

**CIRCULAR DATED 10 JULY 2019**

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

**If you are in any doubt about the contents of this Circular or 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 Sitra Holdings (International) Limited (the “**Company**”) held through The Central Depository (Pte) Limited (the “**CDP**”), you need not forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), you should forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form immediately 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.

Your attention is drawn to Section 13.6 entitled “Risk Factors Relating to the Proposed Acquisition and the Proposed Diversification” on pages 33 to 41 of this Circular, which you should review carefully.

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, RHT Capital Pte. Ltd. (the “**Sponsor**”) for compliance with the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this Circular.

This Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

The contact person for the Sponsor is Mr Leong Weng Tuck, 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619, Tel: (65) 6381 6757.

The receipt of the listing and quotation notice of the SGX-ST is not to be taken as an indication of the merits of the Consideration Shares, the Option Shares, the Subscription Shares, the Proposed Acquisition (all as defined in this Circular), the Company, its subsidiaries and their securities.



## **SITRA HOLDINGS (INTERNATIONAL) LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 197901237E)

### **CIRCULAR TO SHAREHOLDERS**

#### **IN RELATION TO**

- (A) **THE PROPOSED ACQUISITION OF 54% OF THE TOTAL ISSUED AND PAID-UP SHARES OF MAPUR ROCKY RESORT LIMITED, AS AN IPT (AS DEFINED HEREIN)**
- (B) **THE PROPOSED SUBSCRIPTION BY AN INTERESTED PERSON OF THE SUBSCRIPTION SHARES, AS AN IPT**
- (C) **THE PROPOSED GRANT OF A CALL OPTION (AS DEFINED HEREIN) TO, AND ACCEPTANCE OF A PUT OPTION (AS DEFINED HEREIN) GRANTED BY AN INTERESTED PERSON, AS AN IPT**
- (D) **THE PROPOSED ALLOTMENT AND ISSUE OF THE CONSIDERATION SHARES, THE SUBSCRIPTION SHARES AND THE OPTION SHARES**
- (E) **THE PROPOSED WHITewASH RESOLUTION (AS DEFINED HEREIN)**
- (F) **THE PROPOSED JOINT VENTURE IN MAPUR ROCKY RESORT LIMITED WITH AN INTERESTED PERSON, AS AN IPT**
- (G) **THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE COMPANY TO INCLUDE PROPERTY DEVELOPMENT BUSINESS (AS DEFINED HEREIN)**

**INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE PROPOSED ACQUISITION, PROPOSED SUBSCRIPTION, PROPOSED OPTIONS, PROPOSED WHITewASH RESOLUTION AND PROPOSED JOINT VENTURE**



### **NOVUS CORPORATE FINANCE PTE. LTD.**

(Company Registration No.: 20172348W)  
(Incorporated in the Republic of Singapore)

#### **IMPORTANT DATES AND TIMES:-**

|  |   |   |
|--|---|---|
| Last date and time for lodgement of Proxy Form | : | 24 July 2019 at 2.30 p.m.               |
| Date and time of Extraordinary General Meeting | : | 26 July 2019 at 2.30 p.m.               |
| Place of Extraordinary General Meeting         | : | 15 Hillview Terrace<br>Singapore 669226 |

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## DEFINITIONS

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In this Circular, the following words and phrases shall have the meanings set out against them unless the context otherwise requires or unless otherwise stated:

- “Acquisition Consideration”** : S\$3,510,100, being the consideration for the Target Sale Shares
- “Agreement”** : The conditional share sale cum subscription and option agreement dated 27 February 2019 entered into between the Vendors, the Subscriber and the Company
- “Associate”** : (a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more
- (b) In relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Beachfront Land”** : Has the meaning ascribed to it in Section 4.1 of this Circular
- “Board”** : The board of Directors of the Company as at the Latest Practicable Date
- “Call Option”** : The right to require the Company to allot and issue to the Subscriber up to the number of Option Shares at the Option Exercise Price per Share, subject to the terms of the Agreement
- “Catalist”** : The sponsor-supervised listing platform of the SGX-ST
- “Catalist Rules”** : The Listing Manual Section B: Rules of Catalist of the SGX-ST, as amended, modified or supplemented from time to time
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Shareholders dated 10 July 2019
- “Code”** : The Singapore Code on Take-overs and Mergers
- “Companies Act”** : Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
- “Company”** : Sitra Holdings (International) Limited
- “Completion”** : The completion of the Proposed Acquisition and the Proposed Subscription, in accordance with the terms and conditions of the Agreement

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## DEFINITIONS

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| <b>“Completion Date”</b>                | : | The date on which Completion occurs, which has the meaning ascribed to it in Section 2.5.1 of this Circular  |
| <b>“Concert Parties”</b>                | : | Parties acting or deemed to be acting in concert with the Subscriber within the meaning of the Code  |
| <b>“Consideration Shares”</b>           | : | 319,100,000 new Shares, to be allotted and issued at the price of S\$0.011 per Share   |
| <b>“Controlling Shareholder”</b>        | : | A person who: <ul style="list-style-type: none"> <li>(a) holds directly or indirectly 15% or more of the issued Shares (excluding treasury shares) (unless otherwise determined by the SGX-ST); or</li> <li>(b) in fact exercises control over the Company</li> </ul>  |
| <b>“control”</b>                        | : | The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company   |
| <b>“Development Land”</b>               | : | Has the meaning ascribed to it in Section 4.1 of this Circular   |
| <b>“Directors”</b>                      | : | The directors of the Company as at the date of this Circular or at any or the relevant time, as the case may be  |
| <b>“EGM”</b>                            | : | The extraordinary general meeting of the Company to be held on 26 July 2019 at 2.30 p.m. at 15 Hillview Terrace Singapore 669226, notice of which is set out on pages N-1 to N-4 of this Circular  |
| <b>“EPS”</b>                            | : | Earnings per Share   |
| <b>“Existing Business”</b>              | : | Has the meaning ascribed to it in Section 13.1 of this Circular  |
| <b>“FY”</b>                             | : | Financial year ended or ending 31 December   |
| <b>“Final Option Shares Completion”</b> | : | In the event that the Proposed Options are exercised in full, the last Option Shares Completion pursuant to an exercise of the Proposed Options in respect of the remaining unexercised Option Shares  |
| <b>“General Offer”</b>                  | : | The mandatory obligation on the part of the Subscriber and his Concert Parties to make a general offer under Rule 14 of the Code to acquire all the Shares not already owned or controlled by the Subscriber arising from the allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares to the Subscriber |
| <b>“Group”</b>                          | : | The Company and its subsidiaries, collectively   |
| <b>“IDR” or “Rupiah”</b>                | : | Indonesian rupiah  |
| <b>“Independent Directors”</b>          | : | Directors who are considered independent for the purposes of making the recommendations in respect of the Proposed Transactions, being Mr Chin Sek Peng Michael, Mr Ng Boon Huan Daniels and Mr Tan Eng Kiat Dominic   |
| <b>“Independent Shareholders”</b>       | : | Shareholders who are deemed independent of the Vendors, the Subscriber and his Concert Parties for the purpose of the Proposed Transactions  |

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## DEFINITIONS

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| <b>“IFA”</b>                                    | : | Novus Corporate Finance Pte. Ltd., the independent financial adviser in respect of the Proposed Acquisition, the Proposed Subscription, the Proposed Options, the Proposed Whitewash Resolution and the Proposed Joint Venture   |
| <b>“IPT” or “Interested Person Transaction”</b> | : | An interested person transaction as determined under Chapter 9 of the Catalist Rules   |
| <b>“Latest Practicable Date”</b>                | : | 3 July 2019, being the latest practicable date prior to the printing of this Circular  |
| <b>“LQN”</b>                                    | : | Listing and quotation notice   |
| <b>“NTA”</b>                                    | : | Net tangible assets  |
| <b>“Option Exercise Price”</b>                  | : | S\$0.011 per Share, being the exercise price for each Option Share   |
| <b>“Ordinary Resolution”</b>                    | : | A resolution passed by a simple majority of the Shareholders present and voting in person or by proxy at a general meeting of the Company  |
| <b>“Option Shares”</b>                          | : | 255,000,000 new Shares   |
| <b>“Option Shares Completion”</b>               | : | The completion of the allotment and issuance of such number of Option Shares following each exercise of the Proposed Options in respect of such Option Shares  |
| <b>“Option Shares Completion Date”</b>          | : | The date on which an Option Shares Completion occurs, which has the meaning ascribed to it in Section 2.5.2 of this Circular   |
| <b>“Property”</b>                               | : | The vacant land comprising the Development Land and the Beachfront Land as more particularly described in Section 4.1 of this Circular   |
| <b>“Property Development Business”</b>          | : | The acquisition and development of properties in Bintan, Indonesia, including but not limited to development of resort apartments, suites and villas or such other type of property development, for sale, lease or such other commercial purposes, and the management and operation of resorts or such other type of property development |
| <b>“Proposed Acquisition”</b>                   | : | Has the meaning ascribed to it in Section 1.1.1(a) of this Circular  |
| <b>“Proposed Development”</b>                   | : | The holding and development of the Property into a mixed hotel resort and residences, which may include resort rooms, suites and villas or such other type of development, for sale, lease or other commercial purposes  |
| <b>“Proposed Diversification”</b>               | : | The proposed diversification of the Group’s business into Property Development Business  |
| <b>“Proposed Joint Venture”</b>                 | : | The proposed joint venture between the Company and the Vendor, Doris Chung Gim Lian in the Target Company, following completion of the Proposed Acquisition  |
| <b>“Proposed Options”</b>                       | : | The Call Option and/or the Put Option  |
| <b>“Proposed Subscription”</b>                  | : | Has the meaning ascribed to it in Section 1.1.1(b) of this Circular  |

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## DEFINITIONS

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| <b>“Proposed Transactions”</b>         | : | The (a) Proposed Acquisition, (b) Proposed Subscription, (c) Proposed Options, (d) proposed allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares to the Subscriber, (e) Proposed Whitewash Resolution, (f) Proposed Joint Venture and (g) Proposed Diversification   |
| <b>“Proposed Whitewash Resolution”</b> | : | The proposed Ordinary Resolution for the Independent Shareholders to waive their rights to receive the General Offer   |
| <b>“Put Option”</b>                    | : | The right to require the Subscriber to subscribe for up to the number of Option Shares at the Option Exercise Price per Share, subject to the terms of the Agreement   |
| <b>“Securities Account”</b>            | : | A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent   |
| <b>“S\$” or “cents”</b>                | : | Singapore dollars and cents, respectively  |
| <b>“SFA”</b>                           | : | Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time  |
| <b>“SGX-ST”</b>                        | : | Singapore Exchange Securities Trading Limited  |
| <b>“Shareholders”</b>                  | : | Registered holders of the Shares in the Register of Members of the Company, except that where CDP is the registered holder, the term <b>“Shareholders”</b> shall, in relation to such Shares and where the context so admits, mean Depositors who have Shares entered against their names in the Depository Register. Any reference to Shares held by or shareholdings of Shareholders shall include Shares standing to the credit of their respective Securities Accounts |
| <b>“Shareholders’ Agreement”</b>       | : | The shareholders’ agreement to be entered into among the Target Company, the Company and the Vendor, Doris Chung Gim Lian which sets out, <i>inter alia</i> , the various rights and duties of the Company and Doris Chung Gim Lian as shareholders in the Target Company following Completion   |
| <b>“Shares”</b>                        | : | Ordinary shares in the capital of the Company  |
| <b>“SIC”</b>                           | : | Securities Industry Council of Singapore   |
| <b>“Sponsor”</b>                       | : | RHT Capital Pte. Ltd., the continuing sponsor of the Company   |
| <b>“Subscriber”</b>                    | : | Chew Hua Seng  |
| <b>“Subscription Consideration”</b>    | : | S\$1,738,000, being the consideration for the Subscription Shares  |
| <b>“Subscription Issue Price”</b>      | : | S\$0.011 per Share, being the issue price for each Subscription Share  |
| <b>“Subscription Shares”</b>           | : | 158,000,000 new Shares   |
| <b>“Substantial Shareholder”</b>       | : | A person (including a corporation) who has an interest or interests in one or more voting Shares, and the total votes attached to that Share, or those Shares, is not less than 5% of the total votes attached to all the voting Shares  |

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## DEFINITIONS

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|------------------------|---|--|
| “Target Company”       | : | Mapur Rocky Resort Limited   |
| “Target Group”         | : | The Target Company and the Target Subsidiary, collectively   |
| “Target Group Company” | : | Any member of the Target Group   |
| “Target Sale Shares”   | : | 54 issued and paid-up Target Shares, representing 54% of the total issued Target Shares  |
| “Target Shares”        | : | Ordinary shares in the capital of the Target Company   |
| “Target Subsidiary”    | : | PT East Bintan Resort  |
| “Valuation”            | : | The market value of the Property as at 1 October 2018, as determined by the Valuer   |
| “Valuation Report”     | : | The valuation report dated 25 February 2019 on the Property prepared by the Valuer   |
| “Valuer”               | : | Colliers International Consultancy & Valuation (Singapore) Pte Ltd   |
| “Vendors”              | : | Doris Chung Gim Lian and Chew Han Wei, collectively  |
| “VWAP”                 | : | Volume weighted average price  |
| “Whitewash Waiver”     | : | The waiver from the SIC for the Subscriber and his Concert Parties to make the General Offer, subject to the terms and conditions set out in Section 11.2 of this Circular |
| “%” or “per cent.”     | : | Per centum or percentage   |

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

The term “**subsidiary**” shall have the same meaning ascribed to it in Section 5 of the Companies Act. The terms “**associated company**”, “**entity at risk**”, “**interested person**”, “**interested person transaction**” and “**discloseable transaction**” shall have the meanings ascribed to them in the Catalist Rules.

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, where applicable, shall include corporations.

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

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

Any reference in this Circular to Shares being allotted to a person includes allotment to CDP for the account of that person.

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



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## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to, those using words such as “expect”, “seek”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Company nor the Sponsor undertakes any obligation to update publicly or revise any forward-looking statements for any reasons, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any other regulatory or supervisory body or agency.



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## LETTER TO SHAREHOLDERS

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### SITRA HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 197901237E)

#### Directors:

|                         |   |                     |
|-------------------------|---|---------------------|
| Chew Ah Ba George       | (Executive Chairman & Chief Executive Officer)        | 15 Hillview Terrace |
| Chew Chiew Siang Steven | (Executive Director & Deputy Chief Executive Officer) | Singapore 669226    |
| Chin Sek Peng Michael   | (Lead Independent Director)                           |                     |
| Ng Boon Huan Daniels    | (Independent Non-Executive Director)                  |                     |
| Tan Eng Kiat Dominic    | (Independent Non-Executive Director)                  |                     |

10 July 2019

**TO: THE SHAREHOLDERS OF SITRA HOLDINGS (INTERNATIONAL) LIMITED**

Dear Sir/Madam

- (A) THE PROPOSED ACQUISITION OF 54% OF THE TOTAL ISSUED AND PAID-UP SHARES OF MAPUR ROCKY RESORT LIMITED, AS AN IPT
- (B) THE PROPOSED SUBSCRIPTION BY AN INTERESTED PERSON OF THE SUBSCRIPTION SHARES, AS AN IPT
- (C) THE PROPOSED GRANT OF A CALL OPTION TO, AND ACCEPTANCE OF A PUT OPTION GRANTED BY AN INTERESTED PERSON, AS AN IPT
- (D) THE PROPOSED ALLOTMENT AND ISSUE OF THE CONSIDERATION SHARES, THE SUBSCRIPTION SHARES AND THE OPTION SHARES
- (E) THE PROPOSED WHITEWASH RESOLUTION
- (F) THE PROPOSED JOINT VENTURE IN MAPUR ROCKY RESORT LIMITED WITH AN INTERESTED PERSON, AS AN IPT
- (G) THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE COMPANY TO INCLUDE PROPERTY DEVELOPMENT BUSINESS

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#### 1. INTRODUCTION

##### 1.1 Proposed Transactions

1.1.1 On 27 February 2019, the Board announced that the Company has entered into the Agreement with the Vendors and the Subscriber pursuant to which:

- (a) the Vendors have collectively agreed to sell to the Company, and the Company has agreed to purchase from the Vendors, the Target Sale Shares free from all encumbrances and together with all rights attaching to the Target Sale Shares on or after Completion, at the Acquisition Consideration (the **"Proposed Acquisition"**). The Target Sale Shares constitute 54% of the total issued Target Shares. The Company will allot and issue the Consideration Shares to the Subscriber in satisfaction of the Acquisition Consideration. The Consideration Shares constitute 42.48% of the existing total issued Shares and 25.98% of the enlarged total issued Shares on Completion;
- (b) the Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue to the Subscriber the Subscription Shares at the Subscription Consideration (the **"Proposed Subscription"**). The Subscription Shares constitute 21.03% of the existing total issued Shares and 12.86% of the enlarged total issued Shares on Completion; and

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## LETTER TO SHAREHOLDERS

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- (c) the Company has agreed to grant the Call Option to the Subscriber and the Subscriber has agreed to grant the Put Option to the Company. Assuming that the Proposed Options are exercised in respect of all of the Option Shares, the Option Shares constitute 33.95% of the existing total issued Shares, 20.76% of the enlarged total issued Shares after Completion and 17.19% of the enlarged total issued Shares after the Final Option Shares Completion,

all on the terms of, and subject to the conditions set out in the Agreement.

### 1.1.2 Following Completion,

- (a) unless the Proposed Whitewash Resolution is approved by Shareholders, the Subscriber will be required to make a General Offer upon Completion, and upon each exercise of the Proposed Options if his shareholding in the Company is increased by more than 1% in any 6-month period upon such exercise of the Proposed Options;
- (b) the Company and the Vendor, Doris Chung Gim Lian will respectively hold 54% and 46% of the shareholding in the Target Company and they will enter into the Proposed Joint Venture with each other in the Target Company; and
- (c) the Target Company will become a subsidiary of the Company and accordingly the Group's business will be expanded to include Property Development Business. The Proposed Diversification of the Group's business will result in the Group undertaking a new business which is substantially different from the Existing Business.

### 1.2 EGM

The Directors are convening the EGM to be held on 26 July 2019 to seek the approval of Shareholders, by way of Ordinary Resolutions, for the Proposed Transactions.

### 1.3 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Proposed Transactions to be tabled at the EGM and to seek Shareholders' approval for the Ordinary Resolutions relating to the same. The notice of the EGM is set out on pages N-1 to N-4 of this Circular.

### 1.4 Conditionality of Resolutions

**Shareholders should note that the Ordinary Resolutions to approve each of the Proposed Transactions are inter-conditional on each other. This means that if any of these Ordinary Resolutions is not approved, the other Ordinary Resolutions will be deemed not to have been passed.**

### 1.5 The SGX-ST

The SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements made or opinions expressed or reports contained in this Circular.

### 1.6 Listing and Quotation Notice

The Sponsor has submitted an additional listing confirmation to the SGX-ST on behalf of the Company for the listing of, and quotation for the Consideration Shares, the Subscription Shares and the Option Shares on the Catalist.

On 26 July 2019, the Company obtained the LQN from the SGX-ST for the listing and quotation of the Consideration Shares, the Option Shares and the Subscription Shares, subject to:

- a. compliance with the SGX-ST's listing requirements; and

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## LETTER TO SHAREHOLDERS

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- b. Shareholders' approval to be sought at an extraordinary general meeting to be convened in relation to the Proposed Acquisition as an interested person transaction, and the Proposed Diversification into the new business of the Company to include the development of resorts in Bintan, Indonesia.

**The LQN is not to be taken as an indication of the merits of the Consideration Shares, the Option Shares, the Subscription Shares, the Proposed Acquisition, the Company, its subsidiaries and their securities.**

## **2. SALIENT TERMS OF THE PROPOSED ACQUISITION, THE PROPOSED SUBSCRIPTION AND THE PROPOSED OPTIONS**

### **2.1 Consideration**

#### **2.1.1 Proposed Acquisition**

- (a) The consideration for the Target Sale Shares is S\$3,510,100 and is to be satisfied by the allotment and issue of 319,100,000 new Shares to the Vendors or their nominee at an issue price of S\$0.011 per Consideration Share, credited as fully paid-up.
- (b) The Acquisition Consideration was arrived at following arms' length negotiation between the Company and the Vendors, on a willing-buyer-willing-seller basis and after taking into account the Valuation. The unaudited net tangible asset value of the Target Group as at 31 December 2018 was S\$368,145. The net tangible asset value is based on the historical cost of acquisition of the Property which has not been re-valued in the financial statements of the Target Group. There is currently no profit that is attributable to the Property.
- (c) The Company has commissioned the Valuer to carry out the Valuation. Based on the Valuation Report, the Valuer assessed the market value of the Property as at 1 October 2018 to be IDR70,358,000,000, equivalent to approximately S\$6,500,000 based on an exchange rate of S\$1.00 to IDR10,896.68, being the middle rate of the Bank Indonesia as at the date of the Valuation.

The Valuation uses the comparison method (market approach) in arriving at the market value of the Property. The Valuation was prepared based on a number of assumptions, including the assumptions that the Property is free from any charges, liens and encumbrances of an onerous nature that is likely to affect its value, that there is no right of way over the Property, that any proposed development on the Property has or will obtain sufficient and all necessary permits in accordance with all applicable laws and conform to all planning and building regulations, that the land condition is adequate for the Proposed Development and there are no additional costs that have to be paid or any obstacle during ongoing development due to inadequate land condition, and that any use of the Property upon which the Valuation Report is based has obtained all required licences, permits, certificates and authorisations.

The Valuation, which is based on a 100% interest in the Property as at 1 October 2018, is equivalent to approximately S\$6,500,000. The valuation of the Property implied by the Acquisition Consideration, which is for an effective 54% interest in the Property, is equivalent to the Valuation as at 1 October 2018.

- (d) The issue price for each Consideration Share represents a premium of approximately 21.88% over the VWAP of S\$0.009025 for trades done on the Shares on the SGX-ST on 26 February 2019, being the market day on which the Shares were last traded on the SGX-ST immediately preceding the date on which the Agreement was signed.

Based on the latest audited consolidated financial statements of the Group, the consolidated net asset value of the Group based on total equity as at 31 December 2018 was S\$10,849,521. The issue price for each Consideration Share represents a discount of approximately 23.61% to the latest audited net asset value per Share of S\$0.0144.

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- (e) The Vendors have nominated the Subscriber as their nominee to receive the Consideration Shares, which when allotted and issued to the Subscriber, shall be deemed to be a full discharge and settlement of the Acquisition Consideration to the Vendors.

### 2.1.2 Proposed Subscription and Proposed Options

- (a) The Subscription Shares are proposed to be issued at the Subscription Issue Price of S\$0.011 per Share, aggregating the Subscription Consideration of S\$1,738,000.
- (b) The Option Shares to be allotted and issued upon each exercise of the Proposed Options are proposed to be issued at the Option Exercise Price of S\$0.011 per Share.
- (c) The Subscription Issue Price and the Option Exercise Price was arrived at following arms' length negotiation between the Company and the Subscriber, on a willing-buyer-willing-seller basis.
- (d) The Subscription Issue Price and the Option Exercise Price represents a premium of approximately 21.88% over the VWAP of S\$0.009025 for trades done on the Shares on the SGX-ST on 26 February 2019, being the full market day on which trades on the Shares are done immediately preceding the signing of the Agreement, and a discount of approximately 23.61% to the latest audited consolidated net asset value per Share based on total equity of S\$0.0144 as at 31 December 2018.

- 2.1.3 In arriving at the issue price for each Consideration Share, Subscription Share and Option Share, the Company has also taken into consideration other factors such as the trading prices of the Shares on the SGX-ST for the last 12 months, the poor financial performance of the Group in the last few years, the current general weak market conditions in the industries and markets where the Group operates in, and the prospects of the tourism industry in Bintan, Indonesia.

- 2.1.4 The Consideration Shares, the Subscription Shares and the Option Shares will be issued free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with, and carry all rights similar to existing Shares except that they will not rank for any dividend, right, allotment or other distributions, the record date of which falls before the date of allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares, as the case may be.

## 2.2 **Conditions Precedent**

- 2.2.1 Completion of the Proposed Acquisition, the Proposed Subscription, the Proposed Options and the Proposed Joint Venture are subject to *inter alia*, the fulfilment of the following conditions precedent:

- (a) The Company being satisfied in its sole and absolute discretion with the results of its due diligence investigations (whether legal, financial, contractual, tax or otherwise) carried out by the Company on the Target Group. The due diligence investigations are without prejudice to the representations, warranties and undertakings respecting the Target Group provided by the Subscriber and the Vendors in the Agreement, which shall remain in full force and effect;
- (b) The approval of the Circular and the LQN in respect of the Consideration Shares, the Subscription Shares and the Option Shares being obtained by the Company from the SGX-ST and such approval and notice not having been revoked or amended on or before the Completion Date, and to the extent that any conditions are required to be fulfilled on or before the Completion Date, they are so fulfilled;
- (c) The Subscriber obtaining the Whitewash Waiver from the SIC and/or such other relevant body, such waiver not being withdrawn or revoked prior to Completion and all conditions attached to the grant of waiver being complied with by Completion, to the extent that they are required to be fulfilled on or before Completion, where applicable;

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- (d) The approval of the Shareholders in EGM being obtained for the following:
  - (i) the Proposed Acquisition, as an IPT;
  - (ii) the Proposed Subscription, as an IPT;
  - (iii) the Proposed Options, as an IPT;
  - (iv) the allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares pursuant to the exercise of the Proposed Options, in favour of the Subscriber;
  - (v) the Proposed Whitewash Resolution;
  - (vi) subject to Completion, the Proposed Joint Venture, as an IPT, and
  - (vi) the Proposed Diversification;all on the terms of, subject to the terms of the Agreement;
- (e) The waivers and releases of all advances or loans extended to any Target Group Company prior to the Completion Date;
- (f) All the warranties given by the Vendors and the Subscriber under the Agreement being true, accurate and correct in all material respects and the Vendors and the Subscriber having performed all of their obligations under the Agreement which are required to be performed on or before the Completion Date;
- (g) The execution and performance of the terms of the Agreement not being prohibited by any statute, order, rule or regulation promulgated after the date of the Agreement by any legislative, executive or regulatory body or authority which is applicable to the Company, the Target Group, the Vendors or the Subscriber;
- (h) No material and adverse change, or events, acts or omissions likely to lead to a material adverse change, in the business, assets, prospects, performance, financial condition or operating results of any Target Group Company; and
- (i) The entering into of such agreement as may be necessary on terms to be mutually agreed to address any conflicts of interest between the Company on the one part and the Subscriber and/or the Vendors on the other part, arising from the Proposed Diversification.

