$6.1 million due to a decrease in trade receivables of approximately S\$5.3 million and a decrease in other receivables of approximately S\$2.8 million, partially offset by the disposal of group assets classified as held for sale of approximately S\$2.3 million.

Current liabilities increased by approximately S\$3.1 million due to from approximately S\$35.6 million as at 31 December 2016 to approximately S\$38.6 million as at 31 December 2017 mainly due to an increase in provisions and tax payable of approximately S\$5.3 million and S\$1.6 million respectively. This was partially offset by a decrease in amount due to customers on construction contracts of approximately S\$3.6 million.

As at 30 September 2018 compared to 31 December 2017

Working capital increased by approximately S\$9.4 million from approximately S\$10.1 million as at 31 December 2017 to approximately S\$19.5 million as at 30 September 2018. This was due to the decrease in current liabilities of approximately S\$18.0 million which was partially offset by the decrease in current assets of approximately S\$8.6 million.

Current assets decreased by approximately S\$8.6 million mainly due to a decrease in the amount due from customers on construction contracts of S\$1.6 million, a decrease in other receivables of approximately S\$0.8 million and a decrease in inventories of approximately S\$0.9 million. In addition, there was a decrease in tax recoverable of approximately S\$1.6 million and a decrease in assets held for sale of approximately S\$2.3 million. These were partially offset by an increase in trade receivables of approximately S\$2.2 million.

Current liabilities decreased by approximately S\$18.0 million due to a decrease in provision of approximately S\$16.9 million and a decrease in tax payable of S\$1.8 million, partially offset by an increase of trade payables of approximately S\$1.0 million.

6.5 Adequacy of Working Capital

The Directors are of the reasonable opinion that, barring unforeseen circumstances and after taking into consideration:

- (a) the Group's internal resources, operating cash flow and the present banking facilities, the Group has sufficient resources to meet its capital commitments; and
- (b) the Group's present banking facilities and the net proceeds of the Proposed Rights Issue, the working capital available to the Group is sufficient to meet its present requirements.

In addition to the above confirmation, the Directors also note that Beng Hui has provided the Company with a loan of S\$15 million available for the Company's drawdown pursuant to a loan agreement dated 19 March 2018 and till date, the Company has drawn down a total principal sum of S\$11.5 million under the loan.

LETTER TO SHAREHOLDERS

7. OFFER INFORMATION STATEMENT

An OIS will be dispatched by the Company to Entitled Shareholders subject to, inter alia, the approval by Shareholders for the Proposed Rights Issue being obtained at the EGM.

Acceptances and applications under the Proposed Rights Issue can only be made on the following (all of which will form part of the OIS):

- (a) the PAL, in the case of Entitled Scripholders whose Shares are registered in their own names;
- (b) the ARE, or through ATMs of the Participating Banks, in the case of Entitled Depositors; and
- (c) the ARS, or through the ATMs of the Participating Banks, in the case of persons purchasing provisional allotment of Rights Shares through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore.

The procedures for acceptance, excess application and payment by Entitled Shareholders will be set out in the OIS.

8. BOOKS CLOSURE DATE

The Books Closure Date for the purposes of determining Entitled Shareholders' entitlements under the Proposed Rights Issue will be announced at a later date.

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and the substantial shareholders, as at the Latest Practicable Date are as follows:

	Direct Interests		Deemed Interests		Total Interests	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors						
Vincent Lim Hui Eng ⁽¹⁾⁽⁵⁾	951,172	0.80	71,668,900	59.72	72,620,072	60.52
Patrick Lim Hui Peng ⁽²⁾⁽⁵⁾	951,172	0.80	71,668,900	59.72	72,620,072	60.52
Loh Weng Whye	53,750	0.05	–	–	53,750	0.05
Henry Tan Song Kok	–	–	–	–	–	–
Winston Kwek Choon Lin	–	–	–	–	–	–

LETTER TO SHAREHOLDERS

	Direct Interests		Deemed Interests		Total Interests	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Substantial Shareholders (other than Directors)						
Beng Hui Holding (S) Pte Ltd	71,668,900	59.72	–	–	71,668,900	59.72
Johnny Lim Huay Hua ⁽³⁾⁽⁵⁾	951,172	0.80	71,668,900	59.72	72,620,072	60.52
Eileen Lim Chye Hoon ⁽⁴⁾⁽⁵⁾	729,285	0.61	71,688,900	59.74	72,418,185	60.35
Poh Choo Bin	8,670,025	7.22	–	–	8,670,025	7.22

