

Sent By - Nicholas Sim

Dear Allan,

Could you provide clarifications on the following:

- 1) In relation to paragraph 4(A)(iii) of the letter, has the Company signed any definitive agreements in relation to the New Ventures?
- 2) In relation to paragraph 4(A)(v), please explain why and how Mr Thyagarajan would be involved and participate in the New Venture given that the proposed subscription agreement with him has been terminated?
- 3) In relation to paragraph 4(B)(iii),
 - i) Is 20% proof of funds a standard requirement for loans taken from Chinese banks? How much does this amount to?
 - ii) Why has the Company taken so long to secure a loan for its Bo Dao project since the resumption of trading in 2018?
 - iii) What is the current status of the loan application by the Company? What is the holdup and when is the Company expected to be able to obtain the loan?

Regards,
Nicholas Sim

24/10/2021, 22:12:44

Sent By - Allan Tan

Dear Nicholas, the Company has instructed that I submit the following response to your queries above.

QUERY 1

In relation to paragraph 4(A)(iii) of the letter, has the Company signed any definitive agreement in relation to the New Venture?

Response:

As explained in paragraph 4(B)(iv) of the letter, the idea of the New Venture came to the Company via the representative of Mr Thyagarajan and on the back of a promise to invest, ie, to subscribe for new shares in the Company via the then announced placement to IHV. However, when the Company was informed of the challenges Mr Thyagarajan was facing in remitting monies from India to Singapore, the Company did not sign on to the 2 specific projects outlined in the letter. As also explained in paragraph 4(B)(v) of the letter, the Company analysed the New Venture and it became quite clear that the sectors comprising the New Venture had real potential and this was when the Company pivoted to Mr Zhao who subsequently agreed to invest in the Company.

Having analysed and formed the view that the sectors comprising the New Venture had potential, the Company started to contact a few business associates to discuss projects in the field of the New Venture. There have been a couple of projects the Company is currently negotiating with potential partners, including with Mr Zhao.

QUERY 2

In relation to paragraph 4(A)(v), please explain why and how Mr Thyagarajan would be involved and participate in the New Venture given that the proposed subscription agreement with him has been terminated?

Response:

Paragraphs 4(A)(i) to (vi) of the Letter were set out to provide the backdrop as to why the Company decided to continue to pursue the sectors comprising the New Venture and pivot to Mr Zhao as an alternative investor, notwithstanding the challenges faced by Mr Thyagarajan in remitting monies to Singapore and the eventual termination of the subscription agreement with IHV. Primarily, having analysed the potentials of the sectors comprising the New Venture, the Company is of the view that the business opportunities of the New Venture have real potential.

When the local representative of Mr Thyagarajan said to the Company that Mr Thyagarajan would still be willing to make the connection for the Company and to participate in the New Venture if the Company was able to fund the initial costs of undertaking the New Venture, the Company understood it to mean that Mr Thyagarajan would consider participating at the project level. However, it was clear to the Company that all initial outlay had be paid for by the Company, in contrast to the earlier understanding of an investment into the Company by Mr Thyagarajan by way of a subscription of new shares and the Company utilizing the proceeds of the subscription for the initial outlay of the venture.

QUERY 3

In relation to paragraph 4(B)(iii),

(i) Is 20% proof of funds a standard requirement for loans taken from Chinese banks? How much does this amount to?

Response:

Ever since the initial business meetings the Company had with the Agriculture Bank, an LTV of a maximum of 80% had already been communicated to the Company. This has not changed. This would mean that based on the total contract value of RMB550 million, the Company must have a minimum of approximately RMB110 million as proof of funds.

(ii) Why has the Company taken so long to secure a loan for its Bo Dao project since the resumption of trading in 2018?

Response:

1. The Company went into the Bo Dao project based on several assumptions, namely:

- (a) That it would be able to secure a bank loan from a Chinese bank since the project is a Private Public Project and payment by its client (i.e., the Chinese provincial government) would be prompt and default would be unlikely. It was also part of the Belt and Road Initiative to spur infrastructure developments in remote villages in China.
- (b) That its main contractor would be able to fund the project in the meantime while a bank loan was being processed.

2. The outlook for the macro environment was positive when the Company took over the

Bo Dao project in late 2018. From about June 2018 to early 2019, the Company had started meeting various bank officers for the purpose of a business loan for the project. The Agriculture bank was one of the banks the Company met during that period of time. At the time, the Company was considering an application to at least 2 banks. However, by the end of the 2d quarter of 2019, the Company was notified by the Agriculture Bank that Beijing had directed all banks in China to tighten up their lending requirements in a bid to stabilize the nation's rising debt, especially debts incurred by property development companies. The Company was then told by its business associates in China that Chinese companies with foreign ownerships would be particularly scrutinized in their application for a bank loan.

As a result, all corporate bank loans have been curtailed. Due to the rising covid cases on both sides and travel restrictions, the Company has also been unable to get meet regularly with the officers of the bank and of the relevant authorities in charge of the Bo Dao project to help explain the nature of the project to the bank.

The Company also tried to source for funding from private equity funds in the US and South Korea. In respect of private equity funds in the US, the Company had gone as far as the loan documentation stage back in late 2019 / 2020, but negotiation broke down and the loan was eventually not successful.

(iii) What is the current status of the loan application by the Company? What is the holdup and when is the Company expected to be able to obtain the loan?

Response:

As the Company announced on 9 September 2021, the Company is currently still liaising with the Agriculture Bank for the potential loan. Business deals in China, as is widely known, are sealed by way of establishing relationships, and during the COVID-19 pandemic, this process has been met with difficulties. Having said that, as the loan is an important part of the project, the Company has been putting in effort in liaising with the bank to discuss commercial terms based on the current bank's requirements. The Company hopes that it can get back to meeting with the Agriculture Bank on a more regular basis and seek a successful closure to the loan. The Company wishes to reiterate that while negotiations for the loan is currently still ongoing, the project is still moving ahead, and there has not been any indication that the process will be stopped.

27/10/2021, 23:17:42

Sent By - Allan Tan

Dear Nicholas, the Company has asked me to enquire if you have any further questions. Many thanks.

Kind regards,
Allan

11/11/2021, 16:44:47