2.2.2 If any of the conditions precedent is not fulfilled or waived in accordance with the Agreement on or before the expiry of six (6) months from the date of the Agreement or such other date as the parties to the Agreement may mutually agree in writing, the Agreement shall lapse and cease to have further effect and all obligations and liabilities of the parties thereto shall cease and determine and no party to the Agreement shall have any claim against the others for costs, damages, compensation or otherwise, except when such non-fulfilment is caused by the default of any of the parties, as the case may be.

### **2.3 Exercise of the Proposed Options**

2.3.1 Subject to Shareholders' approval having been obtained for the Proposed Whitewash Resolution and to Completion, the Proposed Options shall be deemed to have been granted on the Completion Date.

2.3.2 The Proposed Options shall be exercisable within a period of 24 months from the Completion Date. The Proposed Options may be exercised at any time and from time to time in respect of any or all of the Option Shares, but each exercise shall be in respect of not less than 50,000,000 Option Shares.

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2.3.3 The Call Option is not assignable or transferable.

### 2.4 Alteration of Terms of Proposed Options and Adjustment Events

2.4.1 Any alteration to the terms of the Proposed Options shall be subject to the mutual agreement of the parties to the Agreement and specific approval of Shareholders.

2.4.2 In the event of any variation in the issued Shares (whether by way of a capitalisation of profits or reserves or rights issue, capital reduction, sub-division or consolidation of Shares, distribution or otherwise), then the issue price for the Option Shares, the class and/or number of the Option Shares to the extent unexercised, shall, subject to approval of the Shareholders be adjusted in such manner as the Directors may determine to be appropriate, except in relation to a capitalisation issue, upon the written confirmation of the auditors of the Company that in their opinion, such adjustment is fair and reasonable provided always that the basis of any adjustment shall only be to ensure that the economic value of the Proposed Options shall be the same after, as it was immediately prior to, such variation of share capital.

2.4.3 The following (whether singly or in combination) shall not be regarded as events requiring adjustment:-

- (a) any issue of Shares as consideration for an acquisition or a private placement of the Shares on the SGX-ST;
- (b) any increase in the number of issued Shares as a consequence of the exercise of options or other convertibles issued from time to time by the Company entitling the holders thereof to acquire new Shares;
- (c) any issue of Shares pursuant to any scrip dividend scheme for the time being of the Company; and
- (d) any reduction in the number of issued Shares as a result of the cancellation of issued Shares purchased by the Company by way of market purchase(s) effected on the SGX-ST pursuant to a share purchase mandate (or any renewal thereof) given by the Shareholders in general meeting and for the time being in force.

Notwithstanding the above, no such adjustment shall be made if as a result the Subscriber receives a benefit that a Shareholder does not receive, and any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the auditors of the Company (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

### 2.5 Completion and Option Shares Completion

2.5.1 Completion shall take place five (5) clear market days after the conditions precedent set out in Section 2.2.1 of this Circular are satisfied (if not waived by the Company at its discretion save for the conditions precedent set out in Section 2.2.1(b), (c), (d), (g) and (i) of this Circular which may not be waived by the Company) or such other date as the parties to the Agreement may agree (the “**Completion Date**”).

2.5.2 An Option Shares Completion shall take place seven (7) business days after each exercise of the Proposed Options or such other date as the parties to the Agreement may agree (the “**Option Shares Completion Date**”).

2.5.3 The Company shall not be obliged to complete the sale and purchase of the Target Sale Shares unless completion takes place in respect of all the Target Sale Shares and the Subscription Shares.



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- 2.5.4 If Completion or an Option Shares Completion does not take place on the Completion Date or the Option Shares Completion Date (as the case may be) in accordance with the terms of the Agreement, any party to the Agreement that is not in default is entitled (a) to elect to terminate the Agreement; (b) to effect Completion or the Option Shares Completion (as the case may be) so far as practicable having regard to the defaults which have occurred (c) to specifically perform the Agreement; or (d) to fix a new date for Completion or the Option Shares Completion (as the case may be) not being more than seven (7) days after the original completion date. Termination of the Agreement does not affect a party's right to claim for a breach of the other party's obligations in relation to the Agreement if that breach occurred before termination

### 2.6 Nomination and Appointment of Directors

Subject to Completion, the Subscriber is entitled to nominate the appointment of two (2) Directors to the Board.

### 2.7 Shareholders' Agreement

On Completion, the Target Company, the Company and the Vendor, Doris Chung Gim Lian, shall deliver to each other, a duly executed Shareholders' Agreement, to regulate the rights and obligations of the Company and Doris Chung Gim Lian as shareholders and joint venture partners in the Target Company after Completion. Please refer to Section 12.4 of this Circular for more details on the terms of the Shareholders' Agreement.

### 2.8 Representations by the Subscriber

Subject to Completion, the Subscriber has represented that:

- (a) the Subscriber will use his best endeavours to assist the Company, the Target Company and/or the Target Subsidiary to obtain the necessary financing to fund the Proposed Development on terms acceptable to the Board; and
- (b) subject to the approval of the Board or such other management committee appointed by the Company, the Subscriber will use his best endeavours to assist the Board or the management committee of the Company (as the case may be) to put in place the necessary personnel and professionals with the requisite experience and expertise to oversee the development, management and operation of the Proposed Development, including to ensure the commencement of the construction of the Proposed Development before 2023 and the completion of the development as soon as reasonably practicable.

## 3. INFORMATION ON THE SUBSCRIBER, VENDORS AND TARGET GROUP

### 3.1 Information on the Subscriber and the Vendors

The Subscriber is the Chairman and Chief Executive Officer of Raffles Education Corporation Limited, a premier private education provider which is listed on the mainboard of the SGX-ST.

The Vendors, Madam Doris Chung Gim Lian and Mr Chew Han Wei are respectively the wife and son of the Subscriber.

### 3.2 Relationship between the Subscriber and the Directors and Substantial Shareholders of the Company

The Subscriber is a Substantial Shareholder and as at the Latest Practicable Date, holds a direct interest in 69,115,100 Shares, constituting 9.2% of the total issued Shares.

The Executive Chairman and Chief Executive Officer of the Company, Mr Chew Ah Ba, George is the brother of the Subscriber and as at the Latest Practicable Date, holds a direct interest in 120,949,081 Shares, constituting 16.10% of the total issued Shares, and a deemed interest in 86,029,318 Shares, constituting 11.45% of the total issued Shares.



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## LETTER TO SHAREHOLDERS

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The Executive Director and Deputy Chief Executive Officer of the Company, Mr Chew Chiew Siang Steven is the son of Mr Chew Ah Ba, George and as at the Latest Practicable Date, holds a direct interest in 24,393,900 Shares, constituting 3.25% of the total issued Shares.

The Senior Vice President (Group Administration and Human Resource) and a Substantial Shareholder of the Company, Madam Tan Teresa is the wife of Mr Chew Ah Ba, George and as at the Latest Practicable Date, holds a direct interest in 86,029,318 Shares, constituting 11.45% of the total issued Shares.

Save as stated above and as far as the Company is aware, the Subscriber and the Vendors do not have any relationship (including business relationships) with the Company, its Directors and Substantial Shareholders.

### 3.3 Information on the Target Company

The Target Company is a company incorporated under the laws of the British Virgin Islands on 7 February 2017. As at the Latest Practicable Date, the Target Company has a total number of 100 issued Target Shares credited as fully paid for US\$100. The Vendor, Madam Doris Chung Gim Lian holds 90 Target Shares and the Vendor, Mr Chew Han Wei holds the remaining 10 Target Shares. As at the Latest Practicable Date, the Vendors are the only two directors in the Target Company.

The Target Company is an investment holding company. Except for its investment in the Target Subsidiary, as at the Latest Practical Date, the Target Company is dormant and does not have any operating income since its incorporation.

### 3.4 Information on the Target Subsidiary

The Target Subsidiary is a foreign investment company incorporated in the Republic of Indonesia on 26 July 2018 for the purpose of acquiring and developing the Property. Its principal objects are to engage in accommodation services (starred hotels and cottages) and real estate. As at the Latest Practicable Date, the authorized and issued share capital of the Target Subsidiary is IDR10,001,000,000 comprising 10,001 shares. The Target Company holds 9,991 shares, constituting 99.9% of the total issued shares of the Target Subsidiary while the remaining 10 shares, constituting 0.1% of the total issued shares of the Target Subsidiary is held by the Vendor, Madam Doris Chung Gim Lian. As at the Latest Practicable Date, the directors of the Target Subsidiary are Madam Doris Chung Gim Lian (President Director), Mr Yong Wen Wei and Mr Effendi Halim. The Commissioner is Mr Chew Han Wei.

The principal business of the Target Subsidiary is property development. Except for the Proposed Development, as at the Latest Practicable Date, the Target Subsidiary does not carry on any business and does not own any other assets save for the Property.

### 3.5 Summary Financial Statements of the Target Group

#### Summary of Income Statement

|                              | FY2018<br>(S\$) |
|------------------------------|-----------------|
| Revenue <sup>(1)</sup>       | —               |
| Cost of Sales <sup>(1)</sup> | —               |
| Gross Profit <sup>(1)</sup>  | —               |
| Other Income <sup>(2)</sup>  | 376,927         |
| Profit Before Tax            | 369,186         |
| Profit After Tax             | 369,186         |

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### Summary of Financial Position

|                                   | As at 31 December 2018<br>(S\$) |
|-----------------------------------|---------------------------------|
| Non-Current Assets <sup>(3)</sup> | 367,678                         |
| Current Assets                    | 4,328                           |
| Total Assets                      | 372,006                         |
| Current Liabilities               | 3,861                           |
| Non-Current Liabilities           | —                               |
| Total Liabilities                 | 3,861                           |
| Net Assets                        | 368,145                         |
| Equity & Non-Controlling Interest | 368,145                         |

Notes:

- (1) The Target group does not have any revenue, cost of sales or gross profit for FY2018 as they have not commenced business operations since incorporation.
- (2) Other income comprise the waiver of a short term loan of S\$376,927 by Madam Doris Chung Gim Lian.
- (3) Non-current assets comprise the investment in the Property of S\$367,678.

#### 4. INFORMATION ON THE PROPOSED DEVELOPMENT

##### 4.1 The Property

*The below description of the Property is based on information furnished by the Vendors and the Subscriber and/or extracted from the Valuation Report.*

The Property is located at Jalan H. Abdul Salam Teluk Merbau, Sub-district of Berakit, District of Teluk Sebong, Regency of Bintan, Province of Kepulauan Riau of Indonesia. Teluk Sebong Beach area is a tourist area located in Bintan Regency on the northern part of Bintan Island. Access to the Property can be made from Tanah Merah Ferry Terminal (Singapore) to Bandar Bentani Ferry Terminal (Bintan Resorts) by ferry for about 45 minutes and then by road for about 50 minutes. Another access is by air from Jakarta to Tanjong Pinang and from there a one hour drive to the Property. In the vicinity there are accommodations such as villas, hotels, guesthouses and others. International resort developments located nearby to the subject include Bintan Resorts, Lagoi Village and Trikora Beach, amongst others.

The Property is vacant land with an aggregate area of 123,534 square metres, comprising land with Rights to Build Land Certificate (SHGB) of an area of 108,962 square metres (the “**Development Land**”) located within the tourism zone (zona pariwisata). The rights to build interest will expire on 7 January 2046.

The beachfront land, comprising an area of 14,572 square metres (the “**Beachfront Land**”), is uncertificated and the Target Subsidiary has a right of occupancy, with no fixed tenure, over the Beachfront Land conferred by the land occupancy right transfer deed from the previous occupancy right holder of the Beachfront Land. Based on the current Bintan zoning plan, the Beachfront Land is designated as conservation area of sea-grass and therefore may not be utilized/exploited and activities that may be conducted on the land is significantly limited. From the Company’s enquiries made through its legal advisers with the relevant Indonesian authority, a decree was passed in 2015 which designates beachfront land as forest area, and there are ongoing efforts to revise the current Bintan zoning plan to accord with the decree passed in 2015. Based on the enquiries, once the Bintan zoning plan is revised, there will not be any prohibition on the utilization of the Beachfront Land for tourism activity. The Subscriber and the Vendors will on or before Completion undertake to procure the certification of the Beachfront Land and the necessary approval to utilize the Beachfront Land for access to and from the Development Land and the sea, by the end of 2022, for the purpose of the Proposed Development.

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## LETTER TO SHAREHOLDERS

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### 4.2 Development Plan

#### 4.2.1 Type of Development

As at the Latest Practicable Date, the Proposed Development is intended to be a mixed hotel resort and residences development comprising approximately 250 hotel and resort rooms, suites and villas to be constructed within the 108,962 square metres of Development Land. The property units are intended to be partially leased out on a long-term contract basis to fund the initial development cost. The remaining units are intended to be retained for hotel and resort operations to generate long term revenue. An international hotel operator is intended to be engaged to manage the hotel development.

#### 4.2.2 Appointment of Professional Team and Main Contractor

The Target Subsidiary will engage a team of professional consultants, including architects, civil and structural engineers, quantity surveyors, mechanical and electrical engineers and interior designers to formulate and design the Proposed Development such as the number and type of units, the architecture and specifications of the buildings, and the interior design of the spaces within the development.

After obtaining the relevant approvals and building plan clearances from the relevant authorities, a main contractor will be appointed to carry out the construction.

Factors taken into consideration in the selection and appointment of the professional team and the main contractor include their licensed qualifications, pricing, financial status, reliability, track record, ability to commit to the project timeline, and quality of workmanship and finishing.

#### 4.2.2 Licences and Permits

##### Planning

Licences and permits are required to be obtained from the relevant Indonesian authorities prior to the commencement of the construction of the Proposed Development. Such licences and permits include the building construction permit (*Izin Mendirikan Bangunan*) (IMB) and the environmental permit (*Izin Lingkungan*).

As at the Latest Practicable Date, the Target Subsidiary has not obtained the material permits and licences, including the building construction permit (*Izin Mendirikan Bangunan*) (IMB) and the environmental permit (*Izin Lingkungan*) required for the purpose of the Proposed Development. Barring any unforeseen circumstances, the Target Subsidiary does not foresee any difficulty in obtaining the requisite permits and approvals for the construction of the Property.

##### Construction

Generally, the IMB issuing agency monitors and inspects the building or facility as to compliance with the terms of IMB. Other authorities also undertake inspection of the building or facility to ensure compliance with the environmental assessment approval.

##### Completion

In some regions, a Certificate of Worthiness (*Sertifikat Laik Fungsi*) is required after the completion of construction. The regional government may also impose periodical reporting requirements and conduct periodical inspections to monitor the facility/building being constructed.

#### 4.2.3 Marketing and Sales

Based on the design and building plan approved for the Proposed Development, showrooms will be built by professional contractors to prepare for the project launch. The marketing strategy for the project will be formulated and external consultants may be engaged to execute the necessary marketing and sales activities, including media advertising, and the design, production and distribution of promotional materials. Sales and marketing agents may be engaged to handle sales of the development at the showrooms during the project launch and other channels to the local and/or foreign market.

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### 4.2.4 Estimated Development Costs

The Proposed Development is intended to be constructed in a phased manner with the proceeds from the long-term leases of the property units to be utilised to partially fund the initial development costs.

The total development cost to be incurred over a period of two years, based on a proposed hotel resort development plan comprising 250 keys, is estimated to be approximately S\$50 million. The development costs for the Proposed Development is subject to the finalisation of the design and development plans, the type of development, the number of units and total development area.

### 4.2.5 Estimated Development Timeframe

The construction of the Proposed Development is expected to commence sometime in 2022 or within 24 months after the Target Company secures a targeted number of pre-sales units, and completed in about three years after commencement of construction. The actual commencement and completion of the construction of the Proposed Development may however be affected by a number of factors such as delay in the construction schedule or in obtaining the relevant regulatory approvals. As such, the estimated time frame for the construction period may vary from the indicative periods mentioned above.

As at the Latest Practicable Date, the development plan has not been finalized and is subject to the advice of the professional team to be appointed, taking into consideration the highest and best use of the Property, legally permissible limits, market sentiments and demand, and financial feasibility. Subject to Completion, the final development plan, including the construction costs will be deliberated and approved by the Board or the management committee appointed by the Board.

## 4.3 Management of the Proposed Development

The Target Group intends to employ (i) a general manager to oversee the Proposed Development, (ii) a project manager to manage the Proposed Development, (iii) a sales and marketing manager to oversee the sales and marketing of the property units from the Proposed Development and (iv) their respective support staff, as and when the progress of the Proposed Development requires their involvement.

The director of the Target Subsidiary, Mr Yong Wen Wei, is intended to serve in an executive position in the Target Subsidiary with effect from July 2019. Mr Yong will be in charge of the overall operations of the Target Subsidiary, including the Proposed Development.

As at the Latest Practicable Date, the Target Group has not employed the relevant personnel to form the management team in the Target Group as the Proposed Development has not formally commenced.

Following Completion, the Subscriber will assist the Board or such other management committee appointed by the Board, to put in place the necessary personnel and professionals with the requisite experience and expertise to oversee the development, management and operation of the Proposed Development.

As and when the Proposed Development Business progresses, the Target Group will, when necessary, employ new employees with the necessary relevant experience to satisfy its manpower requirements. Additionally, the Target Group will work closely with local industry experts and professionals such as the lawyers, architects, submission consultants and marketing consultants as and when required to ensure that the Target Subsidiary is able to comply with the relevant laws and understand the operating landscape in Indonesia.

## 4.4 Funding for the Proposed Development

The Group intends to fund the Proposed Development using a combination of financing from financial institutions and/or other financial instruments, secondary fund raising through capital markets and proceeds from pre-sale of units in the Proposed Development, as deem appropriate by the Board.

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In the Agreement, the Subscriber has represented that he will use his best endeavours to assist the Company, the Target Company and/or the Target Subsidiary to obtain the necessary financing to fund the Proposed Development on terms acceptable to the Board.

The Company will comply with Catalist Rules in relation to any loan or financial support to be provided by the Group to the Target Group.

### 5. RATIONALE FOR THE PROPOSED TRANSACTIONS

#### *Proposed Subscription and Proposed Options*

- 5.1 The Proposed Subscription will raise net proceeds of approximately S\$1,488,000 while the exercise of the Proposed Options (assuming they are exercised in respect of all the Option Shares) will raise additional net proceeds of approximately S\$2,790,000. The net proceeds from the Proposed Subscription and the additional net proceeds from the exercise of the Proposed Options can be utilized towards general working capital of the Group.

#### *Proposed Acquisition and Proposed Diversification*

- 5.2 Currently, the core business of the Group is the sale and distribution of quality wood-based products. The Group's core business has been operationally loss making since 2008 and may continue to be loss-making unless the current economic and market sentiments in the industries in which the Group operates in, and the Group's business performance improves significantly in the immediate future.

- 5.3 The Directors are constantly looking for investment opportunities to diversify the Group's business with the prospects of increasing the revenue and income stream of the Group in the future.

The Proposed Acquisition presents an opportunity for the Group to acquire a controlling stake in the Target Group which holds legal rights and interest to the Property. As the consideration for the Proposed Acquisition will be fully satisfied by an issue of the Consideration Shares, there is no cash outlay for the Group to acquire a majority interest in the Target Company.

- 5.4 The Proposed Acquisition will enable the Group to make its first foray into resort development and the successful completion of the Proposed Development will enhance the financial performance of the Group and improve Shareholders' value.

#### *Proposed Joint Venture*

- 5.5 On Completion, the Company will hold 54% and the Vendor, Doris Chung Gim Lian (the "**JV shareholder**") will hold the remaining 46% of the share capital of the Target Company. The Consideration Shares will be issued to the Subscriber who is the spouse of the JV shareholder. By holding the Consideration Shares and a minority interest in the Target Company, it will further align the interests of the JV shareholder and the Subscriber with the interest of the Company as they will have a direct vested interest in the success of the Proposed Development. The Directors believe that this will increase the commitment of the Subscriber and the JV shareholder to see to the success of the Proposed Development.
- 5.6 Having a joint venture partner in the Target Company will also reduce the Group's financial obligation in the future in relation to the funding required for the development of the Proposed Development, as the Company and the JV shareholder will be expected to bear the obligations of such financial support for the funding in proportion to their respective shareholding interest in the Target Company, and to share the other risks and rewards of the joint venture proportionately.

### 6. USE OF PROCEEDS

Assuming that all the Subscription Shares are successfully allotted and issued, the estimated net proceeds from the Proposed Subscription (the "**Subscription Net Proceeds**") will be approximately S\$1,488,000 million (after deducting expenses of approximately S\$250,000 incurred by the Company in connection with the Proposed Transactions).

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Assuming that the Proposed Options are exercised in respect of all the Option Shares during the option period of 24 months after Completion, the estimated proceeds from the issuance of the Options Shares (the “**Option Net Proceeds**”) will be approximately S\$2,790,000 (after deducting expenses of approximately S\$15,000 to be incurred in connection with the issue and allotment of the Option Shares).

The Company intends to use the Subscription Net Proceeds and Option Net Proceeds (collectively, the “**Net Proceeds**”) for general working capital purposes for the existing operations of the Group.

Pending the deployment of the Net Proceeds for the purposes mentioned above, the Net Proceeds may be placed in deposits with financial institutions or invested in short-term money market instruments or used for any other purposes on a short-term basis as the Directors may, in their absolute discretion, deem appropriate in the interests of the Group.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when the Net Proceeds are materially disbursed, and provide a status report on the use of the Net Proceeds in the Company’s annual report and financial results announcement.

### 7. THE PROPOSED ACQUISITION AS AN IPT AND DISCLOSEABLE TRANSACTION

#### *IPT*

- 7.1 Mr Chew Ah Ba George is a Director and Controlling Shareholder and the chief executive officer of the Company. The Subscriber, being the brother of Mr Chew Ah Ba George, is an Associate of Mr Chew Ah Ba George and an interested person for the purposes of Chapter 9 of the Catalyst Rules. The Proposed Acquisition is an IPT as defined under Chapter 9 of the Catalyst Rules.
- 7.2 The Vendors, Madam Doris Chung Gim Lian and Mr Chew Han Wei do not fall within the definition of an “interested person” under Chapter 9 of the Catalyst Rules as they are not the Associates of a Director, a Controlling Shareholder or the chief executive officer of the Company. However, as the Consideration Shares are to be allotted and issued to the Subscriber who is an interested person, taking into consideration the objective of Chapter 9 of the Catalyst Rules, the Company is tabling the Proposed Acquisition as an IPT at the EGM and will observe the requirements of Chapter 9 in relation to the Proposed Acquisition.
- 7.3 Under Rule 906 of the Catalyst Rules, Shareholders’ approval is required for an IPT of a value equal to, or more than:
- (a) 5% of the Group’s latest audited NTA; or
  - (b) 5% of the Group’s latest audited NTA, when aggregated with other transactions entered into with the same interested person during the same financial year.
- 7.4 The value of the Proposed Acquisition (being the amount at risk to the Company) is the Acquisition Consideration of S\$3,510,100. As the value of the Proposed Acquisition is 26.49% of the Group’s audited NTA of S\$13,252,206 as at 31 December 2017 (being the latest audited NTA prior to the date of the Agreement) and 32.35% of the Group’s audited NTA of S\$10,849,521 as at 31 December 2018, the approval of the Shareholders for the Proposed Acquisition as an IPT will be sought at the EGM.

Under Rule 919 of the Catalyst Rules, the Subscriber (being an interested person) and his Associates must abstain from voting on the Ordinary Resolutions approving the Proposed Acquisition and the proposed allotment and issue of the Consideration Shares to the Subscriber and will not accept appointments as proxies to vote in respect of such Ordinary Resolutions unless specific instructions as to voting are given.



## LETTER TO SHAREHOLDERS

- 7.5 Except for the Proposed Acquisition, the Proposed Subscription, the Proposed Options and the Proposed Joint Venture, as at the Latest Practicable Date, there is no transaction between the Group and any interested person in the current financial year.

### Discloseable transaction

- 7.6 Rule 1010 read with Rule 1014 of the Catalist Rules prescribes that in relation to an acquisition, where any relative figures as computed on the bases set out in Rule 1006 exceeds 5% but is less than 75%, the transaction is classified as a discloseable transaction.
- 7.7 As announced by the Board on 27 February 2019, the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules in respect of the Proposed Acquisition and based on the announced unaudited consolidated financial statements of the Group for the financial year ended 31 December 2018 (“FY2018”) (being the latest announced financial statements prior to the date of the Agreement), are as follows:

|     | <b>Bases</b>  |                               |
|-----|---|-------------------------------|
| (a) | The net asset value of the assets to be disposed of, compared with the Group’s net asset value. This basis is not applicable to an acquisition of assets.                           | Not applicable                |
| (b) | The net profits attributable to the assets acquired or disposed of, compared with the Group’s net profits.  | Not meaningful <sup>(1)</sup> |
| (c) | The aggregate value of the consideration given or received, compared with the Company’s market capitalisation based on the total number of issued Shares excluding treasury shares. | 67.78% <sup>(2)(3)</sup>      |
| (d) | The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.                       | 42.48% <sup>(4)</sup>         |
| (e) | The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves.                          | Not applicable                |

### Notes:

- (1) The Target Group is dormant and does not have any operating income yet.
- (2) Rule 1003 of the Catalist Rules provides that where the consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the net asset value represented by such shares, whichever is higher. The unaudited consolidated net asset value of the Group based on total equity as at 31 December 2018 was S\$0.0144 per Share. The net asset value per Share is as such higher than the market value of S\$0.009025 per Share (being the weighted average price of the Shares traded on 26 February 2019, the market day on which the Shares were last traded on the SGX-ST immediately preceding the date of the Agreement). For the purpose of Rule 1006(c), the value of the Consideration Shares is S\$4,595,040, being the net asset value per Share as at 31 December 2018 multiplied by the number of Consideration Shares.
- (3) The Company’s market capitalisation as at 26 February 2019 is S\$6,779,580. The market capitalization is determined based on 751,200,000 Shares in issue as at, and the weighted average price of the Shares of S\$0.009025 per Share traded on 26 February 2019, being the market day on which the Shares were last traded on the SGX-ST immediately preceding the date of the Agreement.
- (4) This is based on the number of Consideration Shares divided by 751,200,000 Shares in issue as at the date of the Agreement.

As the relative figures computed on the bases set out in Rule 1006(c) and (d) is more than 5% but less than 75%, the Proposed Acquisition constitutes a discloseable transaction. The Company has made the relevant announcement on 27 February 2019.

## 8. THE PROPOSED SUBSCRIPTION AND THE PROPOSED OPTIONS AS IPTS

The Proposed Subscription and the Proposed Options are entered into with the Subscriber, who is an interested person.