Notes:

- (1) Vincent Lim Hui Eng holds 21.00% of the issued share capital in Beng Hui Holding (S) Pte. Ltd.
- (2) Patrick Lim Hui Peng holds 21.00% of the issued share capital in Beng Hui Holding (S) Pte. Ltd.
- (3) Johnny Lim Huay Hua holds 21.00% of the issued share capital in Beng Hui Holding (S) Pte. Ltd.
- (4) Eileen Lim Chye Hoon holds 16.00% of the issued share capital in Beng Hui Holding (S) Pte. Ltd. In addition, Eileen Lim Chye Hoon's deemed interests arises from the 20,000 Shares held by her husband, Ken Hing Kah Wah.
- (5) Vincent Lim Hui Eng, Patrick Lim Hui Peng, Johnny Lim Huay Hua and Eileen Lim Chye Hoon are siblings.

Save as disclosed in this Circular, none of the Directors or substantial shareholders has any direct or indirect interest in the Proposed Rights Issue, other than through their respective shareholdings in the Company.

10. MATERIAL LITIGATION

In the Company's annual report for the financial year ended 31 December 2017, the Company announced an update on the following cases:

- (a) In 2013, a customer (the "**Customer**") claimed against a subsidiary in Indonesia, PTE for alleged non-delivery of three vessels.

The Customer sought to recover losses amounting to the sum of S\$11.56 million based on the assertion that payments for these vessels were already made and registration certificates were issued in its name in Indonesia.

PTE defended the claim on the basis that it did not receive payment for these vessels. In addition, PTE took the stand that there was fraud involved in the registration of these vessels. Accordingly, PTE made a counter-claim against the Customer and another party for a total sum of S\$25.53 million for total losses suffered by PTE.

Judgement was awarded in favour of PTE in April 2014. The Customer and PTE subsequently appealed to the High Court of Batam.

The Company's latest update is that PTE has decided not to pursue the appeal for a higher award in its favour or to pursue enforcement of the judgment after having balanced the negligible prospects of recovery of the debt against the cost and expenses of doing so.

LETTER TO SHAREHOLDERS

- (b) In 2014, PTE commenced legal proceeding in the Singapore High Court against several customers for unpaid works and services in amount of S\$642,990. In the Court's proceedings, these defendants also counter-claimed against PTE for alleged defects in the works carried out in relation to the vessels, loss of use of the vessels and other alleged dues and charges that amounted to S\$3,415,998.

The parties reached a settlement in January 2018 and the Group received a settlement sum of S\$300,000 from the defendants. Both parties have each filed for a Notice of Discontinuance to the Court in January 2018.

Save as disclosed herein, the Directors are not aware of any legal or arbitration proceedings pending or threatened against the Company or any of its subsidiaries during the twelve (12) months preceding the date of this Circular which might have or have had a significant effect on the financial position of the Group or of any facts likely to give rise to any such litigation or arbitration claim.

11. MATERIAL CONTRACTS

Save for the following contracts disclosed below, the Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past two (2) years preceding the Latest Practicable Date:

- (a) A loan agreement dated 19 March 2018 entered into between the Company and Beng Hui, pursuant to which, Beng Hui has agreed to lend to the Company an amount of S\$15 million for the Company's working capital requirements and/or day-to day operations.
- (b) The assets sale agreement entered into by the Company's wholly-owned subsidiary Global Steel Industries Pte. Ltd. in 2Q2018 to dispose its galvanized steel wire factory in Oman, to an unrelated purchaser for a total consideration of OMR1.90 million (approximately S\$6.71 million based on the exchange rate used in the Company's announcement dated 7 September 2018).

12. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 54 of this Circular, will be held on 3 January 2019, at 10 a.m. at 8 Penjuru Lane, Singapore 609189, for the purpose of considering, and if thought fit, passing with or without any modifications, the ordinary resolutions set out in the notice of EGM.

13. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend and vote at the EGM on their behalf should complete, sign and return the proxy form attached to this Circular in accordance with the instructions printed thereon. The completed and signed proxy form should then be returned as soon as possible and in any event so as to arrive at the Company's registered office at 8 Penjuru Lane, Singapore 609189, not later than 48 hours before the time fixed for the EGM. Shareholders who have completed and returned the proxy form may still attend and vote in person at the EGM, if they so wish, in place of their proxy.

LETTER TO SHAREHOLDERS

Pursuant to the new Section 81SJ (4) of the SFA, a Depositor will not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears of the Depository Register at least seventy-two (72) hours before the EGM.

14. DIRECTORS' RECOMMENDATION

The Directors, having considered, *inter alia*, the rationale for the Proposed Rights Issue as set out in Section 4.1 of this Circular, are of the opinion that the Proposed Rights Issue is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the Proposed Rights Issue at the EGM. In this respect, Shareholders should note the interests of Mr Vincent Lim Hui Eng and Mr Patrick Lim Hui Peng in Beng Hui which will be utilising the Beng Hui Loans to offset the subscription price of the Rights Shares.

15. DIRECTORS' RESPONSIBILITY STATEMENT

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

16. MANAGER'S CONSENT

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

17. MANAGER'S RESPONSIBILITY STATEMENT

To the best of the Manager's knowledge and belief, this Circular constitutes full and true disclosure of all material facts on the Proposed Rights Issue, the Company and its subsidiaries, and the Manager is not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Manager has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

LETTER TO SHAREHOLDERS

18. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) the annual reports of the Company for FY2015, FY2016 and FY2017;
- (b) the material contracts set out in Section 11 of this Circular;
- (c) the Constitution of the Company;
- (d) the Undertakings; and
- (e) the Manager's letter of consent referred to in Section 16 of this Circular.

Yours faithfully

For and on behalf of the Board of Directors of
BH GLOBAL CORPORATION LIMITED

Vincent Lim Hui Eng
Executive Chairman and Chief Executive Officer
19 December 2018

NOTICE OF EXTRAORDINARY GENERAL MEETING

BH GLOBAL CORPORATION LIMITED

(Company Registration No. 200404900H)
(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**EGM**”) of BH Global Corporation Limited (the “**Company**”) will be held on 3 January 2019 at 10 a.m. at 8 Penjuru Lane, Singapore 609189 for the purpose of considering and, if thought fit, passing (with or without modification) the following ordinary resolutions:

All capitalised terms herein shall bear the same meanings as ascribed to them in the circular dated 19 December 2018 to the shareholders of the Company, unless otherwise defined herein.

RESOLUTION: THE PROPOSED RIGHTS ISSUE

That:

- (a) the renounceable non-underwritten rights issue (the “**Proposed Rights Issue**”) of up to 179,999,992 Rights Shares, at an issue price of S\$0.085 for each Rights Share (the “**Issue Price**”) on the basis of three (3) Rights Shares for every two (2) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded, be and is hereby approved; and
- (b) authority be and is hereby given to the Directors (or any of them) to:
 - (i) allot and issue up to 179,999,992 Rights Shares at the Issue Price for each Rights Share;
 - (ii) provisionally allot and issue up to 179,999,992 Rights Shares at the Issue Price for each Rights Share on the basis of three (3) Rights Shares for every two (2) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded,

on the terms and conditions set out below and/or otherwise on such terms and conditions as the Directors may think fit:

- (aa) the provisional allotment of the Rights Shares pursuant to the Proposed Rights Issue shall be made on a renounceable non-underwritten basis to the Entitled Shareholders whose names appear in the Register of Members of the Company or the records of CDP as at the Books Closure Date and whose registered addresses with the Company or CDP (as the case may be) are in Singapore as at the Books Closure Date or who have, at least three (3) market days prior to the Books Closure Date, provided to the CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents;
- (bb) no provisional allotment of the Rights Shares shall be made in favour of Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least three (3) Market Days prior to the Books Closure Date, provided to CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents (“**Foreign Shareholders**”);