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## LETTER TO SHAREHOLDERS

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The value of the Proposed Subscription (being the amount at risk to the Company) is the Subscription Consideration of S\$1,738,000. The value of the Proposed Options (being the amount at risk to the Company) and assuming that they are exercised in respect of all of the Option Shares, is S\$2,805,000. The Group's audited NTA as at 31 December 2017 (being the latest audited NTA as at the date of the Agreement) is approximately S\$13,252,206 while the Group's audited NTA as at 31 December 2018 is approximately S\$10,849,521. As the value of the Proposed Subscription and the Proposed Options are respectively 13.11% and 21.17% of the Group's audited NTA as at 31 December 2017 and 16.02% and 25.85% of the Group's audited NTA as at 31 December 2018, the approvals of the Shareholders for the Proposed Subscription and the Proposed Options as IPTs are required to be obtained at the EGM.

Under Rule 919 of the Catalyst Rules, the Subscriber (being an interested person) and his Associates must abstain from voting on the Ordinary Resolutions approving the Proposed Subscription, the Proposed Options and the proposed allotment and issue of the Subscription Shares and the Option Shares to the Subscriber and will not accept appointments as proxies to vote in respect of such Ordinary Resolutions unless specific instructions as to voting are given.

### **9. THE PROPOSED ALLOTMENT AND ISSUE OF THE CONSIDERATION SHARES, THE SUBSCRIPTION SHARES AND THE OPTION SHARES**

#### **9.1 Section 161 of the Companies Act and Rule 805(1) of the Catalyst Rules**

The Consideration Shares, the Subscription Shares and the Option Shares will not be issued pursuant to the general share issue mandate approved by Shareholders at the annual general meeting of the Company held on 29 April 2019. The Company will be seeking the approval of Shareholders pursuant to Section 161 of the Companies Act and Rule 805(1) of the Catalyst Rules for the allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares.

#### **9.2 Rule 803 of the Catalyst Rules**

Rule 803 of the Catalyst Rules prohibits the issue of securities to transfer a controlling interest (ie. 15% or more of the total issued Shares) without prior Shareholders' approval. The Consideration Shares, the Subscription Shares and the Option Shares in aggregate constitute 97.46%<sup>1</sup> of the existing number of issued Shares, 59.60%<sup>2</sup> of the enlarged total number of issued Shares upon Completion, and 49.36%<sup>3</sup> of the enlarged total number of issued Shares following the Final Option Shares Completion (assuming that the Proposed Options are exercised in respect of all the Option Shares).

The Subscriber currently holds 9.2% of the number of issued Shares, and will hold 44.47%<sup>4</sup> of the enlarged total number of issued Shares following Completion, and 54.02%<sup>5</sup> of the enlarged total number of issued Shares following the Final Option Shares Completion (assuming that the Proposed Options are exercised in respect of all the Option Shares). As the allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares will result in the transfer of a controlling interest to the Subscriber, the approval of Shareholders is required to be obtained for such allotments and issues pursuant to Rule 803 of the Catalyst Rules.

#### **9.3 Rule 804 and Rule 812(1) of the Catalyst Rules**

Rule 804 of the Catalyst Rules provides, *inter alia*, that except in the case of an issue made on a *pro rata* basis to Shareholders or a share option scheme or a share scheme, no Director or Associate of the Director may participate directly or indirectly in an issue of Shares or convertible securities, unless Shareholders' approval is obtained in a general meeting.

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<sup>1</sup> Based on existing total number of issued Shares of 751,200,000.

<sup>2</sup> Based on enlarged total number of issued Shares of 1,228,300,000 following Completion.

<sup>3</sup> Based on enlarged total number of issued Shares of 1,483,300,000 following Final Option Shares Completion.

<sup>4</sup> Based on 546,215,100 Shares to be held by the Subscriber over the enlarged total issued Shares of 1,228,300,000 following Completion.

<sup>5</sup> Based on 801,215,100 Shares to be held by the Subscriber over the enlarged total issued Shares of 1,483,300,000 following the Final Option Shares Completion.

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## LETTER TO SHAREHOLDERS

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Rule 812 (1) of the Catalist Rules further provides that an issue of Shares for cash must not be placed to *inter alia*, an immediate family member of a Director unless specific approval of the Shareholders for the placement is obtained in a general meeting.

As the Subscriber is an Associate and immediate family member of the Director, Mr Chew Ah Ba George, he is restricted under Rule 804 and Rule 812(1) of the Catalist Rules from subscribing for Shares pursuant to the Proposed Subscription and the exercise of the Proposed Options unless the approval of Shareholders is obtained therefor at the EGM.

Under Rule 804(3) of the Catalist Rules, the Director, Mr Chew Ah Ba George, and his Associates must abstain from voting on the Ordinary Resolution approving the proposed allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares to the Subscriber.

### 9.4 Rule 805(1) of the Catalist Rules

Rule 805(1) of the Catalist Rules requires the approval of shareholders in general meeting to be obtained by an issuer for the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer, except where a general mandate for such issue has been approved by shareholders in general meeting.

As the Option Shares will not be issued pursuant to the general share issue mandate approved by Shareholders at the annual general meeting of the Company held on 29 April 2019, the approval of Shareholders is required to be obtained for the grant of the Proposed Options.

## 10. CHANGES TO THE ISSUED SHARE CAPITAL AND SHAREHOLDINGS OF THE COMPANY

- 10.1 As at the Latest Practicable Date, the total number of issued Shares is 751,200,000. On Completion, the total number of issued Shares will be increased to 1,228,300,000. Assuming that the Proposed Options are exercised in respect of all the Option Shares, the total number of issued Shares upon the Final Option Shares Completion will be increased to 1,483,300,000.
- 10.2 The Consideration Shares, the Subscription Shares and the Option Shares as a percentage of the existing total issued Shares, and the enlarged total number of issued Shares upon Completion and the Final Option Shares Completion (assuming that the Proposed Options are exercised in respect of all the Option Shares), are set out below:

|                      | Number of Shares | As at the Latest Practicable Date <sup>(1)</sup> | On Completion <sup>(2)</sup> | On Final Option Shares Completion <sup>(3)</sup> |
|----------------------|------------------|--|------------------------------|--|
| Existing Shares      | 751,200,000      | 100.00%  | 61.16%                       | 50.64%   |
| Consideration Shares | 319,100,000      | 42.48%   | 25.98%                       | 21.51%   |
| Subscription Shares  | 158,000,000      | 21.03%   | 12.86%                       | 10.65%   |
| Option Shares        | 255,000,000      | 33.95%   | 20.76%                       | 17.19%   |

Notes:

- (1) Based on existing total number of issued Shares of 751,200,000.
- (2) Based on enlarged total number of issued Shares of 1,228,300,000 following Completion.
- (3) Based on enlarged total number issued Shares of 1,483,300,000 following the Final Option Shares Completion (assuming that the Proposed Options are exercised in respect of all the Option Shares).

## LETTER TO SHAREHOLDERS

10.3

Based on the shareholdings of the Company as at the Latest Practicable Date, the effect of the Proposed Acquisition, the Proposed Subscription and the exercise of the Proposed Options in respect of all the Option Shares on the shareholdings of the Directors, Substantial Shareholders (including the Subscriber and his Concert Parties (if any)) and the public Shareholders, before and after Completion and the Final Option Shares Completion (assuming that the Proposed Options are exercised in respect of all the Option Shares), are set out below:

|  | Based on the total number of Shares as at the Latest Practicable Date |        |            |       | Based on the enlarged total number of Shares after Completion |        |            |      | Based on the enlarged total number of Shares after the Final Option Shares Completion |        |            |      |
|--|---|--------|------------|-------|---|--------|------------|------|---|--------|------------|------|
|  | Direct  |        | Deemed     |       | Direct  |        | Deemed     |      | Direct  |        | Deemed     |      |
|  | Number  | %(1)   | Number     | %(1)  | Number  | %(2)   | Number     | %(2) | Number  | %(3)   | Number     | %(3) |
| Directors  |   |        |            |       |   |        |            |      |   |        |            |      |
| Chew Ah Ba George <sup>(4)</sup>   | 120,949,081   | 16.10  | 86,029,318 | 11.45 | 120,949,081   | 9.85   | 86,029,318 | 7.00 | 120,949,081   | 8.15   | 86,029,318 | 5.80 |
| Chew Chiew Siang Steven  | 24,393,900  | 3.25   | –          | –     | 24,393,900  | 1.99   | –          | –    | 24,393,900  | 1.64   | –          | –    |
| Chin Sek Peng Michael  | 4,831,000   | 0.64   | –          | –     | 4,831,000   | 0.39   | –          | –    | 4,831,000   | 0.33   | –          | –    |
| Ng Boon Huan Daniels   | 3,120,000   | 0.42   | –          | –     | 3,120,000   | 0.25   | –          | –    | 3,120,000   | 0.21   | –          | –    |
| Tan Eng Kiat Dominic   | –   | –      | –          | –     | –   | –      | –          | –    | –   | –      | –          | –    |
| Substantial Shareholders (other than the Directors) (including the Subscriber and his Concert Parties) |   |        |            |       |   |        |            |      |   |        |            |      |
| Tan Teresa   | 86,029,318  | 11.45  | –          | –     | 86,029,318  | 7.00   | –          | –    | 86,029,318  | 5.80   | –          | –    |
| Guo Shaozeng   | 167,632,200   | 22.32  | –          | –     | 167,632,200   | 13.65  | –          | –    | 167,632,200   | 11.30  | –          | –    |
| Chew Hua Seng  | 69,115,100  | 9.20   | –          | –     | 546,215,100   | 44.47  | –          | –    | 801,215,100   | 54.02  | –          | –    |
| Doris Chung Gim Lian   | –   | –      | –          | –     | –   | –      | –          | –    | –   | –      | –          | –    |
| Chew Han Wei   | –   | –      | –          | –     | –   | –      | –          | –    | –   | –      | –          | –    |
| Existing Public Shareholders   | 275,129,401   | 36.62  | –          | –     | 275,129,401   | 22.40  | –          | –    | 275,129,401   | 18.55  | –          | –    |
| Total  | 751,200,000   | 100.00 | 86,029,318 | 11.45 | 1,228,300,000   | 100.00 | 86,029,318 | 7.00 | 1,483,300,000   | 100.00 | 86,029,318 | 5.80 |

Notes:

- (1) Based on existing total number of issued Shares of 751,200,000.
- (2) Based on enlarged total number of issued Shares of 1,228,300,000 following Completion.
- (3) Based on enlarged total number of issued Shares of 1,483,300,000 following the Final Option Shares Completion (assuming that the Proposed Options are exercised in respect of all the Option Shares).
- (4) Mr Chew Ah Ba George is deemed to be interested in the Shares held by Madam Tan Teresa under Section 164 of the Companies Act (Cap. 50) by virtue of their spousal relationship.

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## LETTER TO SHAREHOLDERS

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### 11. THE PROPOSED WHITEWASH RESOLUTION

#### 11.1 Mandatory General Offer Requirement under the Code

- 11.1.1 As at the Latest Practicable Date, the Subscriber owns approximately 9.2% of the total number of issued Shares. Upon the issuance of the Consideration Shares and the Subscription Shares to the Subscriber on Completion, the shareholding interest of the Subscriber will increase from 9.2% to 44.47% of the enlarged total number of issued Shares. Upon the issuance of all of the Options Shares (assuming that the Proposed Options are exercised in respect of all of the Option Shares), the shareholding interest of the Subscriber will increase from 44.47% to 54.02% of the enlarged total number of issued Shares. Please refer to Section 10.3 of this Circular for more details on the changes in shareholdings arising from the Proposed Acquisition, the Proposed Subscription and the exercise of the Proposed Options in full.
- 11.1.2 Under Rule 14 of the Code (a) any person who acquires, whether by a series of transactions over a period of time or not, Shares which (taken together with Shares held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights in the Company; or (b) any person who, together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights in the Company and such person, or any person acting in concert with him, acquires in any period of six (6) months additional Shares carrying more than 1.0% of the voting rights, he is required to make a mandatory general offer for all the Shares which he does not already own or control.
- 11.1.3 Following Completion, the Subscriber's shareholding will cross 30.0% and in addition, he may upon each exercise of the Proposed Options, increase his shareholding in the Company by more than 1.0% in any 6-month period, thereby triggering the obligation to make the General Offer.
- 11.1.4 Accordingly, upon Completion and where applicable, upon each exercise of the Proposed Options, the Subscriber and his Concert Parties will be required under the Code to make a General Offer unless the Whitewash Waiver is obtained from the SIC and the approval of Independent Shareholders in general meeting is obtained for the Proposed Whitewash Resolution.
- 11.1.5 It is a condition precedent to the Proposed Acquisition, the Proposed Subscription and the Proposed Options that (a) the SIC grants the Subscriber and his Concert Parties, the Whitewash Waiver and that such waiver is not withdrawn or revoked prior to Completion and all conditions attached to the grant of the waiver are complied with by Completion, to the extent that they are required to be fulfilled on or before Completion; and (b) Independent Shareholders approve the Proposed Whitewash Resolution at the EGM.

#### 11.2 Whitewash Waiver

The Subscriber had sought, and the SIC had on 8 May 2019 granted the Subscriber the Whitewash Waiver, subject to the following conditions:

- (a) A majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Consideration Shares, the Subscription Shares and the Option Shares, the Proposed Whitewash Resolution by way of a poll to waive their rights to receive a General Offer from the Subscriber and his Concert Parties;
- (b) The Proposed Whitewash Resolution is separate from other resolutions;
- (c) The Subscriber and his Concert Parties, parties not independent of them as well as parties not independent of the Proposed Acquisition, the Proposed Subscription and the Proposed Options abstain from voting on the Proposed Whitewash Resolution;

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- (d) The Subscriber and his Concert Parties did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares (other than the subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in the Circular):-
  - (i) during the period between the date of announcement of the Proposed Transactions and the date Shareholders' approval is obtained for the Proposed Whitewash Resolution; and
  - (ii) in the six (6) months prior to the date of the announcement of the Proposed Transactions but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors of the Company in relation to the Proposed Transactions;
- (e) The Company appoints an independent financial adviser to advise its independent Shareholders on the Proposed Whitewash Resolution;
- (f) The Company sets out clearly in its circular to Shareholders:-
  - (i) details of the Proposed Acquisition, the Proposed Subscription and the Proposed Options and the allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares upon the exercise of the Proposed Options;
  - (ii) the dilution effect to existing holders of voting rights upon the allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares upon the exercise of the Proposed Options in full;
  - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Subscriber and his Concert Parties as at the Latest Practicable Date;
  - (iv) the number and percentage of voting rights to be issued to the Subscriber as a result of the allotment and issue of the Consideration Shares and the Subscription Shares, and to be acquired by the Subscriber upon the exercise of the Proposed Options in full;
  - (v) specific and prominent reference to the fact that the allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares upon the exercise of the Proposed Options in full will result in the Subscriber holding Shares carrying over 49% of the voting rights of the Company and to the fact that the Subscriber will be free to acquire further Shares without incurring any obligation under Rule 14 to make a General Offer;
  - (vi) specific and prominent reference to the fact that Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a General Offer from the Subscriber at the highest price paid by the Subscriber and his Concert Parties for the Shares in the past six (6) months preceding the date of the announcement of the Proposed Transactions;
  - (vii) specific and prominent reference to the fact that Shareholders by voting for the Proposed Whitewash Resolution, could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the convertibles;
- (g) The Circular states that the waiver granted by SIC to the Subscriber from the requirement to make a General Offer under Rule 14 is subject to the conditions stated at paragraph (a) to (f) above;

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- (h) The Company obtains SIC's approval in advance for those parts of the Circular that refer to the Proposed Whitewash Resolution;
- (i) To rely on the Proposed Whitewash Resolution, the approval of the Proposed Whitewash Resolution by independent Shareholders must be obtained within 3 months from the date of SIC's letter granting the Whitewash Waiver. The allotment and issue of the Consideration Shares and the Subscription Shares must be completed within three (3) months of the approval of the Proposed Whitewash Resolution and the acquisition of the Option Shares by the Subscriber upon the exercise of the Proposed Options must be completed within 5 years from the date of the grant of the Proposed Options; and
- (j) The Subscriber will comply or procure the relevant persons to comply, with the disclosure requirements as set out in Note 2 on Section 2 of Appendix 1 of the Code, which are set out below:-
  - (i) Details of the Proposed Whitewash Resolution will be disclosed or made available via the following avenues or documents, where applicable, for as long as the Proposed Options remain outstanding:-
    - (aa) the interim and full-year financial statements of the Company for release through SGX-Net and to be posted on the web-site of the SGX-ST;
    - (bb) the annual report of the Company;
    - (cc) public documents of the Company including circulars to Shareholders, abridged prospectuses, prospectuses or information memoranda;
    - (dd) periodic announcements made by the Subscriber and his concert parties pursuant to Sections 82, 83, 84, 85, 165 and 166 of the Companies Act (as well as Section 137 of the Securities and Futures Act), and the listing rules of the SGX-ST whenever the Subscriber or any of his Concert Parties buys or sells Shares or exercises or converts convertibles in the Company;
    - (ee) at the Company's registered office;
    - (ff) at the Company's web-site (if any); and
    - (gg) the web page setting out the Company's corporate information on the web-site of the SGX-ST.
  - (ii) Disclosure of the following in all cases:-
    - (aa) details of the Proposed Whitewash Resolution, including the time period for which the Whitewash Waiver has been approved;
    - (bb) the number and percentage of voting rights in the Company, the number of instruments convertible into, rights to subscribe for and options in respect of Shares (other than the Option Shares), and the number of convertibles held by the Subscriber and his Concert Parties as at the latest practicable date prior to the disclosure;
    - (cc) the maximum potential voting rights of the Subscriber and his Concert Parties in the Company, assuming that the Subscriber and his Concert Parties exercise the Proposed Options in full;



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## LETTER TO SHAREHOLDERS

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- (dd) that, having approved the Proposed Whitewash Resolution, Shareholders have waived their rights to receive a General Offer from the Subscriber at the highest price paid by the Subscriber and his Concert Parties for Shares in the past six months preceding the announcement of the Proposed Transactions; and
- (ee) that, having approved the Proposed Whitewash Resolution, Shareholders could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making the general offer in view of the potential dilution effect of the Proposed Options.

As at the Latest Practicable Date, all the above conditions imposed by the SIC (save for subparagraphs (a), (c), (i) and (j) of Section 11.2 of this Circular) have been satisfied.

### 11.3 Proposed Whitewash Resolution

The Independent Shareholders are requested to vote by way of poll, on the Proposed Whitewash Resolution as set out as Ordinary Resolution 5 in the Notice of EGM, waiving their rights to receive the General Offer from the Subscriber and his Concert Parties for the remaining Shares not already owned or controlled by the Subscriber, under Rule 14 of the Code arising from the allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares to the Subscriber pursuant to the Proposed Acquisition, the Proposed Subscription and the exercise of the Proposed Options.

**Shareholders should note that approval of the Proposed Whitewash Resolution is a condition precedent to Completion. In view of this, in the event that the Proposed Whitewash Resolution is not passed by Independent Shareholders, the Proposed Transactions will not proceed.**

**SHAREHOLDERS SHOULD ALSO NOTE THAT BY VOTING IN FAVOUR OF THE PROPOSED WHITEWASH RESOLUTION, THEY WILL BE WAIVING THEIR RIGHTS TO RECEIVE THE GENERAL OFFER FROM THE SUBSCRIBER AT THE HIGHEST PRICE PAID BY THE SUBSCRIBER AND HIS CONCERT PARTIES FOR THE SHARES IN THE PAST SIX (6) MONTHS PRECEDING THE ANNOUNCEMENT OF THE PROPOSED TRANSACTIONS WHICH THEY WOULD HAVE OTHERWISE BEEN OBLIGED TO MAKE FOR THE SHARES IN ACCORDANCE WITH RULE 14 OF THE CODE.**

**SHAREHOLDERS ARE TO FURTHER NOTE THAT THE ISSUE OF THE CONSIDERATION SHARES, THE SUBSCRIPTION SHARES AND THE OPTION SHARES UPON THE EXERCISE OF THE PROPOSED OPTIONS IN FULL WILL RESULT IN THE SUBSCRIBER HOLDING SHARES CARRYING OVER 49% OF THE VOTING RIGHTS OF THE COMPANY. IN SUCH EVENT, THE SUBSCRIBER WILL BE FREE TO ACQUIRE FURTHER SHARES WITHOUT INCURRING ANY OBLIGATION UNDER RULE 14 OF THE CODE TO MAKE A GENERAL OFFER FOR THE COMPANY.**

**SHAREHOLDERS SHOULD ALSO NOTE THAT, HAVING APPROVED THE PROPOSED WHITEWASH RESOLUTION, SHAREHOLDERS COULD BE FORGOING THE OPPORTUNITY TO RECEIVE A GENERAL OFFER FROM ANOTHER PERSON WHO MAY BE DISCOURAGED FROM MAKING A GENERAL OFFER IN VIEW OF THE POTENTIAL DILUTION EFFECT OF THE PROPOSED OPTIONS.**

**The dilution effects to existing Shareholders upon issuing the Consideration Shares, the Subscription Shares and the Options Shares are set out in Section 10.3 of this Circular.**



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## LETTER TO SHAREHOLDERS

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### 12. THE PROPOSED JOINT VENTURE WITH AN INTERESTED PERSON IN THE TARGET COMPANY FOLLOWING COMPLETION OF THE PROPOSED ACQUISITION, AS AN IPT

#### 12.1 Proposed Joint Venture

On Completion, the Company and the Vendor, Doris Chung Gim Lian will respectively hold 54% and 46% of the issued shares of the Target Company. The Subscriber will on Completion, be a Controlling Shareholder after the Subscription Shares and the Consideration Shares are allotted and issued to him. As the Vendor, Doris Chung Gim Lian is the spouse of the Subscriber, she will be regarded as an interested person under Chapter 9 after Completion. Accordingly, the Target Company will be the subject of a joint venture between the Company and an interested person, namely, Doris Chung Gim Lian.

#### 12.2 Value of Proposed Joint Venture

The value at risk in the Proposed Joint Venture is the amount of the Acquisition Consideration, which exceeds 5.0% of the last audited NTA of the Group prior to the date of the Agreement. Please see paragraph 7.4 of this Circular for more details. The Proposed Joint Venture will as such be subject to the approval of Shareholders pursuant to Rule 906 of the Catalist Rules. The salient terms of the Shareholders' Agreement are set out in Section 12.4 of this Circular.

#### 12.3 Shareholders' Approval

Pursuant to Rule 916(2) of the Catalist Rules, approval of Shareholders is not required for an investment in a joint venture with an interested person if:

- (a) the risks and rewards are in proportion to the equity of each joint venture partner;
- (b) the issuer confirms by an announcement that its audit committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders; and
- (c) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture.

As the Vendor, Doris Chung Gim Lian has an existing equity interest of 90% in the Target Company prior to Completion, the exception in Rule 916(2) does not apply to the Proposed Joint Venture. Accordingly, the Company is seeking the approval of the Shareholders to the Proposed Joint Venture at the EGM.

Under Rule 919 of the Catalist Rules, the Subscriber (being an interested person) and his Associates must abstain from voting on the Ordinary Resolution approving the Proposed Joint Venture and will not accept appointments as proxies to vote in respect of such Ordinary Resolution unless specific instructions as to voting are given.

#### 12.4 Principal Terms of Shareholders' Agreement

The Shareholders' Agreement stipulates the rights and obligations of the Company and the Vendor, Doris Chung Gim Lian ("**DC**") as shareholders in the Target Company (the "**Target Shareholders**"). The terms of the Shareholders' Agreement provide, *inter alia*:

- (a) **Effective Date.** The Shareholders' Agreement is effective from the Completion Date.
- (b) **Business of the Target Company.** The principal business of the Target Group is to undertake the Proposed Development and the Property Development Business, or such other business as the Target Shareholders may from time to time mutually agree in writing.

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- (c) **Parties' Obligations.** DC will (a) use her best endeavours to assist the Target Group to obtain the necessary financing to fund the Proposed Development on terms acceptable to the Company and the Target Company; and (b) subject to the approval of the Company or such other management committee appointed by the Company, use her best endeavours to assist the Target Group to put in place the necessary personnel and professionals with the requisite experience and expertise to oversee the Proposed Development.
- (d) **Constitution of the Board.** The board of directors of the Target Company and the Subsidiary shall consist of a maximum of five (5) directors. The Company shall have the right to appoint three (3) directors and DC shall have the right to appoint two (2) directors.
- (e) **Conflicts of Interests.** Subject to prevailing laws and regulations, the rules of any recognised stock exchange or any regulatory body or authority and any agreement or undertaking that are binding on a party, a Target Company director shall not be prohibited from voting or being counted in a quorum at any meeting of the board of directors in respect of any contract or arrangement in which he is or may be interested provided he has disclosed the nature of his interest in accordance with the applicable laws and the constitution of the Target Company.
- (f) **Shareholder Meetings.** Except for the reserved matters or unless otherwise required by applicable law, all matters raised at a shareholders meeting shall be decided by a resolution of the Target Shareholders approved by the affirmative vote of a simple majority of the votes of the Target Shareholders entitled to vote and voting on the resolution.
- (g) **Reserved Matters.** The express written consent of both the Company and DC shall be obtained prior to the passing of any resolutions to approve *inter alia*, the below matters at any general meeting of the Target Company or the Target Subsidiary or any meeting of the Target Company board of directors, committee of the board of directors or board meeting of the Target Subsidiary (as the case may be):-
  - (i) to change or expand the industry segment of the business of a Target Group Company;
  - (ii) to make any distribution of profits or assets amongst its shareholders by way of dividend, distribution in specie, capitalisation of reserves or otherwise;
  - (iii) to increase, reduce, sub-divide, change or cancel the issued shares or share capital (as applicable) of a Target Group Company or issue or grant any option, warrant or other right over the unissued share capital or shares (as applicable) of such company; or issue any new shares or new class of shares of such company;
  - (iv) to amend its constitution or such other constitutive documents or part thereof;
  - (v) to adopt its audited accounts;
  - (vi) to approve any transactions with any shareholder or director or its subsidiaries, or any company or business in which any of the shareholders or directors or its subsidiaries have financial interests, or enter into any contract, agreement or arrangement with any such shareholders, directors or company;
  - (vii) to implement, terminate, or amend the terms of, any employee share option or share participation schemes;
  - (viii) to create, allow to arise or issue any debenture, pledge or security constituting a charge on all or any of the undertaking, assets or rights of such company;

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- (ix) to borrow or raise any monies lend any monies to or guarantee the payment obligations of any party or give any guarantees or indemnities or any form of security to any third party; and
  - (x) to dispose of any asset, undertaking or property of the Target Company of a net book value in excess of an agreed threshold amount, other than disposal made in the ordinary course of business.
- (h) **Funding.** The timing and amounts of further funds and working capital shall be determined by the Target Company's board of directors from time to time on the basis that such amounts should only be called prior to the Target Company requiring to expend the same and after the approval of all Target Shareholders. Whenever further funding or working capital is required to be provided, the number of shares in the capital of the Target Company to be subscribed and/or the amount of shareholders' loans to be advanced and/or any guarantee or security to be provided by the Target Shareholders shall be in the proportion of their respective shareholdings in the Target Company ("**Respective Proportion**"), unless otherwise determined in accordance with the pre-emptive provisions set out below in respect of any additional equity investment by the Target Shareholders.
- (i) **Funding Priority.** Unless otherwise determined by the Target Company's board of directors and agreed by the Target Shareholders, the business operations and expansion of the Target Group shall be financed firstly, by retained earnings; secondly, by bank or other third party lenders' loans and credit facilities; thirdly, from equity investment in accordance with the terms of the Shareholders' Agreement; and lastly, by loans from the Target Shareholders in the Respective Proportion provided that the Target Shareholders shall not be under any obligation to make loans to any Target Group Company or to guarantee any indebtedness or other obligations of any Target Group Company.
- (j) **Pre-emptive provisions.** Subject to the approval of the Company and DC being obtained for any increase in the number of issued shares or share capital (as applicable), any issuance of new Target Shares or other securities or rights convertible or exchangeable into Target Shares shall before issue be offered for subscription in the first instance to each of the Target Shareholders in their Respective Proportion. Any increase in new Target Shares not subscribed by the Target Shareholders may be offered to a third party for subscription on the same terms.
- (k) **Rights of First Refusal.** Before a Target Shareholder ("selling shareholder") may sell or dispose of any or all of its Target Shares, such selling shareholder shall offer its Target Shares to the other Target Shareholders for sale on the same terms and conditions as those offered by a third party purchaser.
- (l) **Deadlock.** In the event of a major disagreement (involving at least S\$500,000 or more) in which a general meeting or board meeting of the Target Company is unable to be held for lack of quorum after three consecutive attempts (by way of adjourned meetings and/or meetings called by a separate notice) with the result that: (i) the business of the Target Group can no longer be conducted or a material breach of any customer contract is reasonably likely to result therefrom, and (ii) there is a substantial likelihood that the business of the Target Group, assets, financial condition or results of operation of the Target Group will be materially and adversely affected as a result thereof, then a Target Shareholder may issue a notice to buy-out the shares of the other Target Shareholders at fair value (as determined by an independent auditor acting as expert). The other Target Shareholders may elect to accept or decline the buy-out offer made. If the offer is declined, the declining Target Shareholder shall offer to purchase the shares held by the other Target Shareholders at the fair value. The right of first refusal shall not apply in the event of a sale pursuant to a deadlock.

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- (m) **Termination.** The Shareholders' Agreement shall take effect without limit in point of time. If any Target Shareholder sells all of its shares, the Shareholders' Agreement shall be terminated with such Target Shareholder.
- (o) **Conditions of Transfer.** All sale, purchase or transfer of any Target Shares pursuant to the Shareholders' Agreement shall be subject to the approval of any relevant regulatory authority or body, stock exchange and/or the shareholders of a Target Shareholder, if such approval is required to be obtained pursuant to prevailing laws or regulations or the listing rules of a stock exchange that is binding on such a Target Shareholder. In the event such an approval is required to be obtained, the timeframe for the completion of the purchase, sale or transfer of the Target Shares shall be extended for a period not exceeding three (3) months from the applicable closing date to enable a party to obtain the relevant approval(s).

### 13. THE PROPOSED DIVERSIFICATION

#### 13.1 Background

The Group's current core business is the sale and distribution of quality wood-based products and premium lifestyle furniture (the "**Existing Business**"). The Group intends to expand its core business to include Property Development Business in order to expand and diversify its portfolio and improve its growth prospects. The Company intends to embark on the Property Development Business through the Proposed Acquisition. The Company may undertake future property development projects through the Target Group or through other subsidiary(ies) of the Company.

As the Group is new to this business, it intends to restrict the Property Development Business only to the market in Bintan, Indonesia. The Group will seek to build its expertise and experience in the Property Development Business through time. If at any time in the future, the Company decides to expand the Property Development Business to other jurisdictions, it will seek separate Shareholders' approval for such expansion.

#### 13.2 Chapter 10 of the Catalist Rules

The principal objects of the Target Subsidiary are to own and carry on the development of properties in Bintan, Indonesia, including but not limited to resort apartments, suites and villas for sale, and the management and operation of resorts in Bintan, Indonesia. Upon Completion, the Target Company will become a subsidiary of the Company and the business of the Target Company will form part of the business of the Group. The Proposed Diversification will involve a new business which is substantially different from the Existing Business. It is envisaged to change the existing risk profile of the Group. Pursuant to Practice Note 10A of the Catalist Rules, Shareholders' approval is required for the Proposed Diversification. Accordingly, the Company will seek the approval of Shareholders at the EGM for the Proposed Diversification.

Pursuant to Rule 1014 of the Catalist Rules, a major transaction is a transaction where any of the relative figures as computed on the bases set out in Rule 1006 exceeds 75% but is less than 100% for an acquisition, or 50% in relation to a disposal, and must be made conditional upon approval by Shareholders in a general meeting. Rule 1014 however does not apply to any transaction which is deemed to be in the ordinary course of business of the Group, if such transaction does not result in a change of risk profile of the Group.

Upon obtaining Shareholders' approval for the Proposed Diversification, the Group's core business will include Property Development Business. Accordingly, any acquisition or disposal which is in, or in connection with, the Property Development Business, may be deemed to be in the Group's ordinary course of business and therefore not fall under the definition of a "transaction" in Chapter 10 of the Catalist Rules. The Group may therefore enter into transactions relating to the Property Development Business as and when potential Property Development Business transactions arise in an efficient and timely manner without the need to seek Shareholders' approval, insofar as such transactions will not substantially change the risk profile of the Group. This will reduce the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Company.

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Notwithstanding that Shareholders' approval for the Proposed Diversification may have been obtained:

- (1) Rule 1015 of the Catalist Rules will apply to acquisitions of assets whether or not in the Company's ordinary course of business (which will include the Property Development Business) and which results in any of the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules exceeding 100% or results in a change in control of the Company. Such acquisition must, amongst others, be made conditional upon approval by Shareholders at a general meeting;
- (2) Chapter 9 of the Catalist Rules will apply to any transaction which constitutes an IPT and the Company will comply with the provisions of Chapter 9 of the Catalist Rules, and make the relevant announcement and seek the prior approval of Shareholders at a general meeting, if required, before embarking on such transactions; and
- (3) Part III of Practice Note 10A of the Catalist Rules will apply to acquisitions or disposals of assets which will change the risk profile of the Company. In determining whether an acquisition would change the Company's risk profile, the SGX-ST will have regard to *inter alia*, whether the acquisition will increase the scale of the Company's existing operations significantly. An acquisition is regarded as increasing the scale of operations significantly if any of the relative figures computed on the bases set out in Rule 1006(c) and Rule 1006(d) is 100% or more. Such acquisition must, amongst others, be made conditional upon approval by Shareholders at a general meeting.

Pursuant to Rule 1005 of the Catalist Rules, separate transactions completed within the last 12 months may also be aggregated and treated as if they were one transaction in determining whether a transaction falls into category (a), (b), (c) or (d) of Rule 1004 of the Catalist Rules.

### 13.3 Management of the Property Development Business

As disclosed in Section 4.3 of this Circular, the Target Group will put in place an internal management team with the necessary relevant experience to manage and operate the Proposed Development. The internal management team will also manage other property development projects that may be undertaken by the Group in the future. The existing director of the Target Subsidiary, Mr Yong Wen Wei is expected to join the Target Subsidiary in July 2019 to take charge of the overall operations of the Target Subsidiary.

In making any decision with regard to the Property Development Business, the Group will, where necessary and appropriate, seek the advice of external consultants and professional advisers.

The Group will continually evaluate the manpower and expertise required for the Property Development Business and as and when the Proposed Development Business progresses, the Group will consider hiring additional staff, identify suitable candidates from within the Group or engage external consultants and professional advisers with the necessary relevant experience to satisfy its manpower requirements. Where appropriate, the Group may outsource certain functions, such as the execution of sales and marketing activities to outsourced real estate agents. The Group may also seek to collaborate with existing property developers to capitalise on their expertise, or enter into joint ventures partnerships or collaborations with third parties as and when opportunities arise, to spread the risks.

### 13.4 Funding for the Property Development Business

To fund the Property Development Business, the Company may obtain financing from financial institutions or raise funds through secondary fund raising exercises by tapping the capital markets, as deem appropriate by the Board.

The amount of financing required will depend on the type and number of new projects undertaken by the Group. Save for the Proposed Development, the Company currently does not have any specific plans or identified projects in the Property Development Business.



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### 13.5 Rationale for the Property Development Expansion

The Company proposes to undertake the Property Development Business for the following reasons:

- (a) The Directors believe that the Property Development Business will reduce the Group's reliance on its existing product line, offer new business opportunities, provide the Group with new revenue streams and improve its prospects, so as to enhance Shareholders' value.
- (b) The Group's current core business of marketing and distributing wood-related products and lifestyle furniture remains competitive and challenging. While the Company remains focused on improving the profitability of its current core business, the Company proposes to undertake the Proposed Diversification which may potentially offer the Group new business opportunities.

### 13.6 Risk Factors Relating to the Proposed Acquisition and the Proposed Diversification

The Proposed Acquisition and the Proposed Diversification involves a number of risks that relate to the Property Development Business. Risks may arise from, *inter alia*, economic, business, market, political, liquidity, operational, legal and regulatory factors. These risks could materially change the risk profile of the Company.

Any of the risks described below or additional risks and uncertainties not presently known to or anticipated by the Company or the Group, or that the Company or the Group currently deem immaterial may also impair the Company's or the Group's business, financial condition, operations and prospects. The risks and uncertainties described below are not intended to be exhaustive and are not the only risks and uncertainties that the Group may face.

Shareholders should evaluate carefully the following considerations and the other information in this Circular before deciding on how to cast their votes at the EGM. The risks set out below are the material risks which the Group faces following the Proposed Diversification. If any of the following considerations, risks or uncertainties develops into actual events, the business, financial condition, results of operations, cash flow and prospects of the Group may be materially and adversely affected.

**Shareholders should consider the risk factors taking into consideration your own investment objectives and financial circumstances and should seek professional advice from your accountant, stock broker, bank manager, solicitor or other professional advisers if you have any doubt about the actions you should take.**

- (a) The Group has no prior track record and operating history in the Property Development Business

The Group does not have a prior track record in the carrying out or implementation of the Property Development Business. Hence, there is no assurance that the Group's foray into the Property Development Business will be commercially successful.

The Property Development Business may require high capital commitments and may expose the Group to unforeseen liabilities or risks associated with its entry into new markets or new businesses. The Property Development Business also involves business risks including the financial costs of setting up new operations, capital investment and maintaining working capital requirements. If the Group does not derive sufficient revenue from or does not manage the costs of the Property Development Business effectively, the overall financial position and profitability of the Group may be adversely affected.

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The Group's future plans with regard to the Property Development Business may not achieve profitability that justify the investments made and may take a long period of time before the Group can realise any return. Further, such future plans and new initiatives could result in the incurrence of capital commitments, debts and contingent liabilities as well as increased operating expenses, all of which may materially and adversely affect the financial performance of the Group.

- (b) The Group may not have the ability or sufficient expertise to execute the Proposed Diversification

The Group's ability to successfully diversify into the Property Development Business is dependent upon its ability to adapt its existing knowledge and expertise and to understand and navigate the Property Development Business. There is no assurance that the Group will be able to hire and subsequently retain employees with the relevant experience and knowledge as the Group may have to depend on the expertise of certain individuals to provide guidance and/or its investment partners to undertake the projects within the Property Development Business. The Group may also appoint third party professionals and/or foster partnerships with various third parties to assist in undertaking the Property Development Business more effectively and efficiently. However, there is no assurance that these third parties will be able to deliver and/or that these partnerships will be successful. Accordingly, the Group may not be able to successfully implement the Property Development Business and this may adversely affect the Group's financial performance and profitability.

- (c) The Group may not be able to provide the capital investments needed to undertake the property investment projects

The Property Development Business may require substantial capital investments or cash outlay. There is no assurance that financing, either on a short term or a long term basis, will be made available or, if available, that such financing can be obtained on commercially reasonable terms, in which event the Group's future plans and growth prospects will be adversely affected.

Additional debt funding is subject to interest payments and interest rate fluctuations and may also be subject to conditions that restrict or require consent for corporate restructuring, additional financing or fund raising and requirements on the maintenance of certain financial ratios. These conditions may reduce the availability of the Group's cash flow for capital expenditures, working capital and other general corporate purposes. In addition, these conditions may limit the flexibility of the Group in planning for, or reacting to, changes in the business or industry and increase the Group's vulnerability to general adverse economic and industry conditions.

- (d) Independent Shareholders will face immediate dilution and may experience future dilution to shareholdings

The Proposed Acquisition and the Proposed Subscription will result in an immediate dilution to the shareholdings of existing Independent Shareholders upon the allotment and issue of the Consideration Shares and the Subscription Shares. The allotment and issue of the Option Shares at any time subsequent to Completion will result in further dilution to the shareholdings of existing Independent Shareholders. Please refer to Sections 10.2 and 10.3 of this Circular for the dilution effects.

In addition, following Completion, it is possible that the Group may require funding in order to grow and expand its operations. Under such circumstances, secondary issue(s) of securities may be necessary to raise the required capital to develop these growth opportunities. Additional equity financing may result in a dilution to Shareholders' equity interests and may, in the case of a rights issue, require additional investments by Shareholders. Further, an issue of Shares below the then prevailing market price will also



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affect the value of Shares then held by investors. Dilution in Shareholders' equity interests may occur even if the issue of Shares is at a premium to the market price. If the Group fails to utilise the new equity to generate a commensurate increase in earnings, the EPS of the Group will be diluted and this could lead to a decline in the market price of its Shares.

(e) The Group faces risks associated with acquisitions, joint ventures and strategic alliances

Depending on available opportunities, feasibility and market conditions, the Group's expansion into the Property Development Business may involve acquisitions, joint ventures or strategic alliances with third parties. There is no assurance that such joint ventures, including the Proposed Joint Venture, or strategic alliances or the joint management of such enterprises will be successful. Participation in joint ventures, strategic alliances, acquisitions or other investment opportunities involves numerous risks, including the possible diversion of management attention from existing business operations and loss of capital or other investments deployed in such ventures, alliances, acquisitions or opportunities. In such event, the Group's financial performance may be adversely affected.

Additionally, save for the Proposed Acquisition and the Proposed Joint Venture, the Company has not identified or formalized any definitive plans in connection with any other projects in the Property Development Business. While the Group will actively seek for opportunities for new projects in the Property Development Business, there is no assurance that it will be able to identify such suitable projects which suit its risk and returns profile. In the event that the Group is not able to identify suitable projects, it will not undertake any further projects in the Property Development Business. Further, there is no assurance that such projects undertaken will be profitable or successful.

(f) The Property Development Business is subject to governmental laws and regulations

The property development industry in Indonesia is subject to significant government regulation. In particular, regulatory permits, licences, certificates and approvals ("**Approvals**") may be required for, among other things, land and title acquisition or divestment, development planning and design, construction, renovation and asset enhancement, and mortgage financing and refinancing. In addition, such Approvals are generally subject to the satisfaction or compliance with certain conditions.

As at the Latest Practicable Date, the Target Subsidiary has not obtained the material permits and licences, including the building construction permit and the environmental permit required for the purpose of the Proposed Development. If the Group fails to obtain the relevant Approvals, the Proposed Development or any proposed investment may not proceed as scheduled, or if after obtaining such Approvals the Group is unable to comply with the conditions attached to the Approvals, especially as new laws, regulations or policies may come into effect from time to time with respect to the real estate industry in general, the Group may be subject to penalties, have its Approvals revoked, or lose its right to own, develop or manage its properties.

In addition, the ability to obtain registration and certification of the Beachfront Land and its use for the purpose of the Proposed Development is subject to the revision of the current Bintan zoning plan and relevant Approvals being obtained. The Subscriber and the Vendors have undertaken to procure the certification of the Beachfront Land and its use as a beachfront access to and from the Development land and the sea. In the event that due to regulatory or other reasons, the certification and proposed use of the Beachfront Land may not be obtained, the Proposed Development may be materially and adversely affected.

If any of the above events occur, the Group's business, financial condition, results of operations and prospects may be adversely affected. Further, any changes in applicable laws and regulations could result in higher compliance costs and adversely affect the operations of the Group. There is no assurance that any changes in the applicable laws and regulations will not have an adverse effect on the financial performance of the Group.

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- (g) The Group may face intense competition from existing competitors and new market entrants in the Property Development Business

The Property Development Business is highly competitive, with strong competition from established industry participants who may have larger financial resources or stronger track records. The Group may not be able to provide comparable properties or services at lower prices or respond more quickly to market trends than potential or existing competitors who may have larger financial resources and stronger track records. There is no assurance that the Group will be able to compete effectively with its existing and future competitors and adapt quickly to changing market conditions and trends. In the event that the Group is not able to compete successfully against its competitors or adapt to market conditions, its business operations, financial performance and financial condition may be adversely affected.

- (h) The Group may be affected by any changes in pre-sale policies

The Target Subsidiary intends to grant long-term lease contracts of the property units in the Proposed Development before commencement and completion of construction. To the best of the Directors' knowledge, currently there is no prohibition under local legislation in Bintan, Indonesia against the sale or grant of long term leases of property units that are under development prior to the receipt of construction, completion and examination certificates in respect of such property units ("**pre-sale**"). In the event of any change in governmental policy or legislation and pre-sale of property units (whether by way of sale or long term lease) is no longer permitted, or additional restrictions are imposed on the ability of local and/or foreign purchasers to acquire property units in Indonesia, the marketability of the property units under development by the Group will be materially and adversely affected. This will also in turn affect the ability of the Group to earn income prior to the receipt of construction, completion and examination certificates which will adversely affect the Group's revenue and profitability and add greater stress to the Group's cash-flow position.

Should pre-sale practice be permitted under local legislation, the Group may be exposed to certain risks relating to the pre-sale of properties. In the event of a failure or delay in the delivery of property units to purchasers, the Group may be liable for potential losses that purchasers may suffer as a result. There is no guarantee that these losses will not exceed the price paid in respect of the property units. Failure to complete a property development on time may be attributed to factors such as the time taken and costs involved in completing construction, which are in turn adversely affected by factors such as delays in fitting out works, shortages of labour, adverse weather conditions or natural disasters. If the delay in delivery extends beyond the contractually specified period, purchasers may also be entitled to terminate the pre-sale contracts and claim refunds of monies paid, damages and/or compensation for late delivery. There is no assurance that there will be no circumstances which will result in liabilities arising from pre-sale arrangements which have experienced significant delays in completion or delivery, resulting in the Group having to compensate purchasers for late delivery, or refund of monies paid in situations where purchasers have terminated the pre-sale contracts. This will adversely affect the Group's business and financial performance.

- (i) The Group's financial performance may be affected by any unsold properties

To the best of the Directors' knowledge, currently sale of residential properties located in a tourism area is restricted and the Group will rely on a long-term lease contract business model to market the property units in the Proposed Development. In the event that the Group develops other residential properties for sale, it may also face restrictions and stringent regulatory requirements relating to the sale of properties under development. Should the Group be unable to sell (whether through sale or the grant of long term lease contracts) a significant proportion of the properties it develops due to its business model or regulatory restrictions, the Group's financial performance will be materially and adversely affected. Furthermore, the unsold properties that the Group continues to hold for sale or

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long-term lease post-completion may be relatively illiquid, which will limit the Group's ability to realise cash from unsold units on short notice. Such illiquidity may also have a negative effect on the prices of unsold units in the event that the Group is required to dispose of the unsold properties urgently. In such event, the Group's cash-flow and financial performance will be adversely affected.

(j) The Group is reliant on third party contractors

The Group will rely on third party contractors to construct its property development projects. Accordingly, it is subject to construction risks such as the failure of third party contractors to carry out their contractual obligations, failure of third party contractors to bear cost overruns, and any other unforeseen circumstances which may have an adverse impact on its financial performance. Furthermore, the contractors engaged may experience financial or other difficulties that may affect their ability to carry out the work, thus delaying the completion of or failing to complete the development projects and resulting in additional costs or exposures to the risk of liquidated damages to the Group.

(k) The Group may face claims for delays and defective works

The Group may face claims from purchasers relating to delays and defective works under the proposed Property Development Business. Claims may also be made against the Group by owners or occupiers of neighbouring properties in respect of the use of such properties. As such, the Group's business and financial position will be affected if the Group has to pay significant amounts of compensation or spend significant amounts of resources in legal costs in the event of legal proceedings. The Group's reputation may also be affected as a result of such proceedings.

(l) The Property Development Business is affected by fluctuations in property prices and availability of suitable land sites

The performance of the Group may be subject to fluctuations in property prices as well as the availability of suitable land sites. Should property market prices suffer a downward trend, the Group's earnings may be adversely affected as the Group may have to postpone the sale of such property development project units to a later date, when market conditions improve. The Group may also have to sell its property development projects at lower prices, which in turn would adversely affect the Group's sales revenue and profit margin. If the Group is not able to procure suitable land sites to carry out its property development projects, property development projects on less favourable locations may not be as marketable, resulting in the Group's sales volume and profitability being adversely affected. There is competition with other property developers for new land sites and there is no assurance that suitable sites will always be available for the purposes of the proposed Property Development Business of the Group.

(m) The Property Development Business is affected by any change in the business environment of a property development project

Changes in the business environment during the length of the Group's projects may affect the revenue and cost of the development which will directly depress the profit margin of such projects. Changes in the business environment can include delays in procuring the necessary relevant approvals, licenses or certificates from government bodies, changes in laws, regulations and policies in relation to property development, fluctuations in demand for properties, delays in construction schedules due to poor weather conditions, labour disputes and fluctuation in costs of construction materials and other costs of development. Such delays will result in the Group incurring additional costs, such as additional labour cost, thus affecting the profitability of the Group.

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- (n) Fluctuations in the Rupiah may have a material adverse effect on the Group's profitability

As the Company's functional and presentation currency is denominated in S\$, any appreciation in the Rupiah against the S\$ may affect the Group's profitability and financial position. For example, any appreciation of the Rupiah will lead to higher developmental and labour costs which may affect the Group's profitability. Further any appreciation of the Rupiah against the S\$ may affect the price of property units which may then affect the demand for such units from foreign investors. This may also affect the profitability of the Group.

- (o) The Group's financial condition is affected by property valuations and decline in property values

Valuations of the Group's properties conducted by professional valuers are based on certain assumptions and are not intended to be a prediction of, and may not accurately reflect, the actual values of these assets. The inspections of the properties and other works undertaken in connection with a valuation exercise may not identify all material defects, breaches of contracts, laws and regulations, and other deficiencies and factors that could affect the valuation.

In addition, unfavourable changes to the economic or regulatory environment or other relevant factors may negatively affect the premises upon which the valuations are based and hence, the conclusions of such valuations may be adversely affected. As such, the properties of the Group may not retain the price at which they may be valued or be realised at the valuations or property values which were recorded.

The Group may apply fair value accounting standards in valuing its properties. The value of the properties of the Group may fluctuate from time to time due to market and other conditions. Such adjustments to the Group's shares of the fair value of the properties in the Group's portfolio could have an adverse effect on the net asset value and profitability of the Group.

- (p) The Group may be exposed to risk of loss and potential liabilities that may not be covered by insurance

As at the Latest Practicable Date, the Target Subsidiary has not procured any insurance over the Property as construction of the Proposed Development has not commenced. While the Group will, where appropriate, obtain insurance policies to cover losses with respect to its properties (including the Proposed Development when construction commences), the insurance obtained may not be sufficient to cover all potential losses. Examples of such potential losses include losses arising out of extraordinary events such as natural disasters like earthquakes or floods. Losses arising out of damage to the Group's properties not covered by insurance policies in excess of the amount it is insured would affect the Group's profitability. The Group may also have to commit additional resources, other than to meet the uninsured losses, to complete a project, which would also adversely affect the financial performance of the Group.

- (q) The Group may be exposed to potential liability arising from damages, injury or death due to accidents

Due to the nature of the operations of the Property Development Business, there is a risk of accidents occurring to either the Group's employees or employees of subcontractors on the project sites. These accidents may occur due to various reasons or as a result of non-compliance with safety rules and regulations. Depending on the severity of such accidents, the Group may be subject to inquiries and investigations by the relevant authorities and/or be issued stop work orders. In the event that the Group is found to be liable for such accidents, penalties or damages may be imposed against the Group. If any accidents are not covered by the Group's insurance policies, claims arising from such accidents are in excess of the Group's insurance coverage or if any of the Group's insurance claims

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## LETTER TO SHAREHOLDERS

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are contested by any insurance company, the Group may be required to pay for such compensation, which may have a material and adverse impact on the Group financial performance. In addition, the payment by the Group's insurers of such insurance claims may result in increases in the premiums payable by the Group for such insurances. This will also increase the costs of the Group's operations and may adversely affect the Group's financial performance.

(r) The Group may be affected by any outbreak of communicable diseases

An outbreak of infectious disease in the locations where the Group's Property Development Business are based may have an adverse impact on the Group's operations and the Group's financial performance. Market sentiment and consumer confidence could be affected and may lead to a deterioration of economic conditions. Further, in the event that the Group's employees or those of the Group's contractors or subcontractors are infected or suspected of being infected with any communicable disease, the Group may be required by health authorities to temporarily shut down the affected project sites and quarantine the relevant workers to prevent the spread of the disease. This will result in project delay and have an adverse impact on the Group's business and financial performance.

(s) The Group may be exposed to potential legal or other proceedings arising from the Group's operations in the Property Development Business

The Group may be involved from time to time in disputes with various parties involved in the property development projects that the Group undertakes. These parties include contractors, subcontractors, suppliers, construction companies, purchasers and other partners. These disputes may lead to legal and other proceedings. The Group may also have disagreements with regulatory bodies and these may subject the Group to administrative proceedings. In the event that unfavourable decrees are determined by the courts or the regulatory bodies, the Group may suffer not only financial losses but also a delay in the construction or completion of the Group's property development projects.

(t) The Group is exposed to natural disasters and acts of terrorisms

The Group's Property Development Business includes the management and operation of resorts that are developed by the Group. Such business is dependent on a regular flow of tourists and travellers to the location where the Group's properties are situated. The Group's operations are thus affected by the number of tourists and travellers which is in turn dependent on consumers' willingness to travel.