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (cc) the provisional allotment of the Rights Shares which would otherwise accrue to Foreign Shareholders may be disposed of or dealt with by the Company in such manner and on such terms and conditions as the Directors may in their absolute discretion deem fit to purchasers thereof, including without limitation to be sold “nil-paid” on SGX-ST, and to pool and thereafter distribute the net proceeds, if any, thereof (after deducting all expenses) proportionately to and among such Foreign Shareholders in proportion to their respective shareholdings as at the Books Closure Date, provided that if the amount to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall instead be retained or dealt with as the Directors may deem fit in the interests of the Company;
- (dd) the provisional allotment of the Rights Shares not taken up or allotted for any reason or which represent fractional entitlements disregarded in accordance with the term of the Proposed Rights Issue shall be used to satisfy applications for Excess Rights Shares (if any) or disposed of or otherwise dealt with in such manner as the Directors may in their absolute discretion deem fit in the interests of the Company;
- (ee) the Rights Shares when issued and fully paid-up will rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distribution, the record date for which falls before the date of issue of the Rights Shares; and
- (c) the Directors (or any of them) be and are hereby authorised to take such steps, do all such acts and things, (including but not limited to finalising, approving and executing all such documents as may be required in connection with the Proposed Rights Issue and making amendments to the terms and conditions of the Proposed Rights Issue) and to exercise such discretion as the Directors (or any of them) may consider necessary, expedient or desirable to give full effect to this Ordinary Resolution and the Proposed Rights Issue.

BY ORDER OF THE BOARD

Vincent Lim Hui Eng
Executive Chairman and Chief Executive Officer

19 December 2018

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A member of the Company who is entitled to attend and vote at the EGM, who:
- (a) Is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.
 - (b) Is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
- “Relevant intermediary”** means:
- (i) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (ii) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act (Cap. 289) of Singapore and who holds shares in that capacity; or
 - (iii) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- (2) The instrument or form appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 8 Penjuru Lane, Singapore 609189 at least 48 hours before the time fixed for the EGM in order for the proxy to be entitled to attend and vote at the EGM. A Depositor’s name must appear in the Depository Register maintained by the Central Depository (Pte) Limited not less than 72 hours before the time appointed for the holding of the EGM in order for him to be entitled to vote at the EGM.
- (3) A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on his behalf. A proxy need not be a member of the Company.

PERSONAL DATA PROTECTION:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company:

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

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BH GLOBAL CORPORATION LIMITED

(Company Registration No. 200404900H)
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies ("CPF Investors") and/or SRS monies ("SRS Investors") to buy the Company's shares, this Circular is forwarded to them at the request of their CPF and/or SRS Approved Nominees (as the case may be) and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors and SRS Investors may attend and cast their votes at the EGM in person. CPF Investors and SRS Investors who are unable to attend the EGM but would like to vote, may inform their CPF and/or SRS Approved Nominees (as the case may be) to appoint the Chairman of the EGM to act as their proxy, in which case, the respective CPF Investors and/or SRS Investors shall be precluded from attending the EGM.

I/We* _____ (Name)

of _____ (Address)

being a member/members* of **BH GLOBAL CORPORATION LIMITED** hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

and/or*

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as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf and, if necessary, to demand a poll, at the Extraordinary General Meeting (the "EGM") of the Company to be held at 8 Penjuru Lane, Singapore 609189 on 3 January 2019 at 10 a.m. and at any adjournment thereof.

(Please indicate your vote "For" or "Against" with a "X" within the box provided.)

	To be used on a show of hands		To be used in the event of a poll	
	For	Against	No. of votes For	No. of votes Against
Ordinary Resolution: The Proposed Rights Issue				

(1) If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2018/2019*.

Total Number of Shares held in:	
CDP Register	
Register of Members	

Signature(s) of Member(s) or Common Seal

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM



NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap 289) of Singapore), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company who is entitled to attend and vote at the EGM, who:
 - (a) Is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.
 - (b) Is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" means:

- (i) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (ii) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act (Cap. 289) of Singapore and who holds shares in that capacity; or
 - (iii) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 8 Penjuru Lane, Singapore 609189 not less than 48 hours before the time appointed for the meeting.
 4. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
 5. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
 6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
 7. A corporation that is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act.
 8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL PRIVACY PROTECTION

By submitting an instrument appointing a proxy(ies)/and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 19 December 2018.