The operations of the proposed Property Development Business may be affected by natural disasters such as earthquakes, tsunamis and floods. An earthquake, tsunami, flood or other geological disturbance in the locations where the Group's properties are situated or in any of Indonesia's more populated cities and financial centres could affect the willingness of tourists and travellers to travel to Indonesia, including to the locations of the Group's properties. Such natural disaster could also disrupt the Indonesian economy which, in turn, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Terrorist acts in Indonesia could destabilise Indonesia and have, a material adverse effect on investment and confidence in, and the performance of, the Indonesian economy, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In the event of any acts or threats of terrorism, the willingness to travel of potential customers may be drastically reduced. Furthermore, any increase in anti-terrorism measures and the tightening of entry requirements to the locations where the Group's properties are situated may also deter some potential customers from travelling. The Group cannot predict the extent to which disruptions in travelling caused by any future terrorist acts would adversely affect its business, operations and financial performance.



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## LETTER TO SHAREHOLDERS

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- (u) The Group is exposed to political, economic, regulatory and social conditions and changes in fiscal policies in Indonesia

The Property Development Business is dependent on the political, economic, regulatory and social conditions in Indonesia. Any economic downturn or changes in policies in Indonesia, currency and interest rate fluctuations, capital controls or capital restrictions, labour laws, changes in environmental protection laws and regulations, duties and taxation and limitations on imports and exports could materially and adversely affect the Group's business, financial condition and results of operations.

Labour unrest and activism in Indonesia could disrupt operations of the Property Development Business, and thus could materially and adversely affect the Group's financial condition, results of operations and prospects.

The Group will be subject to Indonesian real estate laws, regulations and policies as a result of any property investments in Indonesia. There may be a negative impact on any properties developed or owned by the Group in Indonesia as a result of measures and policies adopted by the Indonesian government and regulatory authorities at national, provincial or local levels, such as but not limited to, governmental control over property investments, property development, planning and zoning requirements, the supply of land for property development, regulations in relation to foreign exchange, taxation or foreign investment or ownership of properties. Through these policies and measures, the Indonesian government may raise the benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies on property sales, restrict foreign ownership or investment of real properties in Indonesia and restrict or reduce the supply of land for property development. Legal protection and recourse available to the Group in Indonesia may be limited. Other local real estate market conditions which may adversely affect the performance of the Group include the attractiveness of competing property developments, an oversupply of or a reduced demand for real estate in general.

In addition, the income and gains derived from investment in properties in Indonesia will be subject to various types of taxes in Indonesia, including income tax, withholding tax, capital gains tax and any other taxes that may be imposed specifically for ownership of real estate. All of these taxes, which are subject to changes in laws and regulations that may lead to an increase in tax rates or the introduction of new taxes, could materially or adversely affect the returns from these properties.

There is also no assurance that the Group will be able to repatriate to Singapore the income and gains derived from its property developments and investment in Indonesia on a timely and regular basis. Any inability to repatriate cash from Indonesia to Singapore could have a material adverse effect on the Group's financial performance.

- (v) The Property and/or future acquisitions, or a part of them, may be acquired compulsorily by the Indonesian government

In Indonesia, the Indonesian government has the right to revoke any right over the land and any property thereon owned by any party and compulsorily acquire such land and property under prevailing laws and regulations, in order for the Indonesian government (including local governments) to fulfil public needs, including public roads, airports, train stations, water embankments or natural reservations.

Therefore, there is no assurance that the Indonesian government will not compulsorily acquire the Property or any other lands the Group owns or has an interest in. Such compulsory acquisitions will have an adverse effect on the financial condition, operating results and the value of any the Group's property developments in Indonesia.



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## LETTER TO SHAREHOLDERS

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- (w) The operations of the Property Development Business in Indonesia will be affected by Indonesian laws and regulations, the changes in and interpretation of such laws and regulations

The operations of the Property Development Business will be regulated by the laws and regulations of Indonesia, including those relating to real estate (including zoning and planning requirements), corporate, investment, marketing and transportation of labour, environmental, safety and taxation matters. The laws and regulations and its corresponding interpretations are sometimes ambiguous, especially in the absence of implementing regulations, which provide guidance on the implementation and application of the laws and regulations. Such operations may be adversely affected by the adoption of new laws and regulations or changes to, or changes in the interpretation or implementation of, existing laws and regulations which, in turn, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The Group's costs of compliance may also increase.

### 13.7 Potential Conflicts of Interests

As at the Latest Practicable Date, other than the Property, the Subscriber and/or his Associates hold indirectly through other entities, interests in two (2) other land parcels in Bintan Indonesia.

To resolve any potential conflict of interests between the Subscriber and the Company, the Subscriber and the Vendors will, subject to Completion, undertake the following to the Company:

- (a) In relation to any business or projects involving the Property Development Business, including any potential development of the two (2) land parcels above stated ("**New Business Opportunity**") where the Subscriber, the Vendors and/or any of their respective Associates:
- (i) own individually or collectively more than 50% of the rights and interest of a property which is the subject of the Property Development Business, or is the holder (directly or indirectly) of not less than 50% of the equity interest in a person which owns the rights and interest of the subject property (other than through their respective shareholdings in the Company); or
  - (ii) is approached by, or intend to approach any person with respect to a proposed business or project in the Property Development Business,

the Subscriber and the Vendors will not, and will procure that their respective Associates will not, whether on his/their own account or in conjunction with or on behalf of any person, firm or company, or in partnership, joint venture or collaboration with any other third party, undertake, participate, be interested or engaged or otherwise involved in the New Business Opportunity without first giving the Company a first right of refusal to undertake such New Business Opportunity on terms that are not less favourable. The Subscriber, the Vendors and/or their respective Associates may undertake the New Business Opportunity only if it is rejected or declined by the Company. The restriction does not apply to holding of listed securities of not more than 5% in listed companies provided that such holding is not the single largest shareholding or the property development business and its related assets account for less than 10% of the latest audited net profit after tax, minority interest and exceptional items, of the listed entity.

- (b) In relation to any New Business Opportunity which become available to both the Company and the Covenantors, whether by way of public tender or otherwise (other than through one of the means set out in sub-paragraph (a) above), each of the the Subscriber and the Vendors will not and they will procure that their respective Associates will not, without the prior written consent of the Company, accept, participate, be engaged or involved in the New Business Opportunity unless such New Business Opportunity has been rejected or declined by SITRA.

## LETTER TO SHAREHOLDERS

Each New Business Opportunity shall be referred to and considered by the independent Directors or an independent committee of the Board, which may decide in their sole absolute discretion whether to undertake the New Business Opportunity and the terms thereof. Persons, including the Subscriber who are not considered independent for the purposes of each such transaction will abstain from the voting and approval process.

### 14. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION, THE PROPOSED SUBSCRIPTION AND THE PROPOSED OPTIONS

Based on the audited consolidated financial statements of the Group for FY2018, the financial effects of the Proposed Acquisition, the Proposed Subscription and the Proposed Options are set out below. The financial effects set out below are for illustration purposes only and do not reflect the future financial position of the Company or the Group after the completion of the Proposed Transactions.

#### (a) Share capital

Assuming that the Proposed Acquisition and the Proposed Subscription were completed and the Option Shares were fully issued on 31 December 2018, the issued and paid-up share capital of the Company as at 31 December 2018 would have been as follows:

|                                  | Before the Proposed Acquisition, the Proposed Subscription and the issuance of the Option Shares in full | After the Proposed Acquisition and the Proposed Subscription but before the issuance of the Option Shares in full | After the Proposed Acquisition, the Proposed Subscription and issuance of the Option Shares in full |
|----------------------------------|--|---|---|
| Total number of issued Shares    | 751,200,000  | 1,228,300,000   | 1,483,300,000   |
| Issued and paid-up share capital | 17,817,108   | 22,815,208  | 25,620,208  |

#### (b) Earnings per Share

Assuming that the Proposed Acquisition and the Proposed Subscription were completed and the Option Shares were fully issued on 1 January 2018, the effect of the Proposed Acquisition, the Proposed Subscription and the Proposed Options on the EPS of the Group for FY2018 would have been as follows:

|   | Before the Proposed Acquisition, the Proposed Subscription and the issuance of the Option Shares in full | After the Proposed Acquisition and the Proposed Subscription but before the issuance of the Option Shares in full | After the Proposed Acquisition, the Proposed Subscription and issuance of the Option Shares in full |
|---|--|---|---|
| Net loss attributable to the Shareholders | (2,979,923)  | (2,610,737) <sup>(1)</sup>  | (2,625,737) <sup>(1)</sup>  |
| Number of Shares                          | 751,200,000  | 1,228,300,000   | 1,483,300,000   |
| EPS (cents)                               | (0.40)   | (0.21)  | (0.18)  |

Note:

- (1) The figure has incorporated an adjustment of the net asset value of the Target Group to take into account the market value of the Property of approximately S\$6,500,000, as determined in the Valuation Report.

## LETTER TO SHAREHOLDERS

### (c) Net Tangible Assets

Assuming that the Proposed Acquisition and the Proposed Subscription were completed and the Option Shares were fully issued on 31 December 2018, the effect of the Proposed Acquisition, the Proposed Subscription and the Proposed Options on the NTA of the Group for FY2018 would have been as follows:

|                                      | Before the Proposed Acquisition, the Proposed Subscription and the issuance of the Option Shares in full | After the Proposed Acquisition and the Proposed Subscription but before the issuance of the Option Shares in full | After the Proposed Acquisition, the Proposed Subscription and issuance of the Option Shares in full |
|--------------------------------------|--|---|---|
| NTA attributable to the Shareholders | 10,690,430   | 16,057,716 <sup>(1)</sup>   | 18,847,716 <sup>(1)</sup>   |
| Number of Shares                     | 751,200,000  | 1,228,300,000   | 1,483,300,000   |
| NTA per Share (cents)                | 1.42   | 1.31  | 1.27  |

Note:

- (1) The figure has incorporated an adjustment of the net asset value of the Target Group to take into account the market value of the Property of approximately S\$6,500,000, as determined in the Valuation Report.

### (d) Gearing

Assuming that the Proposed Acquisition and the Proposed Subscription were completed and the Option Shares were fully issued on 31 December 2018, the gearing of the Group as at 31 December 2018 would have been as follows:

|                                | Before the Proposed Acquisition, the Proposed Subscription and the issuance of the Option Shares in full | After the Proposed Acquisition and the Proposed Subscription but before the issuance of the Option Shares in full | After the Proposed Acquisition, the Proposed Subscription and issuance of the Option Shares in full |
|--------------------------------|--|---|---|
| Total borrowings               | 1,524,991  | 1,524,991   | 1,524,991   |
| Shareholders' equity           | 10,690,430   | 16,057,716 <sup>(1)</sup>   | 18,847,716 <sup>(1)</sup>   |
| Gearing (times) <sup>(2)</sup> | 0.14   | 0.09  | 0.08  |

Notes:

- (1) Excludes estimated expenses of S\$250,000 which have been deducted against the share capital.
- (2) Gearing is defined as the Group's total borrowings divided by Shareholders' equity.

## 15. INDEPENDENT FINANCIAL ADVISER

### 15.1 Interested Persons Transactions

As disclosed in Sections 7.1 to 7.5, 8 and 12 of this Circular, the Proposed Acquisition, the Proposed Subscription, the Proposed Options and the Proposed Joint Venture are IPTs under Chapter 9 of the Catalist Rules.

Rule 921(4)(a) of the Catalist Rules provides that if shareholder approval is required in respect of an interested person transaction, the circular to shareholders must include an opinion in a separate letter from an independent financial adviser stating whether the relevant transaction is on normal commercial terms and is prejudicial to the interests of the issuer and its minority shareholders. Rule 921(4)(b) further provides that the opinion of the independent financial adviser is not required in relation to the issue of shares for cash.

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## LETTER TO SHAREHOLDERS

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### 15.2 Proposed Whitewash Resolution

As disclosed in Section 11.2 of this Circular, the Company is required to appoint an independent financial adviser to advise its Independent Shareholders on the Proposed Whitewash Resolution in compliance with one of the conditions for the grant of the Whitewash Waiver by the SIC.

### 15.3 IFA

Novus Corporate Finance Pte. Ltd. has been appointed as the IFA to provide an opinion to the Independent Directors on whether:

- (a) the Proposed Acquisition, the Proposed Subscription, the Proposed Options and the Proposed Joint Venture as IPTs are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders as required under Rule 921(4)(a) of the Catalist Rules; and
- (b) the Proposed Acquisition, the Proposed Subscription and the Proposed Options, which collectively are the subject of the Proposed Whitewash Resolution, are fair and reasonable.

Although Rule 921(4)(b) provides that the opinion of the independent financial adviser is not required in relation to the issue of shares for cash, the Independent Directors have appointed the IFA to also provide an opinion on the Proposed Subscription and Proposed Options.

Please refer to Section 15.4 of this Circular entitled “Opinion of the IFA” and Appendix II entitled “Letter from the Independent Financial Adviser to the Independent Directors” on pages II-1 to II-50 of this Circular for the advice provided by the IFA.

### 15.4 Opinion of the IFA

Based on the IFA’s analysis as set out in its letter to the Independent Directors in Appendix II, and after having considered carefully the information available to the IFA as at the Latest Practicable Date, the IFA is of the opinion that:

- (i) the Proposed Acquisition, the Proposed Subscription, the Proposed Options and the Proposed Joint Venture are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders; and
- (ii) the Proposed Acquisition, the Proposed Subscription and the Proposed Options, which collectively are the subject of the Proposed Whitewash Resolution, are on balance fair and reasonable.

**Accordingly, the IFA has advised the Independent Directors to recommend that the Independent Shareholders vote in favour of the Proposed Acquisition, the Proposed Subscription, the Proposed Options, the Proposed Joint Venture and the Proposed Whitewash Resolution at the EGM.**

Shareholders are advised to read Appendix II entitled “Letter from the Independent Financial Adviser to the Independent Directors” on pages II-1 to II-50 of this Circular in full and consider carefully its recommendations to the Independent Directors.

## 16. AUDIT COMMITTEE STATEMENT

The Audit Committee of the Company comprises Mr Chin Sek Peng Michael, Mr Ng Boon Huan Daniels and Mr Tan Eng Kiat Dominic. Other than through the respective shareholdings of Mr Chin Sek Peng Michael and Mr Ng Boon Huan Daniels in the Company, the members of the Audit Committee of the Company do not have any interest in the Proposed Acquisition, the Proposed Subscription, the Proposed Options, the Proposed Whitewash Resolution and the Proposed Joint Venture and are accordingly considered to be independent for the purposes of such transactions.

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## LETTER TO SHAREHOLDERS

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The Audit Committee of the Company, having reviewed the terms of the Agreement and the rationale for the Proposed Transactions, the financial effects of the Proposed Acquisition, the Proposed Subscription and the Proposed Options, the Valuation Report, and all other relevant information set out in this Circular, and having considered the advice of the IFA, concur with the IFA and are of the view that;

- (a) the Proposed Acquisition, the Proposed Subscription, the Proposed Options and the Proposed Joint Venture are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders; and
- (b) the Proposed Acquisition, the Proposed Subscription and the Proposed Options, which collectively are the subject of the Proposed Whitewash Resolution, are on balance fair and reasonable.

### 17. INDEPENDENT DIRECTORS' RECOMMENDATION

Having considered and reviewed, amongst other things, the terms of the Agreement, the rationale for the Proposed Transactions and the financial effects of the Proposed Acquisition, the Proposed Subscription and the Proposed Options, and the advice of the IFA in relation to the Proposed Acquisition, the Proposed Subscription, the Proposed Options and the Proposed Joint Venture as Interested Person Transactions and the Proposed Whitewash Resolution, and all other relevant facts set out in this Circular, the Independent Directors are of the opinion that:

- (a) Ordinary Resolution 1 pertaining to the Proposed Acquisition as an IPT is in the best interests of the Company. Accordingly they recommend that Shareholders vote in favour of Ordinary Resolution 1 as set out in the Notice of EGM on page N-1 of this Circular;
- (b) Ordinary Resolution 2 pertaining to the Proposed Subscription as an IPT is in the best interests of the Company. Accordingly they recommend that Shareholders vote in favour of Ordinary Resolution 2 as set out in the Notice of EGM on page N-1 of this Circular;
- (c) Ordinary Resolution 3 pertaining to the Proposed Options as an IPT is in the best interests of the Company. Accordingly they recommend that Shareholders vote in favour of Ordinary Resolution 3 as set out in the Notice of EGM on page N-2 of this Circular;
- (d) Ordinary Resolution 4 pertaining to the proposed allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares to the Subscriber are in the best interests of the Company. Accordingly they recommend that Shareholders vote in favour of Ordinary Resolution 4 as set out in the Notice of EGM on page N-2 of this Circular.
- (e) Ordinary Resolution 5 pertaining to the Proposed Whitewash Resolution is in the best interests of the Company. Accordingly they recommend that Shareholders vote in favour of Ordinary Resolution 5 as set out in the Notice of EGM on page N-3 of this Circular;
- (f) Ordinary Resolution 6 pertaining to the Proposed Joint Venture as an IPT is in the best interests of the Company. Accordingly they recommend that Shareholders vote in favour of Ordinary Resolution 6 as set out in the Notice of EGM on page N-3 of this Circular; and
- (g) Ordinary Resolution 7 pertaining to the Proposed Diversification is in the best interests of the Company. Accordingly they recommend that Shareholders vote in favour of Ordinary Resolution 7 as set out in the Notice of EGM on page N-3 of this Circular;

The Directors, Mr Chew Ah Ba George and Mr Chew Chiew Siang Steven have abstained from making any recommendation to Shareholders on the Proposed Transactions, including the Proposed Whitewash Resolution, in their capacity as Directors.

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## LETTER TO SHAREHOLDERS

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In rendering the above opinion and giving the above recommendations, both the IFA and the Independent Directors have not had regard to the general or specific investment objectives, financial situation, tax status or position, risk profiles or unique needs and constraints or other particular circumstances of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require specific advice in relation to his investment should consult his solicitor, accountant, tax adviser or other professional adviser immediately.

Accordingly, the Independent Directors advise that the advice of the IFA should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept and approve the Proposed Transactions.

Shareholders are advised to read this Circular in its entirety, in particular the rationale for the Proposed Transactions and/or the related risk factors, and for those who may require advice in the context of his specific investment, to consult his stockbroker, bank manager, solicitor, accountant or other professional adviser.

### **18. DIRECTORS' SERVICE CONTRACTS**

Subject to the approval of the Board, the Subscriber will be nominated to be appointed as a non-executive Director. The Subscriber intends to nominate one other Director to be appointed to the Board.

Save as set out above, as at the Latest Practicable Date, no service contract is intended to be entered into with the Subscriber and no other person is proposed to be appointed as Director of the Company in connection with the Proposed Transactions.

### **19. EXTRAORDINARY GENERAL MEETING**

The EGM, notice of which is set out on pages N-1 to N-4 of this Circular, will be held on 26 July 2019, at 15 Hillview Terrace Singapore 669226, at 2.30 p.m. 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.

### **20. 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 the notice of EGM in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Company's registered office not less than 48 hours before the time fixed for the EGM. The completion and return of the proxy form by such Shareholder will not prevent him from attending the EGM and voting in person in place of his proxy should he subsequently wish to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance. A proxy need not be a Shareholder of the Company.

A Depositor shall not be regarded as a member of the Company entitled to attend the EGM to speak and vote thereat unless his name appears in the Depository Register as at 48 hours before the EGM.

### **21. ABSTENTION FROM VOTING**

The Subscriber and the Vendors will abstain and ensure that their respective Associates will abstain from voting on all the Ordinary Resolutions approving the Proposed Transactions at the EGM, and will not accept any nominations to act as proxy for any Shareholder in voting on the respective Ordinary Resolutions unless specific instruction has been given in the proxy form as to the manner in which votes are to be cast in respect of such Ordinary Resolutions.



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## LETTER TO SHAREHOLDERS

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The Subscriber and his Concert Parties, parties not independent of them as well as parties not independent of the Proposed Acquisition, the Proposed Subscription and the Proposed Options will abstain from voting on all the Ordinary Resolutions approving the Proposed Transactions at the EGM, and will not accept any nominations to act as proxy for any Shareholder in voting on the respective Ordinary Resolutions unless specific instruction has been given in the proxy form as to the manner in which votes are to be cast in respect of such Ordinary Resolutions.

The Director, Mr Chew Ah Ba George and his Associates (including Mr Chew Chiew Siang Steven and Madam Tan Teresa) will abstain from voting on all the Ordinary Resolutions approving the Proposed Transactions at the EGM, and will not accept any nominations to act as proxy for any Shareholder in voting on the respective Ordinary Resolutions unless specific instruction has been given in the proxy form as to the manner in which votes are to be cast in respect of such Ordinary Resolutions.

### **22. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

Save as disclosed above, none of the Directors (other than in his capacity as Director or Shareholder) or Controlling Shareholders (other than through their respective shareholdings in the Company) has any interest, direct or indirect, in the Proposed Transactions.

### **23. NO PROSPECTUS OR OFFER INFORMATION STATEMENT**

The Proposed Subscription and the Proposed Options are undertaken by way of private placement in accordance with Section 272B of the SFA. As such, no prospectus or offer information statement will be issued by the Company in connection therewith.

No placement agent has been appointed in respect of the Subscription Shares and the Option Shares and no commission or any other additional payment (apart from professional fees) will be made in relation to the Proposed Subscription and the Proposed Options.

### **24. CONSENT FROM THE VALUER AND INDEPENDENT FINANCIAL ADVISER**

Colliers International Consultancy & Valuation (Singapore) Pte Ltd, the valuer appointed to assess the value of the Property, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the Valuation Summary set out in Appendix I of this Circular and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

Novus Corporate Finance Pte. Ltd., the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter to the Independent Directors as set out in Appendix II of this Circular and all references to itself in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

### **25. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts that 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.

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## LETTER TO SHAREHOLDERS

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### 26. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected by Shareholders at the registered office of the Company at 15 Hillview Terrace Singapore 669226 during normal business hours on any weekday (public holidays excepted) from the date of this Circular up to the date of the EGM:-

- (a) the Agreement;
- (b) the Valuation Report;
- (c) the letter from the IFA to the Independent Directors as set out in Appendix II;
- (d) the consent letter from the Valuer;
- (e) the consent letter from the IFA;
- (f) the annual reports of the Company for FY2016, FY2017 and FY2018; and
- (g) the constitution of the Company.

Yours faithfully

For and on behalf of the Board of Directors of  
**SITRA HOLDINGS (INTERNATIONAL) LIMITED**

Chew Ah Ba George  
Executive Chairman and Chief Executive Officer

## APPENDIX I – VALUATION SUMMARY



Colliers International Consultancy & Valuation (Singapore) Pte Ltd  
12 Marina View #19-02  
ASIA SQUARE TOWER 2  
Singapore 018961

MAIN +65 6223 2323  
FAX +65 6438 6826



### 1 Executive Summary

|                       |  |
|-----------------------|--|
| Property Address      | : Jalan H. Abdul Salam Teluk Merbau, Sub-district of Berakit, District of Teluk Sebong, Regency of Bintan, Province of Kepulauan Riau– Indonesia.  |
| Description           | : Vacant Land  |
| Registered Proprietor | : PT East Bintan Resort  |
| Site Area             | : 123,534 sm   |
| Tenure                | : <ul style="list-style-type: none"> <li>• Rights to Build Land Certificates (SHGB) No. 00011/Berakit (Land Area: 108,962 sm) with expiry date in 7 January 2046.</li> <li>• Beachfront Land, without certificate, of 14,572 sm (approximate area based on Total “Alas Hak” Area minus SHGB Area and Desa Land Area)</li> </ul>  |
| Interest Valued       | : Rights to Build.   |
| Purpose of Valuation  | : Corporate Reporting & Circular to Shareholders   |
| Valuation Approach    | : Comparison Method (Market Approach)  |
| Valuation Date        | : 1 October 2018   |
| Inspection Date       | : 1 June 2018  |
| Market Value          | : <p><b>Land Value</b><br/> <b>Rp70,358,000,000/-</b><br/> <b>(Rupiah Seventy Billion Three Hundred Fifty Eight Million Only)</b><br/> Reflecting S\$ 6,500,000/- at the exchange rate of S\$ 1 = Rp10,896.68 (middle rate of Bank Indonesia as of the Date of Valuation)</p> <p><b>Gross Development Value (Proposed Villa Development)</b><br/> <b>Rp987,941,000,000/-</b><br/> <b>(Rupiah Nine Hundred Eighty Seven Billion Nine Hundred And Forty One Million Only)</b><br/> Reflecting S\$ 90,700,000/- at the exchange rate of S\$ 1 = Rp10,896.68 (middle rate of Bank Indonesia as of the Date of Valuation)</p> |

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

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### NOVUS CORPORATE FINANCE PTE. LTD.

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

9 Raffles Place  
#17-05 Republic Plaza Tower 1  
Singapore 048619

10 July 2019

To: The Independent Directors of Sitra Holdings (International) Limited (the “**Company**”)  
(deemed to be independent in respect of the Proposed IPT Transactions and the Proposed Whitewash Resolution)

Mr Chin Sek Peng Michael  
Mr Tan Eng Kiat Dominic  
Mr Ng Boon Huan Daniels

Dear Sirs,

#### INDEPENDENT FINANCIAL ADVICE TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE PROPOSED ACQUISITION, THE PROPOSED SUBSCRIPTION, THE PROPOSED OPTIONS, THE PROPOSED WHITEWASH RESOLUTION AND THE PROPOSED JOINT VENTURE

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*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 10 July 2019 (the “**Circular**”) issued by the Company to shareholders of the Company (the “**Shareholders**”) shall have the same meanings herein.*

#### 1. INTRODUCTION

On 27 February 2019 (the “**Announcement Date**”), the board of directors (the “**Directors**”) of the Company announced (the “**Announcement**”) that the Company had entered into a conditional share sale cum subscription and option agreement (the “**Agreement**”) with (i) Madam Doris Chung Gim Lian (“**Doris**”) and Mr Chew Han Wei (“**Han Wei**”) (collectively, the “**Vendors**” and each a “**Vendor**”); and (ii) Mr Chew Hua Seng (the “**Subscriber**”).

Pursuant to and on the terms of, and subject to the conditions set out in the Agreement:

- (a) the Vendors have collectively agreed to sell to the Company, and the Company has agreed to purchase from the Vendors, 54 issued and paid-up ordinary shares in the capital of Mapur Rocky Resort Limited (the “**Target Company**”) (“**Target Shares**”), representing 54.0% of the total issued Target Shares (the “**Target Sale Shares**”) free from all encumbrances and together with all rights attaching to the Target Sale Shares on or after the completion of the Proposed Acquisition and the Proposed Subscription (as defined herein), in accordance with the terms and conditions of the Agreement (the “**Completion**”), at a consideration of S\$3,510,100 (the “**Acquisition Consideration**”) (the “**Proposed Acquisition**”) to be satisfied by the allotment and issuance of an aggregate 319,100,000 new ordinary shares in the capital of the Company (the “**Shares**”) (the “**Consideration Shares**”). The Consideration Shares constitute approximately 42.5% of the existing total issued Shares and 26.0% of the enlarged total issued Shares on Completion;
- (b) the Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue to the Subscriber 158,000,000 Shares (the “**Subscription Shares**”) at an issue price of S\$0.011 per Subscription Share (the “**Subscription Issue Price**”) for an aggregate consideration of S\$1,738,000 (the “**Subscription Consideration**”) (the “**Proposed Subscription**”). The Subscription Shares constitute approximately 21.0% of the existing total issued Shares and 12.9% of the enlarged total issued Shares on Completion; and

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- (c) the Company has agreed to grant to the Subscriber the right to require the Company to allot and issue to the Subscriber up to 255,000,000 new Shares (the “**Option Shares**”) at the exercise price of S\$0.011 per Option Share (the “**Option Exercise Price**”), subject to the terms of the Agreement (the “**Call Option**”), and the Subscriber has agreed to grant to the Company the right to require the Subscriber to subscribe for up to the number of Option Shares at the Option Exercise Price, subject to the terms of the Agreement (the “**Put Option**”) (the Call Option and the Put Option are collectively, the “**Proposed Options**”). Assuming that the Proposed Options are exercised in respect of all the Option Shares, the Option Shares would constitute approximately 34.0% of the existing total issued Shares, 20.8% of the enlarged total issued Shares after Completion and 17.2% of the enlarged total issued Shares (assuming that the Proposed Options are exercised in respect of all of the Option Shares) after the completion of the allotment and issuance of the Option Shares (the “**Option Shares Completion**”).

Following Completion, as it is envisioned that Han Wei will divest his entire shareholding stake in the Target Company as part of the Target Sale Shares to be acquired by the Company pursuant to the terms of the Agreement, the Company and the remaining Vendor, Doris, will respectively hold 54.0% and 46.0% of the shareholding in the Target Company and they will enter into a proposed joint venture with each other in the Target Company (the “**Proposed Joint Venture**”). A shareholders’ agreement to be entered between the Target Company, the Company and Doris, which sets out, *inter alia*, the rights and duties of the Company and Doris as shareholders in the Target Company following Completion (the “**Shareholders’ Agreement**”), shall be duly executed on Completion.

The Target Company, through its subsidiary PT East Bintan Resort (the “**Target Subsidiary**” and collectively, the “**Target Group**”) currently owns a vacant piece of land located in Bintan, Indonesia (the “**Property**”). It is envisioned that the Company shall, through the Proposed Joint Venture, embark on the holding and development of the Property into a mixed hotel resort and residences, which may include resort rooms, suites and villas or such other type of development, for sale, lease or other commercial purposes (the “**Proposed Development**”).

The Subscriber, being the brother of Mr Chew Ah Ba George (“**Mr Chew**”), the Executive Chairman and Chief Executive Officer and Controlling Shareholder of the Company, is deemed to be an Associate of Mr Chew and an “interested person” for the purposes of Chapter 9 of the Catalist Rules (“**IP**”). Notwithstanding that the Vendors do not fall within the definition of an IP as they are not associates of any IP of the Company, the Vendors, Doris and Han Wei who are respectively the wife and son of the Subscriber, have nominated the Subscriber as their nominee to receive the Consideration Shares, which when allotted and issued to the Subscriber shall be deemed to be a full discharge and settlement of the Acquisition Consideration to the Vendors. Accordingly, the Proposed Acquisition will constitute an “interested person transaction” under Chapter 9 of the Catalist Rules (“**IPT**”) given that the Consideration Shares are to be allotted and issued to the Subscriber who is an IP.

Under Rule 906 of the Catalist Rules, approval is required from Shareholders for an IPT of a value equal to, or more than:

- (a) 5.0% of the Group’s latest audited net tangible assets (“**NTA**”); or
- (b) 5.0% of the Group’s latest audited NTA, when aggregated with other transactions entered into with the same interested person during the same financial year.

The value of the Proposed Acquisition (being the amount at risk to the Company) is the Acquisition Consideration. As the value of the Proposed Acquisition represents approximately 26.5% and 32.4% of the Group’s audited NTA based on total equity of S\$13.2 million as at 31 December 2017 (being the latest audited NTA as at the date of the Agreement) and S\$10.8 million as at 31 December 2018 respectively, the approval of the Shareholders for the Proposed Acquisition as an IPT will be sought at the extraordinary general meeting of the Company to be held on 26 July 2019 (the “**EGM**”).



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The value of the Proposed Subscription (being the amount at risk to the Company) is the Subscription Consideration of S\$1.7 million. The value of the Proposed Options (being the amount at risk to the Company and assuming they are exercised in respect of all of the Option Shares) is approximately S\$2.8 million. As the values of the Proposed Subscription and the Proposed Options represent approximately 13.1% and 21.2% of the Group's audited NTA based on total equity of S\$13.2 million as at 31 December 2017 respectively, and approximately 16.0% and 25.9% of the Group's audited NTA based on total equity of S\$10.8 million as at 31 December 2018 respectively, the Shareholders' approval for the Proposed Subscription and the Proposed Options as IPTs has to be obtained at the EGM.

The value at risk in the Proposed Joint Venture is the amount of the Acquisition Consideration, which exceeds 5.0% of the Group's audited NTA based on total equity prior to the date of the Agreement. In view that Doris, has an existing equity interest of 90.0% in the Target Company prior to Completion, we note that the exemption under Rule 916(2) of the Catalist Rules does not apply to the Proposed Joint Venture and accordingly, the Proposed Joint Venture will be subject to the approval of Shareholders pursuant to Rule 906 of the Catalist Rules.

As at 3 July 2019 (the "**Latest Practicable Date**"), the Subscriber is a Substantial Shareholder and holds a direct interest in 69,115,110 Shares, constituting approximately 9.2% of the existing total issued Shares. Upon the issuance of the Consideration Shares and the Subscription Shares to the Subscriber on Completion, the shareholding interest of the Subscriber will increase from approximately 9.2% to 44.5% of the enlarged total number of issued Shares (the "**Post-Completion Share Capital**"). Upon the issuance of all of the Options Shares (assuming that the Proposed Options are exercised in respect of all of the Option Shares), the shareholding interest of the Subscriber will increase from approximately 44.5% to 54.0% of the enlarged total number of issued Shares (the "**Post-Option Shares Completion Share Capital**").

Under Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**"), except with the consent of the Securities Industry Council ("**SIC**"), any person who acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights of a company; or any person who together with parties acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights in a company and such person, or any party acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of voting rights in the company, shall be obliged to make a mandatory general offer for all the shares not already owned, controlled or agreed to be acquired by him and the persons acting in concert with him.

Following Completion, the Subscriber's shareholding will cross 30.0% and in addition, he may upon each exercise of the Proposed Options, increase his shareholding in the Company by more than 1.0% in any 6-month period, thereby triggering the obligation on the part of the Subscriber and his Concert Parties to make a mandatory general offer for the remaining Shares not already owned or controlled by the Subscriber and his Concert Parties pursuant to the Code (the "**General Offer**").

Accordingly, upon Completion and where applicable, upon each exercise of the Proposed Options, the Subscriber and his Concert Parties will be required to make a General Offer unless a waiver from the SIC for the Subscriber and his Concert Parties to make the General Offer (the "**Whitewash Waiver**") is obtained and such waiver is not withdrawn or revoked prior to Completion and all conditions attached to the grant of the waiver are complied with by Completion, to the extent that they are required to be fulfilled on or before Completion and the approval of Shareholders who are deemed independent of the Vendors, the Subscriber and his Concert Parties for the purpose of the Proposed Acquisition, the Proposed Subscription, the Proposed Options and the Proposed Joint Venture (collectively, the "**Proposed IPT Transactions**") (the "**Independent Shareholders**") is obtained in respect of the proposed ordinary resolution for the Independent Shareholders to waive their right to receive the General Offer (the "**Proposed Whitewash Resolution**").



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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

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Novus Corporate Finance Pte. Ltd. (“NCF”) has been appointed by the Company as the independent financial adviser (the “IFA”) to advise the independent directors deemed to be independent in respect of the Proposed IPT Transactions and the Proposed Whitewash Resolution (the “Independent Directors”) (i) on the Proposed IPT Transactions as required under Rule 921(4)(a) of the Catalist Rules to provide an opinion on whether the Proposed IPT Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders; and (ii) on the Proposed Whitewash Resolution in accordance with the Code to provide an opinion, on whether the Proposed Acquisition, the Proposed Subscription and the Proposed Options, which collectively are the subject of the Proposed Whitewash Resolution, are fair and reasonable. This letter sets out, *inter alia*, our views and evaluation of the Proposed IPT Transactions, which has been prepared pursuant to Rule 921(4)(a) of the Catalist Rules, and the Proposed Whitewash Resolution and our opinion thereon (the “Letter”), and will form part of the Circular providing, *inter alia*, the terms and conditions of the Proposed IPT Transactions, the Proposed Whitewash Resolution and the recommendation of the Independent Directors.

### 2. TERMS OF REFERENCE

We have been appointed as the IFA to advise the Independent Directors in respect of the Proposed IPT Transactions as required under Rule 921(4)(a) of the Catalist Rules and the Proposed Whitewash Resolution in accordance with the Code.

We were neither a party to the negotiations entered into by the Company in relation to the Proposed IPT Transactions nor were we involved in the deliberations leading up to the decision of the Directors to undertake the Proposed IPT Transactions. Accordingly, we do not, by this Letter, warrant the merits of the Proposed IPT Transactions and/or the Proposed Whitewash Resolution other than to express an opinion on whether (i) the Proposed IPT Transactions are on normal commercial terms and not prejudicial to the interests of the Company and the Independent Shareholders; and (ii) the Proposed Acquisition, the Proposed Subscription and the Proposed Options, which collectively are the subject of the Proposed Whitewash Resolution, are fair and reasonable.

Our terms of reference do not require us to evaluate or comment on the legal, commercial or strategic merits of the Proposed IPT Transactions and/or the Proposed Whitewash Resolution. Such evaluations and comments are and remain the sole responsibility of the Directors, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion and advice as set out in this Letter.

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

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

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We have relied upon the assurances of the Directors (including those who may have been delegated detailed supervision of the Circular) that, upon making all reasonable inquiries and to the best of their respective knowledge, information and belief, that (a) all material information in connection with the Proposed IPT Transactions, the Proposed Whitewash Resolution, the Company and its subsidiaries (collectively, the “**Group**”) has been disclosed to us; (b) such information is true, complete and accurate in all material aspects; and (c) there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Proposed IPT Transactions, the Proposed Whitewash Resolution, the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors collectively and individually accept responsibility accordingly.

For the purpose of assessing the Proposed IPT Transactions and the Proposed Whitewash Resolution and reaching our conclusion thereon, we have not conducted a comprehensive independent review of the business, operations or financial condition of the Company and/or the Group. We have also not relied upon any financial projections or forecasts in respect of the Company and/or the Group. We are not required to express, and we do not express, any view on the growth prospects and earnings potential of the Company and/or the Group in connection with our opinion and advice in this Letter.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group. As such, we have relied on the disclosures and representations made by the Company on the value of the assets, liabilities and profitability of the Company and/or the Group. Save for the Valuation Report (as defined herein), we have also not been furnished with any such independent evaluation or appraisal.

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

In rendering our opinion and advice, we did not have regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this Letter).

**Our opinion and advice in respect of the Proposed IPT Transactions and the Proposed Whitewash Resolution, as set out in paragraph 7 of this Letter, should be considered in the context of the entirety of this Letter and the Circular.**

### 3. THE PROPOSED IPT TRANSACTIONS

The salient terms and details of the Proposed IPT Transactions are set out in Sections 2 and 12 of the Circular. **We recommend that the Independent Directors advise the Independent Shareholders to read these sections of the Circular very carefully.**

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

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### 3.1 Information on the Subscriber, Vendors and the Target Group.

#### 3.1.1 Information on the Subscriber and the Vendors

The Subscriber is the chairman and chief executive officer of Raffles Education Corporation Limited, a private education provider which is listed on the mainboard of the SGX-ST.

The Vendors, Doris and Han Wei, are respectively the wife and son of the Subscriber.

#### 3.1.2 Information on the Target Group

The Target Company is an investment holding company incorporated under the laws of the British Virgin Islands on 7 February 2017. As at the Latest Practicable Date, the Target Company has a total number of 100 issued Target Shares credited as fully paid for United States Dollar (“USD”) 100. Doris and Han Wei each hold 90 Target Shares and 10 Target Shares respectively. As at the Latest Practicable Date, the Vendors are the only two (2) directors in the Target Company. Save for its investment in the Target Subsidiary as at the Latest Practicable Date, the Target Company is dormant and does not have any operating income since incorporation.

The Target Subsidiary is a foreign investment company incorporated in the Republic of Indonesia on 26 July 2018 for the purpose of acquiring and developing the Property. Its principal objects are to engage in accommodation services (starred hotels and cottages) and real estate. As at the Latest Practicable Date, the authorized and issued share capital of the Target Subsidiary is IDR10,001,000,000 comprising 10,001 shares. The Target Company holds 9,991 shares, constituting 99.9% of the total issued shares of the Target Subsidiary while the remaining 10 shares, constituting 0.1% of the total issued shares of the Target Subsidiary is held by Doris. As at the Latest Practicable Date, the directors of the Target Subsidiary are Doris (president director), Mr Yong Wen Wei (“Wen Wei”) and Mr Effendi Halim. The commissioner is Han Wei. The principal business of the Target Subsidiary is property development. Except for the Proposed Development, as at the Latest Practicable Date, the Target Subsidiary does not carry on any business and does not own any other assets save for the Property.

### 3.2 Information on the Property and the Proposed Development

The full text of the information and further details relating to the Property and the Proposed Development are set out in Section 4 of the Circular. **We recommend that the Independent Directors advise the Independent Shareholders to read this section of the Circular very carefully.**

### 3.3 Acquisition Consideration and the Subscription Consideration

We note that the Acquisition Consideration is to be satisfied by the allotment and issuance of the Consideration Shares to the Vendors or their nominee at an issue price of S\$0.011 per Consideration Share (the “**Consideration Issue Price**”), credited as fully paid-up. The Acquisition Consideration was arrived at following arms’ length negotiation between the Company and the Vendors, on a willing-buyer-willing-seller basis and after taking into account the independent valuation of the Property (the “**Valuation**”).

The unaudited NTA value of the Target Group as at 31 December 2018 was approximately S\$0.4 million. The NTA value is based on the historical cost of acquisition of the Property which has not been re-valued in the financial statements of the Target Group. We note that there is currently no profit that is attributable to the Property. Please refer to Section 3.5 of the Circular for more information on the summary financial statements of the Target Group.

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

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### 3.4 The Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price

As disclosed in the Announcement and the Circular, the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price each represent:

- (a) a premium of approximately 21.9% over the VWAP of S\$0.009025 for trades done on the Shares on the SGX-ST on 26 February 2019, being the market day on which the Shares were last traded on the SGX-ST immediately preceding the date on which the Agreement was signed; and
- (b) a discount of approximately 23.6% to the latest audited net asset value per Share of S\$0.0144 based on the latest audited consolidated net asset value of the Group based on total equity as at 31 December 2018 of approximately S\$10.8 million.

The Acquisition Consideration was arrived at following arms' length negotiation between the Company and the Vendors, on a willing-buyer-willing-seller basis and after taking into account the Valuation. The Subscription Issue Price and the Option Exercise Price were arrived at following arms' length negotiation between the Company and the Subscriber, on a willing-buyer-willing-seller basis.

In arriving at the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price, the Company has also taken into consideration other factors such as the trading prices of the Shares on the SGX-ST for the last 12 months, the poor financial performance of the Group in the last few years, the current general weak market conditions in the industries and markets where the Group operates in, and the prospects of the tourism industry in Bintan, Indonesia.

### 3.5 Exercise of the Call Option and Put Option

Subject to Shareholders' approval having been obtained for the Proposed Whitewash Resolution and to Completion, the Proposed Options shall be deemed to have been granted on the Completion Date, and shall be exercisable within a period of 24 months from the Completion Date.

The Proposed Options may be exercised at any time and from time to time in respect of any or all of the Option Shares, but each exercise shall be in respect of not less than 50,000,000 Option Shares.

### 3.6 Conditions Precedent

The Proposed IPT Transactions are subject to, *inter alia*, the approval from the Independent Shareholders on the Proposed IPT Transactions and the Proposed Whitewash Resolution at the EGM. Further details of the other conditions precedent which are required to be fulfilled prior to the completion of the Proposed IPT Transactions are set out in Section 2.2 of the Circular, and Shareholders are advised to read the information carefully.

## 4. WHITEWASH RESOLUTION

### 4.1 Mandatory General Offer

Under Rule 14.1 of the Code, except with the consent of the SIC, where:

- (a) any person who acquires, whether by a series of transactions over a period of time or not, shares which taken together with shares held or acquired by persons acting in concert with him carry 30.0% or more of the voting rights in a company; or
- (b) any person who together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights in a company and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of the voting rights in the company,

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such person must extend a mandatory general offer immediately to the Shareholders for the remaining Shares in the Company in accordance with the provisions of the Code. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have an obligation to extend an offer.

As at the Latest Practicable Date, the Subscriber owns Shares representing approximately 9.2% of the existing total issued Shares. Upon the issuance of the Consideration Shares and the Subscription Shares to the Subscriber on Completion, the shareholding interest of the Subscriber will increase from approximately 9.2% to 44.5% of the Post-Completion Share Capital. Upon the issuance of all the Options Shares (assuming that the Proposed Options are exercised in respect of all of the Option Shares), the shareholding interest of the Subscriber will increase from approximately 44.5% to 54.0% of the Post-Option Shares Completion Share Capital.

Accordingly, upon Completion and where applicable, upon each exercise of the Proposed Options, the Subscriber and his Concert Parties will be required under the Code to make a General Offer unless the Whitewash Waiver is obtained from the SIC and the approval of the Independent Shareholders in a general meeting is obtained for the Proposed Whitewash Resolution.

### 4.2 Whitewash Waiver

An application has been made by the Company to the SIC for the Whitewash Waiver and SIC had on 8 May 2019 granted the Whitewash Waiver subject to the following conditions (the “**SIC Conditions**”):

- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Consideration Shares, the Subscription Shares and the Option Shares, the Proposed Whitewash Resolution by way of a poll to waive their rights to receive a General Offer from the Subscriber and his Concert Parties;
- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) the Subscriber and his Concert Parties, parties not independent of them as well as parties not independent of the Proposed Acquisition, the Proposed Subscription and the Proposed Options abstain from voting on the Proposed Whitewash Resolution;
- (d) the Subscriber and his Concert Parties did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares (other than the subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in the Circular):-
  - (i) during the period between the date of announcement of the Proposed Transactions and the date Shareholders’ approval is obtained for the Proposed Whitewash Resolution; and
  - (ii) in the six (6) months prior to the date of the announcement of the Proposed Transactions but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors of the Company in relation to the Proposed Transactions;
- (e) the Company appoints an IFA to advise its Independent Shareholders on the Proposed Whitewash Resolution;
- (f) the Company sets out clearly in the circular to Shareholders:-
  - (i) details of Proposed Acquisition, the Proposed Subscription and the Proposed Options and the allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares upon the exercise of the Proposed Options;

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- (ii) the dilution effect to existing holders of voting rights upon the allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares upon the exercise of Proposed Options in full;
- (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Subscriber and his Concert Parties as at the Latest Practicable Date;
- (iv) the number and percentage of voting rights to be issued to the Subscriber as a result of the allotment and issue of the Consideration Shares and the Subscription Shares, and to be acquired by the Subscriber upon the exercise of the Proposed Options in full;
- (v) specific and prominent reference to the fact that the allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares upon the exercise of the Proposed Options in full will result in the Subscriber holding Shares carrying over 49.0% of the voting rights of the Company and to the fact that the Subscriber will be free to acquire further Shares without incurring any obligation under Rule 14 to make a General Offer;
- (vi) specific and prominent reference to the fact that Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a General Offer from the Subscriber at the highest price paid by the Subscriber and his Concert Parties for the Shares in the past six (6) months preceding the Announcement Date of the Proposed Transactions; and
- (vii) specific and prominent reference to the fact that Shareholders by voting for the Proposed Whitewash Resolution which could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the convertibles;
- (g) the Circular states that the waiver granted by SIC to the Subscriber from the requirement to make a General Offer under Rule 14 is subject to the conditions stated at paragraph (a) to (f) above;
- (h) the Company obtains SIC's approval in advance for those parts of the Circular that refer to the Proposed Whitewash Resolution;
- (i) to rely on the Proposed Whitewash Resolution, the approval of the Proposed Whitewash Resolution by Independent Shareholders must be obtained within three (3) months from the date of SIC's letter granting the Whitewash Waiver. The allotment and issue of the Consideration Shares and the Subscription Shares must be completed within three (3) months of the approval of the Proposed Whitewash Resolution and the acquisition of the Option Shares by the Subscriber upon the exercise of the Proposed Options must be completed within five (5) years from the date of the grant of the Proposed Options; and
- (j) the Subscriber will comply or procure the relevant persons to comply, with the disclosure requirements as set out in Note 2 on Section 2 of Appendix 1 of the Code, which are set out below:-
  - (i) details of the Proposed Whitewash Resolution will be disclosed or made available via the following avenues or documents, where applicable, for as long as the Proposed Options remain outstanding:-
    - (aa) the interim and full-year financial statements of the Company for release through SGX-Net and to be posted on the web-site of the SGX-ST;
    - (bb) the annual report of the Company;



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- (cc) public documents of the Company including circulars to Shareholders, abridged prospectuses, prospectuses or information memoranda;
  - (dd) periodic announcements made by the Subscriber and his Concert Parties pursuant to Sections 82, 83, 84, 85, 165 and 166 of the Companies Act (as well as Section 137 of the Securities and Futures Act), and the Catalist Rules whenever the Subscriber or any of his Concert Parties buys or sells shares or exercises or converts convertibles in the Company;
  - (ee) at the Company's registered office;
  - (ff) at the Company's web-site (if any); and
  - (gg) the web page setting out the Company's corporate information on the web-site of the SGX-ST;
- (ii) disclosure of the following in all cases:-
- (aa) details of the Proposed Whitewash Resolution, including the time period for which the Whitewash Waiver has been approved;
  - (bb) the number and percentage of voting rights in the Company, the number of instruments convertible into, rights to subscribe for and options in respect of Shares (other than the Option Shares), and the number of convertibles held by the Subscriber and his Concert Parties as at the latest practicable date prior to the disclosure;
  - (cc) the maximum potential voting rights of the Subscriber and his Concert Parties in the Company, assuming that the Subscriber and his Concert Parties exercise the Proposed Options in full;
  - (dd) that, having approved the Proposed Whitewash Resolution, Shareholders have waived their rights to receive a General Offer from the Subscriber at the highest price paid by the Subscriber and his Concert Parties for Shares in the past six (6) months preceding the Announcement Date of the Proposed Transactions; and
  - (ee) that, having approved the Proposed Whitewash Resolution, Shareholders could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making the general offer in view of the potential dilution effect of the Proposed Options.

As at the Latest Practicable Date, all the above SIC Conditions (save for sub-paragraphs (a), (c), (i) and (j) of Section 4.2 of this Letter) have been satisfied.

### 4.3 Voting

Independent Shareholders are requested to vote by way of a poll, on the Proposed IPT Transactions as well as the Proposed Whitewash Resolution waiving their rights to receive the General Offer, as set out in the Notice of EGM on page N-1 of the Circular.

Independent Shareholders should note that:

- (a) **the Proposed IPT Transactions are inter-conditional and conditional upon, *inter alia*, them voting in favour of the Proposed Whitewash Resolution. If Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed IPT Transactions will not take place;**

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

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- (b) by voting in favour of the Proposed Whitewash Resolution, they could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Proposed Options; and
- (c) by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive a General Offer from the Subscriber and his Concert Parties for all the remaining Shares in issue not already owned, controlled or agreed to be acquired by them at the highest price paid or agreed to be paid by the Subscriber and his Concert Parties in the past six (6) months preceding the Announcement Date which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code.

### 5. EVALUATION OF THE PROPOSED IPT TRANSACTIONS AND THE PROPOSED WHITEWASH RESOLUTION

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

- (i) the rationale for the Proposed IPT Transactions and use of proceeds;
- (ii) the Valuation;
- (iii) the historical financial performance of the Group;
- (iv) the assessment of the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price;
- (v) the assessment of the Shareholders' Agreement;
- (vi) the financial effects of the Proposed IPT Transactions;
- (vii) the dilution effect of the Proposed IPT Transactions on the Independent Shareholders;
- (viii) a recent substantial transaction involving the Shares; and
- (ix) other relevant considerations.

#### 5.1 Rationale for the Proposed IPT Transactions and use of proceeds

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

Nevertheless, we have reviewed the rationale for the Proposed IPT Transactions as set out in Section 5 of the Circular, the full text of which has been reproduced in italics below.

##### *“Proposed Subscription and Proposed Options*

- 5.1 *The Proposed Subscription will raise net proceeds of approximately S\$1,488,000 while the exercise of the Proposed Options (assuming they are exercised in respect of all the Option Shares) will raise additional net proceeds of approximately S\$2,790,000. The net proceeds from the Proposed Subscription and the additional net proceeds from the exercise of the Proposed Options can be utilized towards general working capital of the Group.*

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### *Proposed Acquisition and Proposed Diversification*

- 5.2 *Currently, the core business of the Group is the sale and distribution of quality wood-based products. The Group's core business has been operationally loss making since 2008 and may continue to be loss-making unless the current economic and market sentiments in the industries in which the Group operates in, and the Group's business performance improves significantly in the immediate future.*
- 5.3 *The Directors are constantly looking for investment opportunities to diversify the Group's business with the prospects of increasing the revenue and income stream of the Group in the future.*

*The Proposed Acquisition presents an opportunity for the Group to acquire a controlling stake in the Target Group which holds legal rights and interest to the Property. As the consideration for the Proposed Acquisition will be fully satisfied by an issue of the Consideration Shares, there is no cash outlay for the Group to acquire a majority interest in the Target Company.*

- 5.4 *The Proposed Acquisition will enable the Group to make its first foray into resort development and the successful completion of the Proposed Development will enhance the financial performance of the Group and improve Shareholders' value.*

### *Proposed Joint Venture*

- 5.5 *On Completion, the Company will hold 54% and the Vendor, Doris Chung Gim Lian (the "JV shareholder") will hold the remaining 46% of the share capital of the Target Company. The Consideration Shares will be issued to the Subscriber who is the spouse of the JV shareholder. By holding the Consideration Shares and a minority interest in the Target Company, it will further align the interests of the JV shareholder and the Subscriber with the interest of the Company as they will have a direct vested interest in the success of the Proposed Development. The Directors believe that this will increase the commitment of the Subscriber and the JV shareholder to see to the success of the Proposed Development.*
- 5.6 *Having a joint venture partner in the Target Company will also reduce the Group's financial obligation in the future in relation to the funding required for the development of the Proposed Development, as the Company and the JV shareholder will be expected to bear the obligations of such financial support for the funding in proportion to their respective shareholding interest in the Target Company, and to share the other risks and rewards of the joint venture proportionately."*

We have also considered the Company's intended use of the net proceeds to be raised from the Proposed Subscription and the allotment and issuance of the Option Shares (assuming that the Proposed Options are exercised in respect of all of the Option Shares), the full text of which has been reproduced in italics below.

### **"6. USE OF PROCEEDS**

*Assuming that all the Subscription Shares are successfully allotted and issued, the estimated net proceeds from the Proposed Subscription (the "**Subscription Net Proceeds**") will be approximately S\$1,488,000 million (after deducting expenses of approximately S\$250,000 incurred by the Company in connection with the Proposed Transactions).*

*Assuming that the Proposed Options are exercised in respect of all the Option Shares during the option period of 24 months after Completion, the estimated proceeds from the issuance of the Options Shares (the "**Option Net Proceeds**") will be approximately S\$2,790,000 (after deducting expenses of approximately S\$15,000 to be incurred in connection with the issue and allotment of the Option Shares).*

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*The Company intends to use the Subscription Net Proceeds and Option Net Proceeds (collectively, the “**Net Proceeds**”) for general working capital purposes for the existing operations of the Group.*

*Pending the deployment of the Net Proceeds for the purposes mentioned above, the Net Proceeds may be placed in deposits with financial institutions or invested in short-term money market instruments or used for any other purposes on a short-term basis as the Directors may, in their absolute discretion, deem appropriate in the interests of the Group.*

*The Company will make periodic announcements on the utilisation of the Net Proceeds as and when the Net Proceeds are materially disbursed, and provide a status report on the use of the Net Proceeds in the Company’s annual report and financial results announcement.”*

Please refer to Section 6 of the Circular for more details of the use of proceeds.

### 5.2 Independent valuation of the Property

For the purpose of the Proposed Acquisition, we note that the Company had commissioned Colliers International Consultancy & Valuation (Singapore) Pte Ltd (the “**Valuer**”) to carry out the Valuation. The Valuer had assessed:

- (i) the market value of the Property as vacant land (the “**Land Value**”) as at 1 October 2018 (the “**Valuation Date**”) to be IDR70,358,000 or equivalent to approximately S\$6.5 million based on an exchange rate of S\$1.00 to IDR10,896.68 (the “**Valuation Exchange Rate**”), being the middle rate of the Bank Indonesia as at the Valuation Date; and
- (ii) the gross development value of the Proposed Development (the “**Gross Development Value**”) as at the Valuation Date to be IDR987,941,000,000 or equivalent to approximately S\$90.7 million based on the Valuation Exchange Rate.

The valuation letter summarising the key information of the valuation report prepared by the Valuer in respect of the Property (the “**Valuation Report**”) is attached as Appendix I of the Circular.

Based on the Valuation Report and the summary valuation letter, we note the following:

- (a) the Acquisition Consideration was arrived at following arms’ length negotiations between the Company and the Vendors, on a willing-buyer-willing seller basis and after taking into account the Land Value rather than the Gross Development Value;
- (b) the implied valuation of the Property based on the Acquisition Consideration for 54.0% of the total issued Target Shares, whose Target Subsidiary owns the Property and which represents an effective 54.0% interest in the Property, is equivalent to the Land Value of approximately S\$6.5 million which is based on a 100% interest of the Property;
- (c) the Valuation is made on the basis of the estimated market value, which is defined in the Valuation Report as the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion (the “**Market Value**”), in its existing state, subject to vacant possession, and the Property is free from any encumbrances as at the Valuation Date;
- (d) the Valuer has used the comparison method (market approach) in the Valuation, which provides an indication of the Market Value by comparing the Property with identical or similar assets for which price information is available. The Valuer has also used the land residual method (income approach) as a crosscheck measure to the Valuation, which as defined in the Valuation Report entails an estimate of the Gross Development Value, assuming it is completed over the projected period, from which various estimated costs of development and other expenses are deducted to give a residual value of the site. The income approach converts a market rental income into a capital value by “capitalizing” the income by a market derived “capitalization rate” over the development period after deducting all necessary estimated outgoings and expenses. The adopted yield reflects the nature, location, tenure of the property as well as prevailing market conditions; and

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- (e) the Valuation was based on certain assumptions, including but not limited to, (i) the Property being free from and clear of any charges, liens and encumbrances of an onerous nature that is likely to affect its value; (ii) there are no easements or rights-of-way over the Property; (iii) the land along with any proposed development on the Property has or will obtain sufficient and all necessary permits in accordance with all applicable laws and conforms to all planning and building regulations; and (iv) any use of the Property upon which the Valuation is based, has obtained all required licences, permits, certificates and authorisations and is capable of renewal without difficulty, except only where otherwise stated.

**We recommend that the Independent Directors advise the Independent Shareholders to read the Valuation Report and the Valuation summary set out as Appendix I to the Circular carefully, in particular the valuation methodology, assumptions and limiting conditions.**

### 5.3 Historical financial performance of the Group

A summary of the financial performance of the Group for the last three (3) financial years ended 31 December (“FY”) 2016, 2017 and 2018 (collectively, the “Period Under Review”) is set out below:

#### Consolidated income statement

|  | ← Audited →           |                       |         |
|--|-----------------------|-----------------------|---------|
| (S\$'000)  | FY2016 <sup>(1)</sup> | FY2017 <sup>(2)</sup> | FY2018  |
| Revenue  | 17,655                | 16,716                | 13,821  |
| Gross profit   | 2,354                 | 1,664                 | 1,207   |
| Profit/(loss) before income tax  | 33                    | (2,277)               | (2,969) |
| Profit/(loss) after income tax   | 1,733                 | (2,277)               | (2,969) |
| Profit/(loss) after income tax attributable to equity holders of the Company | 1,718                 | (2,568)               | (2,980) |

#### Statement of financial position

|  | ← Audited →                           |                                       |                        |
|--|---------------------------------------|---------------------------------------|------------------------|
| (S\$'000)  | As at 31 December 2016 <sup>(1)</sup> | As at 31 December 2017 <sup>(2)</sup> | As at 31 December 2018 |
| Current assets                                       | 13,547                                | 13,081                                | 13,363                 |
| Current liabilities                                  | 2,887                                 | 3,340                                 | 5,359                  |
| Working capital                                      | 10,660                                | 9,741                                 | 8,004                  |
| Non-current assets                                   | 4,182                                 | 3,779                                 | 3,089                  |
| Non-current liabilities                              | 300                                   | 268                                   | 244                    |
| Equity attributable to equity holders of the Company | 14,828                                | 13,094                                | 10,690                 |

#### Consolidated cash flow statement

|  | ← Audited →           |                       |        |
|--|-----------------------|-----------------------|--------|
| (S\$'000)  | FY2016 <sup>(1)</sup> | FY2017 <sup>(2)</sup> | FY2018 |
| Net cash flows generated from operating activities | 161                   | 194                   | 99     |
| Net cash flows used in investing activities        | (21)                  | (4)                   | (11)   |
| Net cash flows used in financing activities        | (39)                  | (29)                  | (31)   |
| Net increase in cash and cash equivalents          | 101                   | 161                   | 57     |
| Cash and cash equivalents at the end of year       | 198                   | 355                   | 410    |

**Source:** Company's annual report for FY2017 and FY2018



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### Notes:

- (1) Based on the figures reflected in the annual report of the Company for FY2017.
- (2) Based on the figures reflected in the annual report of the Company for FY2018.

In relation to the Period Under Review, we note the following:

### **Consolidated income statement**

#### **FY2016 vs FY2017**

The Group's revenue decreased by approximately S\$1.0 million or 5.6% from approximately S\$17.7 million in FY2016 to approximately S\$16.7 million in FY2017, mainly due to the slow-down in shipments from suppliers as a result of unprecedented bad weather conditions that affected the supply of raw materials to its key suppliers. Revenue of wood-based products decreased by approximately S\$1.3 million or 7.1% to S\$16.0 million in FY2017, which was partially offset by an increase in revenue from outdoor lifestyle furniture and others of approximately S\$0.3 million or 75.9% to an aggregate of S\$0.7 million in FY2017. In terms of geographical segmentation, revenue generated from both the European and Asian/Others markets registered a decrease of approximately S\$0.6 million or 4.4%, and S\$1.3 million or 69.5% to S\$12.2 million and S\$0.6 million respectively in FY2017, which was partially offset by an increase in revenue from the Australia/New Zealand market of S\$0.9 million or 31.1% to S\$3.9 million in FY2017.

Gross profit decreased by approximately S\$0.7 million or 29.2% from S\$2.4 million in FY2016 to S\$1.7 million in FY2017, in line with the decrease in revenue. Gross profit margin decreased from approximately 13.3% in FY2016 to 10.0% in FY2017 due to the increase in cost of sales as a percentage of revenue from approximately 86.7% in FY2016 to 90.0% in FY2017. This was mainly attributable to the unprecedented bad weather in Indonesia during the second half of FY2017 that led to a large increase in raw material prices in a short period of time. This resulted in certain supply contracts not being honoured by some of the Group's key suppliers and the Group had to look for alternative suppliers with prices marked higher than the initial contracted price in order to honor its contracts with its customers.

The Group recorded a profit before tax of approximately S\$0.03 million in FY2016 vis-à-vis a loss before tax of approximately S\$2.3 million in FY2017, mainly due to (a) the decrease in gross profit; (b) other net losses of approximately S\$1.5 million in FY2017 vis-à-vis other net gains of approximately S\$0.2 million in FY2016 mainly attributable to a change of foreign exchange gain position of approximately S\$0.7 million in FY2016 to a foreign exchange loss position of approximately S\$1.1 million as a result of the weakened USD at reporting year-end, as well as inventory write downs and allowances for impairment of trade receivables of an aggregate S\$0.4 million in FY2017, which was partially offset by a one-time fair value loss of approximately S\$0.5 million incurred in FY2016 due to the fall in value of the Group's property at 18 Sungei Kadut Street 2; and (c) a one-time non-recurring income tax benefit of approximately S\$1.7 million in FY2016 due to overprovision of income tax in the previous financial year. There was no income tax expense incurred in FY2017 due to the Group being in a tax loss position.

As a result of the above and taking into account the aforementioned one-time income tax benefit recorded in FY2016, the net profit attributable to equity holders of the Company decreased from approximately S\$1.7 million in FY2016 to a net loss attributable to equity holders of the Company of S\$2.6 million in FY2017.

#### **FY2017 vs FY2018**

The Group's revenue decreased by approximately S\$2.9 million or 17.4% from approximately S\$16.7 million in FY2017 to approximately S\$13.8 million in FY2018 due to slower and lower sales demand from the European market. The decrease in revenue was across all the three (3) business segments of the Group. In terms of geographical segmentation, revenue generated from the European market declined by approximately S\$3.0 million or 24.4% to S\$9.2 million in FY2018, and Asian/Others markets registered an decrease of approximately S\$0.1 million or 17.4% to S\$0.5 million in FY2018, which was partially offset by an increase in revenue from the Australia/New Zealand market of approximately S\$0.2 million or 4.8% to S\$4.1 million in FY2018.



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Gross profit decreased by approximately S\$0.5 million or 27.5% from S\$1.7 million in FY2017 to S\$1.2 million in FY2018 in tandem with the decrease in revenue, mainly due to the large increase in raw material prices which resulted in the Group being forced to close sales at a lower margin with its key customers who were unable to accept the higher price level in order to maintain the relationship with them.

The Group reported a loss before income tax of approximately S\$3.0 million in FY2018 representing an increase of approximately S\$0.7 million or 30.4% from a loss before income tax of S\$2.3 million recorded in FY2017. This was mainly attributable to (a) the decrease in gross profit; (b) a decrease in other income of approximately S\$0.2 million or 48.1% to S\$0.3 million in FY2018 due to the lower rental income from the Group's Indonesian subsidiary and lower government grants received as compared to FY2017; (c) the increase in other net losses incurred by the Group of approximately S\$0.1 million or 6.4% to S\$1.6 million in FY2018 mainly attributable to the decrease in the fair value price of approximately S\$0.5 million on the Group's property at 18 Sungei Kadut Street 2 and a provision for impairment loss of S\$0.4 million for the Group's property in Indonesia, which was partially offset by lower foreign exchange losses of approximately S\$0.5 million and a lower provision for slow-moving stock of approximately S\$0.3 million. This was partially offset by a decrease in administrative expenses of approximately S\$0.1 million or 4.5% to S\$2.3 million in FY2018.

No income tax expense was incurred during FY2017 and FY2018 due to the Group being in a tax loss position for both financial years.

As a result of the above, the net loss attributable to equity holders of the Company was approximately S\$2.6 million and S\$3.0 million in FY2017 and FY2018 respectively.

### **Statement of financial position**

**Current assets:** As at 31 December 2018, current assets amounted to approximately S\$13.4 million, representing 81.2% of the total assets of the Group. The current assets mainly comprised (i) financial assets at fair value through profit or loss of approximately S\$9.0 million; (ii) inventories of approximately S\$3.2 million; (iii) trade and other receivables of approximately S\$0.5 million; and (iv) cash and bank balances of approximately S\$0.5 million.

**Current liabilities:** As at 31 December 2018, current liabilities amounted to approximately S\$5.4 million, representing 95.6% of the total liabilities of the Group. The current liabilities mainly comprised (i) trade and other payables of approximately S\$3.8 million; and (ii) borrowings of approximately S\$1.5 million.

**Non-current assets:** As at 31 December 2018, non-current assets amounted to approximately S\$3.1 million, representing 18.8% of the total assets of the Group. The non-current assets mainly comprised (i) property, plant and equipment of approximately S\$3.0 million; and (ii) deferred income tax assets of approximately S\$0.1 million.

**Non-current liabilities:** As at 31 December 2018, non-current liabilities amounted to approximately S\$0.2 million, representing 4.4% of the total liabilities of the Group. The non-current liabilities mainly comprised deferred income tax liabilities of approximately S\$0.2 million.

**Working capital:** The Group had experienced a decrease in its working capital position from approximately S\$10.7 million as at 31 December 2016 to S\$9.7 million as at 31 December 2017. We note that the Group's working capital position had further decreased by approximately S\$1.7 million to S\$8.0 million as at 31 December 2018, mainly due to (i) a significant increase in current trade and other payables of approximately S\$1.1 million; (ii) an increase in current borrowings of approximately S\$0.9 million; (iii) a decrease in the financial assets at fair value through profit or loss of approximately S\$0.5 million; and (iv) a decrease in current trade and other receivables of approximately S\$0.4 million. This was partially offset mainly by an increase in current inventories of approximately S\$1.1 million during FY2018 as compared to approximately S\$2.1 million as at 31 December 2017.

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### Consolidated cash flow statement

The Group recorded net cash generated from operations of approximately S\$0.2 million, S\$0.2 million and S\$0.1 million during FY2016, FY2017 and FY2018 respectively. The Group recorded net cash provided by operating activities of approximately S\$0.1 million in FY2018 mainly due to a negative operating cash flow before working capital changes of approximately S\$0.9 million and an increase in inventories of approximately S\$1.2 million. This was partially offset by a decrease in trade and other receivables of approximately S\$0.6 million and an increase in trade and other payables of approximately S\$1.6 million in the same year.

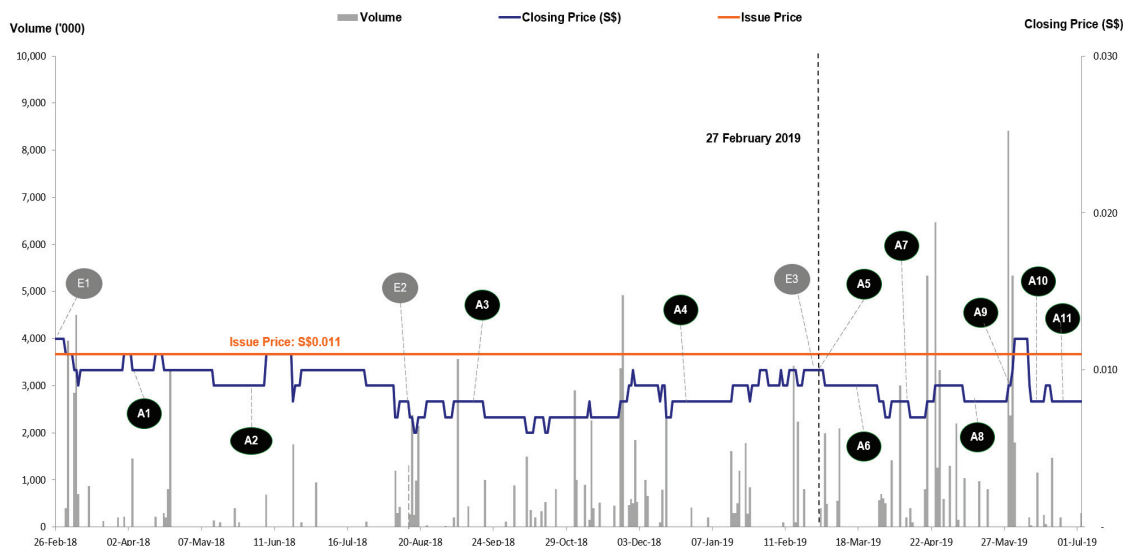
Taking into account (a) the cash and cash equivalents at the beginning of the period of approximately S\$0.3 million; and (b) the net increase in cash and cash equivalents of approximately \$0.1 million, the Group's cash and cash equivalents as at 31 December 2018 amounted to approximately S\$0.4 million.

### 5.5 Assessment of the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price

For the purpose of assessing the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price, we have considered the following factors:

#### 5.5.1 Historical market price performance and trading activity of the Shares

We set out below the trend of the daily closing prices and daily trading volumes of the Shares for the period commencing from 26 February 2018 (being the 1-year period prior to and including 26 February 2019 (the “**Last Trading Day**”), being the last full market day on which the Shares were last traded on the SGX-ST immediately prior to the Announcement Date) and leading up to the Latest Practicable Date. We have also marked certain dates during this period where significant events occurred.



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

#### Earnings Announcements:

E1: **28 February 2018.** The Company announced its unaudited full year consolidated financial statements for FY2017, in which the Group had reported a net loss after income tax of S\$2.3 million as compared to a positive net profit after income tax of S\$1.7 million in FY2016. This was mainly due to the overprovision of income tax in the previous year.

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- E2: **14 Aug 2018.** The Company announced its unaudited financial statements for the 6-month financial period ended 30 June 2018 (“**1HY2018**”), in which the Group recorded a greater net loss after income tax of approximately S\$1.2 million in 1HY2018 as compared to a net loss after income tax of S\$0.6 million for the 6-month financial period ended 30 June 2017 (“**1HY2017**”). Lower revenue was recorded for 1HY2018 as compared to 1HY2017 due to lower sales registered for both the wood-based products and the outdoor lifestyle furniture products which was caused by a slow-down in shipments from suppliers due to the severe shortage of raw materials that started at the second half of the last financial year.
- E3: **26 February 2019.** The Company announced its unaudited full year consolidated financial statements for FY2018, in which the Group continued to experience a net loss after income tax of S\$3.0 million. This was mainly due to slower and lower sales demand from its European market.

### Other Selected Announcements:

- A1: **6 April 2018.** The Company announced that ABHI Manggala Sentosa Pte. Ltd. (“**AMSPL**”), which is 24.0% owned by Sitra Global Pte. Ltd (“**SGPL**”), a wholly-owned subsidiary of the Company, has been struck off the Register of Companies pursuant to Section 344A of the Companies Act, Chapter 50 of Singapore, on 5 April 2018.
- A2: **1 June 2018.** The Company announced the restructuring of PT Jaya Raya Trasindo (“**PT JRT**”), which was previously 80.0% owned through Sitra Agencies Pte. Ltd. (“**SAPL**”) and 20.0% owned through SGPL. Both SAPL and SGPL are wholly-owned subsidiaries of the Company.
- A3: **14 September 2018.** The Company announced that its wholly-owned subsidiary of the Company, SAPL, has transferred 2,550 shares in Societe 3A, representing 51.0% of the total issued and paid up capital of Societe 3A, to another wholly-owned subsidiary of the Company, SGPL, for a consideration of S\$402,120.97.
- A4: **26 December 2018.** The Company announced the release of its sustainability report for FY2017.
- A5: **27 February 2019.** At 7.40 a.m. (Singapore time), the Company had requested for a trading halt on the Shares. Subsequently, the Company announced that it has entered into a share sale cum subscription and option agreement for the proposed acquisition for a majority stake in the Target Company and the proposed diversification of the business of the Company to include the development of resorts in Bintan, Indonesia. The Company requested for a trading halt of the Shares at 8.30 a.m. (Singapore time) the following day after the release of the announcement.
- A6: **18 March 2019.** The Company announced that one of its wholly-owned subsidiary, Sitra Dove Logistics Sdn. Bhd, has been struck off from the Companies Commission of Malaysia pursuant to Section 550 of the Malaysia Companies Act 2016.
- A7: **11 April 2019.** The Company announced the release of its annual report for FY2018.
- A8: **13 May 2019.** The Company announced that the SIC has granted a waiver of the requirement under the Code for the Subscriber to make a general offer for the Company, in respect of the Proposed Transactions and announced the appointment of the IFA for the Proposed IPT Transactions and the Proposed Whitewash Resolution.
- A9: **30 May 2019.** The Company announced the release of its sustainability report for FY2018.
- A10: **12 June 2019.** The Company announced the changes of interests of two (2) of its Substantial Shareholders, Liu Yingchun and Josca Woo Kong Hwa, who hold 64,632,200 Shares and 84,000,000 Shares representing approximately 8.5% and 11.2% of the total issued Shares respectively, and who had sold their entire shareholding interest in the Company for a total consideration of S\$1,590,805 and S\$2,100,000 respectively to Guo Shaozeng and hence are no longer deemed to be Substantial Shareholders (the “**Sale of Substantial Interest**”). Pursuant to the Sale of Substantial Interest as at the Latest Practicable Date, Guo Shaozeng holds 167,632,200 Shares (the “**Acquired Shares**”) representing approximately 22.3% of the total issued Shares, and is deemed to be a Substantial Shareholder. The Sale of Substantial Interest was an off-market transaction.
- A11: **26 June 2019.** The Company announced that it had obtained the listing and quotation notice from the SGX-ST for the listing and quotation of the Consideration Shares, Subscription Shares and the Option Shares, in respect of the Proposed Acquisition, Proposed Subscription and the Proposed Options, subject to certain conditions set by the SGX-ST, including among others, Shareholders’ approval to be sought at an extraordinary general meeting to be convened in relation to the Proposed Acquisition as an interested person transaction and the Proposed Diversification.

Based on the above historical price-volume chart of the Shares, save for the brief periods between 26 February 2018 and 4 March 2018 as well as between 5 June 2019 and 17 June 2019 where the closing prices of the Shares had traded at and/or above the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price, we note that over the last 1-year period prior to and including the Last Trading Day and up to the Latest Practicable Date, the closing prices of the Shares had traded below the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price.

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### 5.5.2 Volume-weighted average price and average daily trading volume

We have also compared the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price against the volume-weighted average price (“VWAP”) and historical trading volume of the Shares from 26 February 2018 (being the 1-year period prior to the Last Trading Day) and leading up to the Latest Practicable Date as set out in the table below.

|  | VWAP <sup>(1)</sup><br>(S\$) | Premium<br>to VWAP | Highest<br>closing<br>price<br>(S\$) | Lowest<br>closing<br>price<br>(S\$) | Average<br>daily<br>trading<br>volume <sup>(2)</sup> | Average<br>daily trading<br>volume as a<br>percentage<br>of free float <sup>(3)</sup> |
|--|------------------------------|--------------------|--------------------------------------|-------------------------------------|--|---|
| <b>Periods prior to the release of the Announcement</b>  |                              |                    |                                      |                                     |  |   |
| 1-year   | 0.008                        | 37.5%              | 0.011                                | 0.006                               | 329,363  | 0.13%   |
| 6-months   | 0.008                        | 37.5%              | 0.010                                | 0.006                               | 394,954  | 0.15%   |
| 3-months   | 0.009                        | 22.2%              | 0.010                                | 0.006                               | 370,346  | 0.15%   |
| 1-month  | 0.010                        | 10.0%              | 0.010                                | 0.008                               | 337,471  | 0.13%   |
| Last Trading Day <sup>(4)</sup>  | 0.009                        | 22.2%              | 0.010                                | 0.008                               | 400,000  | 0.16%   |
| <b>Periods after the release of the Announcement and up to the Latest Practicable Date</b>   |                              |                    |                                      |                                     |  |   |
| After the Announcement<br>Date and up to the Latest<br>Practicable Date  | 0.009                        | 22.2%              | 0.012                                | 0.007                               | 672,298  | 0.26%   |
| Last transacted price on<br>1 July 2019 (being the last<br>full market day on which the<br>Shares were last traded on<br>the SGX-ST preceding the<br>Latest Practicable Date) <sup>(5)</sup> | 0.008                        | 37.5%              | 0.008                                | 0.008                               | 300,000  | 0.12%   |

**Source:** Thomson Reuters Eikon

**Notes:**

- (1) The VWAP has been weighted based on the average traded prices and traded volumes of the Shares for the relevant trading days for each of the above periods.
- (2) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded during the relevant period divided by the number of market days over the same period.
- (3) Free float refers to approximately 255.0 million Shares or 34.0% of the existing total issued Shares held by the public (as defined in the Catalist Rules) as at the Latest Practicable Date as obtained from Thomson Reuters Eikon.
- (4) The closing price of the Shares on the Last Trading Day was S\$0.010 per Share. On the Last Trading Day, the highest intra-day traded price was S\$0.010 and the lowest intra-day traded price was S\$0.008.
- (5) Based on the closing price and the trading volume of the Shares on 1 July 2019. There was no trading in the Shares on the Latest Practicable Date.

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Based on the above, we note the following:

- (a) during the 1-year period prior to and including the Last Trading Day, the closing prices of the Shares ranged between a low of S\$0.006 and a high of S\$0.011. The Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price each represent a premium of approximately 83.3% over the lowest closing price and same as the highest closing price of the Shares over the 1-year period prior and including the Last Trading Day;
- (b) the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price each represent a premium of approximately 37.5%, 37.5%, 22.2% and 10.0% over the 1-year, 6-month, 3-month and 1-month VWAP of the Shares respectively;
- (c) the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price each represent a premium of approximately 10.0% and 22.2% over the closing price of the Shares of S\$0.010 and the VWAP of the Shares of S\$0.009 on the Last Trading Day respectively;
- (d) after the release of the Announcement and up to the Latest Practicable Date, the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price each represent a premium of approximately 22.2% over the VWAP of the Shares of S\$0.009;
- (e) the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price each represent a premium of approximately 37.5% over the closing price of the Shares of S\$0.008 on 1 July 2019 (being the last full market day on which the Shares were last traded on the SGX-ST preceding the Latest Practicable Date);
- (f) the Shares have traded thinly across all the reference periods prior to and including the Last Trading Day at an average daily trading volume of between approximately 0.33 million Shares to 0.40 million Shares, representing 0.13% and 0.16% of the Company's free float as at the Latest Practicable Date; and
- (g) the average daily trading volume of the Shares was approximately 0.67 million shares for the period after the Announcement Date and up to the Latest Practicable Date, representing approximately 0.26% of the Company's free float as at the Latest Practicable Date.

**Shareholders should note that there is no assurance that the market prices of the Shares may be maintained at the prevailing level as at the Latest Practicable Date, and that the past trading performance of the Shares should not, in any way, be relied upon as an indication or a promise of its future trading performance.**

### 5.5.3 Net Asset Value ("NAV") of the Group

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

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

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A summary of the audited financial position of the Group as at 31 December 2018 is set out below:

| (S\$'000)  | Audited<br>As at 31<br>December 2018 |
|--|--------------------------------------|
| <b>Non-current assets</b>  |                                      |
| Property, plant and equipment  | 3,032,836                            |
| Deferred income tax assets   | 56,649                               |
| Total non-current assets   | 3,089,485                            |
| <b>Current assets</b>  |                                      |
| Cash and bank balances <sup>(1)</sup>  | 451,377                              |
| Financial assets at fair value through profit or loss                              | 9,000,000                            |
| Trade and other receivables  | 526,600                              |
| Inventories  | 3,218,834                            |
| Other current assets   | 165,955                              |
| Total current assets   | 13,362,766                           |
| <b>Total assets</b>  | <b>16,452,251</b>                    |
| <b>Non-current liabilities</b>   |                                      |
| Borrowings   | 5,968                                |
| Deferred income tax liabilities  | 237,932                              |
| Total non-current liabilities  | 243,900                              |
| <b>Current liabilities</b>   |                                      |
| Trade and other payables   | 3,839,807                            |
| Borrowings   | 1,519,023                            |
| Total current liabilities  | 5,358,830                            |
| <b>Total liabilities</b>   | <b>5,602,730</b>                     |
| Share capital  | 17,817,108                           |
| Other reserves   | (129,793)                            |
| Accumulated losses   | (6,996,885)                          |
| Non-controlling interest   | 159,091                              |
| <b>Total equity</b>  | <b>10,849,521</b>                    |
| <b>Equity attributable to equity holders of the Company ("NAV") <sup>(2)</sup></b> | <b>10,690,430</b>                    |
| <b>Number of Shares</b>  | <b>751,200,000</b>                   |
| <b>NAV per Share (S\$)</b>   | <b>0.0142</b>                        |
| <b>Discount of Issue Price to the NAV per Share (%)</b>                            | <b>22.5</b>                          |

*Source: Company's annual report for FY2018*

**Notes:**

(1) Includes any pledged fixed deposits and bank overdrafts, of which there was nil as at 31 December 2018.

(2) NAV is the same as NTA as the Group had no intangible assets as at 31 December 2018.

As at 31 December 2018, the NAV attributable to equity holders of the Company amounted to approximately S\$10.7 million. With reference to the table above on the summary of the audited financial position of the Group, we note that the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price each represent a discount of approximately 22.5% to the NAV per Share of S\$0.0142 as at 31 December 2018.

In our evaluation of the Proposed IPT Transactions and the Proposed Whitewash Resolution, we have also considered whether there are any other assets which should be valued at an amount that is materially different from which was recorded in the audited statement of financial position of the Group as at 31 December 2018 and whether there are any factors which have not been otherwise disclosed in the audited financial statements of the Group that are likely to impact the audited NAV of the Group as at 31 December 2018.



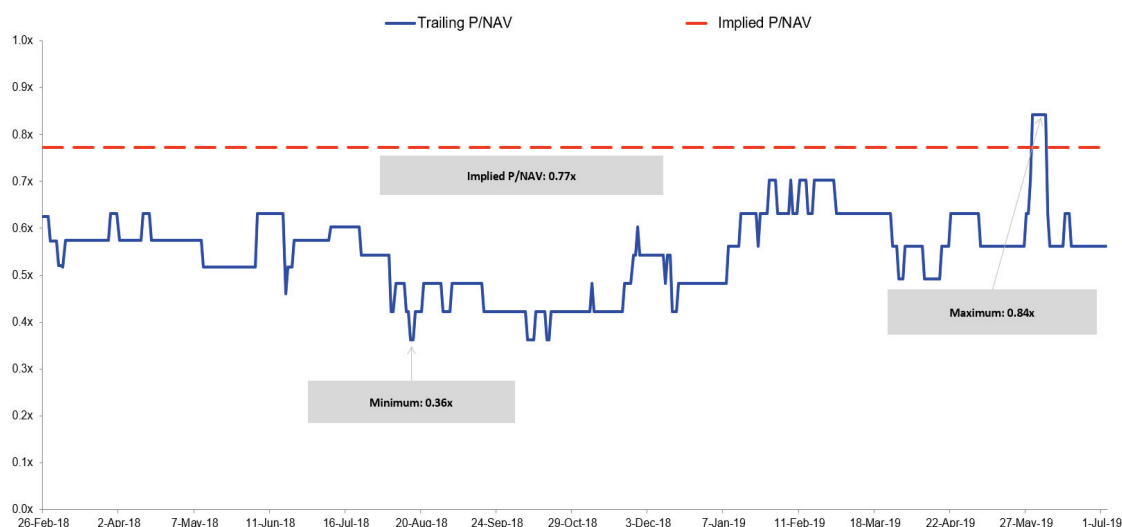
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In respect of the above, the Directors have confirmed, to the best of their knowledge and belief as at the Latest Practicable Date, that:

- (i) there are no material differences between the realisable values of the Group's assets and their respective book values as at 31 December 2018 which would have a material impact on the audited NAV of the Group;
- (ii) they are not aware of any circumstances which may cause the audited NAV as at the Latest Practicable Date to be materially different from that recorded in the audited balance sheet of the Group as at 31 December 2018;
- (iii) there are no other contingent liabilities, bad or doubtful debts, impairment losses or material events which would likely have a material impact on the audited NAV of the Group as at the Latest Practicable Date;
- (iv) there are no litigation, claim or proceedings pending or threatened against the Company and/or Group or any fact likely to give rise to any proceedings which might materially and adversely affect the financial position of the Company and/or Group;
- (v) there are no intangible assets and which ought to be disclosed in the audited statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards and/or the Singapore Financial Reporting Standards (International) and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group; and
- (vi) there are no material acquisitions or disposals of assets by the Group between 31 December 2018 and the Latest Practicable Date, and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of the Group's material assets or material change in the nature of the Group's business.

### 5.5.4 Historical trailing P/NAV multiples of the Shares

We have compared the P/NAV multiple of the Shares as implied by the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price vis-à-vis the historical trailing P/NAV multiples of the Shares (based on the daily closing prices of the Shares and the Group's trailing announced NAV per Share) for the 1-year period prior to the Last Trading Day commencing from 26 February 2018 and ending on the Latest Practicable Date, as set out below:



**Source:** Thomson Reuters Eikon, Company's financial results announcements and annual reports on the SGXNet

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|               | Average | Maximum | Minimum |
|---------------|---------|---------|---------|
| P/NAV (times) | 0.55    | 0.84    | 0.36    |

Based on the above, we note that the P/NAV multiple of approximately 0.77 times as implied by the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price is higher than the historical range of trailing P/NAV multiples of the Shares for the 1-year period prior to and including the Last Trading Day, and leading up to the Latest Practicable Date, except for the period between 30 May 2019 to 5 June 2019.

### 5.5.5 Valuation ratios of selected companies listed on the SGX-ST which are broadly comparable to the Group

For the purpose of our evaluation of the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price, we have made reference to the valuation ratios of selected companies listed on the SGX-ST which are primarily engaged in the sale and distribution of wood-based products and furniture business, which the Company considers to be broadly comparable to the Group (the “Comparable Companies”), to get an indication of the current market expectations with regard to the perceived valuation of the Group.

We wish to highlight that the Comparable Companies are not exhaustive and we recognise that there is no company listed on the SGX-ST which we may consider to be identical to the Group in terms of, *inter alia*, geographical markets, composition of business activities, scale of the business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria and that such businesses may have fundamentally different annual profitability objectives. The Independent Directors should note that any comparison made with respect to the Comparable Companies merely serve to provide an illustrative perceived market valuation of the Group as at the Latest Practicable Date.

A brief description of the Comparable Companies is as follows:

| Comparable companies         | Stock exchange | Business description  | Financial year ended |
|------------------------------|----------------|---|----------------------|
| KLW Holdings Limited (“KLW”) | SGX-Catalist   | KLW is an investment holding company. The company’s businesses include door manufacturing and distribution, and property investments and developments. The company operates through three (3) segments: investment, door business and property business. The investment segment relates to investment holding companies. The door business segment relates to manufacture and distribution of doors, furniture and fittings, wood-related products, and supply and installation of doors and wood-based flooring. The property business segment relates to rental of premises or property and property development. The company’s operations in Singapore and Australia include import and distribution of locksets ironmongeries, and investment property. The company’s operations in Malaysia, China, Vietnam and Hong Kong include manufacturing and supply of wood-based doors and moldings. | 31 December 2018     |

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| <b>Comparable companies</b>  | <b>Stock exchange</b> | <b>Business description</b>   | <b>Financial year ended</b> |
|------------------------------|-----------------------|---|-----------------------------|
| LHT Holdings Limited (“LHT”) | SGX                   | LHT is engaged in manufacturing and trading of wooden pallets and timber related products. The company operates through four (4) segments: pallet/packaging, timber related products, technical wood products, and pallet rental and other services. The pallet/packaging segment is engaged in the manufacture and supply of wooden pallets and cases for the packing of industrial products. The timber related products segment is engaged in the trading of raw timber related products. The technical wood products segment is engaged in the manufacture of technical wood, technical wood flooring and wood waste collection. The pallet rental and other services segment are engaged in pallet-leasing business. | 31 December 2018            |
| Koda Ltd (“Koda”)            | SGX                   | Koda is a Singapore-based investment holding company. The company is engaged in the manufacture of furniture and fixtures of wood (including upholstery) and furniture design services. The company operates through four (4) segments: chairs and tables, outdoor and garden furniture, bedroom furniture, and occasional and other furniture. The company is an original design manufacturer of furniture. The company designs and produces furniture for the dining room, living room and bedroom furniture. The company also has manufacturing bases in Malaysia and China.   | 30 June 2018                |

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| Comparable companies                          | Stock exchange | Business description  | Financial year ended |
|---|----------------|---|----------------------|
| Design Studio Group Ltd.<br>("Design Studio") | SGX            | Design Studio is engaged in the manufacture, supply and installation of paneling products, such as kitchen and vanity cabinets, wardrobes, doors and door frames, and furniture components for local and overseas markets. The company is also engaged in the provision of interior fitting-out services to hospitality and commercial projects. The company's segments include residential property projects, hospitality and commercial projects, and distribution projects. Its residential property projects segment is involved in the manufacture, supply and installation of paneling products, such as kitchen and vanity cabinets, wardrobes, doors and door frames and furniture components for local and overseas markets. Its hospitality and commercial projects segment is engaged in providing interior fitting-out services to hotels, resorts, office, shops and bank branches. Its distribution projects segment relates to the distributorship of furniture products of reputable overseas brands. | 31 December 2018     |
| Hafary Holdings Limited ("Hafary")            | SGX            | Hafary is an investment holding company. The company supplies tiles, stone, mosaic, wood-flooring, quartz top and sanitary ware and fittings in Singapore. The company's segments include general, project and others. Its general segment includes retail walk-in customers purchasing their requirements from the showrooms or customers (such as architecture, interior design and renovation firms) making ad-hoc purchases for home renovation or small property development. Its project segment includes customers involved in property development projects, whether residential, commercial, public or industrial. Its others segment is engaged in investing activities, including property development.  | 31 December 2018     |

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| Comparable companies                                 | Stock exchange | Business description   | Financial year ended |
|--|----------------|--|----------------------|
| Kitchen Culture Holdings Ltd.<br>("Kitchen Culture") | SGX-Catalist   | Kitchen Culture is engaged in investment holding. The company is involved in selling and distribution of imported kitchen systems and appliances, wardrobe systems, and household furniture and accessories. Its segments include residential projects, distribution and retail, and others. The residential projects segment is involved in designing, assembling, installing, testing and inspection of various furniture and fittings, kitchen equipment and related products. The distribution and retail segment is involved in selling and distribution of products through a network of authorized dealers and retailers. The others segment includes investment holding. It also provides kitchen solutions in Singapore and Malaysia. | 30 June 2018         |

*Source: Thomson Reuters Eikon, respective Comparable Companies' websites and annual reports*

In our evaluation, we have considered the following widely used valuation measures:

| Valuation ratios             | General description   |
|------------------------------|---|
| Price-earnings ("P/E") ratio | <p>P/E ratio or earnings multiple is the ratio of a company's market capitalisation divided by the historical consolidated full-year net profit attributable to shareholders.</p> <p>The P/E ratio is an earnings-based valuation methodology and is calculated based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses.</p> <p>The P/E ratio illustrates the ratio of the market capitalisation of a company in relation to the historical consolidated full-year net profit attributable to its shareholders (as the case may be). As such, it is affected by the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.</p> <p>We have considered the P/E ratios of the Comparable Companies based on their respective closing prices on the Latest Practicable Date and their latest full year net earnings per share.</p> |

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| Valuation ratios   | General description   |
|--|---|
| Price-to-net asset value (" <b>P/NAV</b> ") ratio  | <p>NAV refers to consolidated net asset value, which is the total assets of a company less total liabilities.</p> <p>P/NAV refers to the ratio of a company's share price divided by NAV per share.</p> <p>The P/NAV ratio represents an asset-based relative valuation which takes into consideration the book value or NAV backing of a company.</p> <p>The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net assets of the company.</p> <p>We have considered the P/NAV ratios of the Comparable Companies based on their respective closing prices on the Latest Practicable Date and their latest available NAV per share.</p>  |
| Enterprise Value-to-Earnings before Interests, Taxes, Depreciation and Amortisation (" <b>EV/EBITDA</b> ") ratio | <p>EV refers to enterprise value which is the sum of a company's market capitalisation, preferred equity, minority interests, short-term and long-term debts (inclusive of finance leases), less its cash and cash equivalents.</p> <p>EBITDA refers to the historical consolidated full-year earnings before interest, taxes, depreciation and amortisation of a company.</p> <p>The EV/EBITDA ratio illustrates the ratio of the market value of a company's business in relation to its historical pre-tax operating cash flow performance. The EV/EBITDA ratio is an earnings-based valuation methodology. The difference between EV/EBITDA and the P/E ratio (described above) is that it does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges.</p> <p>We have considered the EV/EBITDA ratios of the Comparable Companies based on their respective closing prices on the Latest Practicable Date, latest-available balance sheet values and latest audited full year EBITDA.</p> |

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

| Comparable Companies   | Market capitalisation<br>(S\$ million) | P/E <sup>(1)</sup><br>(times) | EV/EBITDA <sup>(2)</sup><br>(times) | P/NAV <sup>(3)</sup><br>(times) |
|--|--|-------------------------------|-------------------------------------|---------------------------------|
| KLW  | 21.5                                   | n.a. <sup>(4)</sup>           | n.a. <sup>(5)</sup>                 | 0.29                            |
| LHT  | 30.9                                   | 9.0                           | 2.0                                 | 0.59                            |
| Koda <sup>(6)</sup>  | 50.3                                   | 6.5                           | 3.8                                 | 1.01                            |
| Design Studio  | 33.8                                   | n.a. <sup>(4)</sup>           | n.a. <sup>(5)</sup>                 | 0.57                            |
| Hafary   | 71.0                                   | 6.6                           | 12.4                                | 1.09                            |
| Kitchen Culture  | 12.6                                   | n.a. <sup>(4)</sup>           | n.a. <sup>(5)</sup>                 | n.a. <sup>(7)</sup>             |
| <b>Maximum</b>   |  | <b>9.0</b>                    | <b>12.4</b>                         | <b>1.09</b>                     |
| <b>Minimum</b>   |  | <b>6.5</b>                    | <b>2.0</b>                          | <b>0.29</b>                     |
| <b>Mean</b>  |  | <b>7.4</b>                    | <b>6.1</b>                          | <b>0.71</b>                     |
| <b>Median</b>  |  | <b>6.6</b>                    | <b>3.8</b>                          | <b>0.59</b>                     |
| <b>Company<br/>(as implied by the Consideration<br/>Issue Price, the Subscription<br/>Issue Price and the Option<br/>Exercise Price)</b> |  |                               |                                     |                                 |
|  | <b>8.3<sup>(8)</sup></b>               | <b>n.a.<sup>(9)</sup></b>     | <b>n.a.<sup>(9)</sup></b>           | <b>0.77<sup>(10)</sup></b>      |

*Source: Thomson Reuters Eikon, annual reports and announcements on SGXNET of the Comparable Companies and NCF's calculations*

### Notes:

- (1) P/E ratio is calculated based on the earnings as extracted from the latest available audited full year financial statements of the respective Comparable Companies.
- (2) EV/EBITDA ratio is calculated based on the latest available audited full year financial statements or unaudited interim financial statements of the respective Comparable Companies, as the case may be.
- (3) P/NAV ratio is calculated based on the NAV as extracted from the latest available audited full year or unaudited interim financial statements of the respective Comparable Companies, as the case may be.
- (4) Denotes “not applicable” as the respective Comparable Companies had recorded net losses attributable to equity holders of the company.
- (5) Denotes “not applicable” as the respective Comparable Companies had recorded negative EBITDA for the latest financial year.
- (6) Koda's functional currency is reported in USD. As such, the applicable exchange rate used is S\$1.00 : USD0.7373 as the Latest Practicable Date as extracted from Thomson Reuters Eikon.
- (7) Denotes “not applicable” as Kitchen Culture had recorded negative capital and reserves attributable to equity holders of the Company as at the end of its latest financial year.
- (8) Calculated based on the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price multiplied by the number of Shares outstanding as at the Latest Practicable Date.
- (9) Denotes “not applicable” as the Company had recorded negative EBITDA and net losses attributable to equity holders of the Company for FY2018.
- (10) Based on the Group's NAV per Share attributable to equity holders of the Company of S\$0.0142 as at 31 December 2018.

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Based on the above, we observe that:

- (a) the Company had recorded a net loss attributable to equity holders of the Company in FY2018, hence the P/E ratio of the Company (as implied by the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price) would not be applicable. Solely for illustrative purposes, the P/E ratios of the Comparable Companies ranged between 6.5 times and 9.0 times, with the mean and median P/E ratios at 7.4 times and 6.6 times respectively;
- (b) the Company had recorded a negative EBITDA in FY2018, hence the EV/EBITDA ratio of the Company (as implied by the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price) would not be applicable. Solely for illustrative purposes, the EV/EBITDA ratios of the Comparable Companies ranged between 2.0 times and 12.4 times, with the mean and median P/E ratios at 6.1 times and 3.8 times respectively; and
- (c) the P/NAV ratio of the Company of 0.77 times (as implied by the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price) is within the range of the P/NAV ratios of the Comparable Companies and higher than both the mean and median P/NAV ratios of 0.71 times and 0.59 times respectively.

### 5.5.6 Comparison with selected acquisition transactions by companies listed on the SGX-ST

We have compared the Price-to-Valuation<sup>1</sup> ratio of the Target Group implied by the Acquisition Consideration with selected acquisitions of majority interest (excluding reverse take-over transactions) involving property assets (or through companies holding such property assets) which were subject to shareholders' approval at an extraordinary general meeting pursuant to the requirements under the SGX-ST listing rules, undertaken and completed by companies (excluding real estate and business trusts) listed on the SGX-ST that were announced since 1 January 2016 and up to the Latest Practicable Date, for which information is publicly available (the "**Comparable Transactions**").

We wish to highlight that the Comparable Transactions set out below are by no means exhaustive. In addition, the level of premium or discount an acquirer would normally pay for an acquisition varies in different circumstances depending on, *inter alia*, the rationale for the acquisition, the attractiveness of the underlying assets to the acquirer, the synergies to be gained by the acquirer, the availability of substantial cash reserves, the extent of control the acquirer already has in the target company or assets, current market expectation as well as general economic and business sentiments.

In addition, the Target Group is not directly comparable to the companies involved in the Comparable Transactions in terms of business activities, scale of operations, market capitalisation, geographical spread, accounting policies, financial performance, operating and financial leverage, asset base, risk profile, track record, future prospects and other relevant criteria. As such, any comparison made with respect to the Comparable Transactions is intended to serve as an illustrative guide only and each of the Comparable Transactions must be judged on its own commercial and financial merits.

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<sup>1</sup> Based on the consideration paid by the acquirer over the fair market value or revalued net asset value (where available) of the target companies and/or assets

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| Aquirer                      | Target   | Date of announcement | Type    | % of interest in the target acquired | Consideration structure                   | Total consideration ('000) | Price-to-Valuation (times) |
|------------------------------|--|----------------------|---------|--------------------------------------|---|----------------------------|----------------------------|
| 3Cenergy Limited             | Liberty Bridge Sdn Bhd   | 29 March 2016        | IPT     | 100%                                 | 100% shares                               | S\$64,000                  | 0.98 <sup>(1)</sup>        |
| Pharmesis International Ltd. | Two (2) units in a development located at No. 8 Ying Bin Avenue, Jinniu District, Chengdu Province, Sichuan, PRC (the “ <b>Ying Bin Property</b> ”)  | 6 May 2016           | IPT     | 100%                                 | 100% cash                                 | RMB6,973 <sup>(2)</sup>    | 0.95 <sup>(3)</sup>        |
| Pharmesis International Ltd. | Jiangyou Neautus Traditional Chinese Medicine Technology Co. Ltd. <sup>(4)</sup>   | 6 May 2016           | IPT     | 100%                                 | 100% cash                                 | RMB8,631                   | 0.94 <sup>(5)</sup>        |
| MYP Ltd.                     | Straits Trading Building situated at 9 Battery road, Singapore 049910 <sup>(6)</sup>   | 1 June 2016          | Non-IPT | 100%                                 | 100% cash                                 | S\$560,000                 | 1.00 <sup>(7)</sup>        |
| Travelite Holdings Ltd.      | Four-storey single user industrial building located at 53 Ubi Avenue 3, Singapore 408863 (the “ <b>53 Ubi Industrial Property</b> ”)   | 8 August 2016        | Non-IPT | 100%                                 | 100% cash                                 | S\$19,275                  | 0.64 <sup>(8)</sup>        |
| Fabchem China Limited        | 13 <sup>th</sup> , 14 <sup>th</sup> and 15 <sup>th</sup> storeys of Yinguang Fuyuan Plaza, comprising a total built-up area of 3,499.83 square metres, as well as 39 carpark lots (the “ <b>Yinguang Property</b> ”) | 12 June 2017         | IPT     | 100%                                 | 100% cash                                 | RMB32,870                  | 0.96 <sup>(9)</sup>        |
| Pollux Properties Ltd.       | Pollux Alpha Investments Ltd   | 31 July 2017         | IPT     | 100%                                 | 72.2% shares and 27.8% cash (via set-off) | S\$200,938                 | 1.00 <sup>(10)</sup>       |
| Far East Group Limited       | Three-storey industrial building located at 51 Ubi Avenue 3, Singapore 408857 (the “ <b>51 Ubi Industrial Property</b> ”)  | 11 August 2017       | Non-IPT | 100%                                 | 100% cash                                 | S\$22,500                  | 0.90 <sup>(11)</sup>       |

## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

| Aquirer                     | Target  | Date of announcement | Type    | % of interest in the target acquired | Consideration structure | Total consideration ('000) | Price-to-Valuation (times) |
|-----------------------------|---|----------------------|---------|--------------------------------------|-------------------------|----------------------------|----------------------------|
| Global Yellow Pages Limited | A plot of freehold land located at Bellfield Road, Papakura, New Zealand (the “ <b>NZ Land</b> ”)   | 14 September 2017    | Non-IPT | 100%                                 | 100% cash               | NZ\$36,000 <sup>(12)</sup> | 0.87 <sup>(13)</sup>       |
|                             | A commercial freehold land known as GRN 75829, Lot 20000 Seksyen 31, Bandar and Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, upon which a 10 storey hotel known as Geo Hotel Kuala Lumpur bearing address No. 7, Jalan Hang Kasturi, 50050 Kuala Lumpur is situated (the “ <b>Hotel Property</b> ”) | 15 September 2017    | Non-IPT | 73.3% <sup>(14)</sup>                | 100% cash               | RM85,500                   | 0.95 <sup>(15)</sup>       |
| Soon Lian Holdings Limited  | Single storey detached factory located at 6 Tuas Lane, Singapore 638615 (the “ <b>Factory Property</b> ”)   | 28 December 2017     | Non-IPT | 100%                                 | 100% cash               | S\$7,800                   | 1.00 <sup>(16)</sup>       |
| Infinio Group Limited       | Industrial building located at No. 6 Kim Chuan Terrace Singapore 537029 (the “ <b>KCT Industrial Property</b> ”)  | 13 February 2018     | Non-IPT | 100%                                 | 100% cash               | S\$10,800                  | 0.98 <sup>(17)</sup>       |
| Lafe Corporation Limited    | A freehold 15-unit development known as Fairhaven located at 130 Sophia Road, Singapore 228185 (the “ <b>Development Site</b> ”)  | 28 March 2018        | Non-IPT | 100%                                 | 100% cash               | S\$57,000                  | 1.00 <sup>(18)</sup>       |
| Thakral Corporation Ltd     | Thakral Realty (S) Pte Ltd (“ <b>Thakral Realty</b> ”)  | 21 May 2018          | IPT     | 100%                                 | 100% cash               | S\$9,000                   | 0.95 <sup>(19)</sup>       |
| APAC Realty Limited         | HC Home Pte. Ltd. (“ <b>HC Home</b> ”)  | 5 June 2018          | Non-IPT | 100%                                 | 100% cash               | S\$72,800                  | 1.00 <sup>(20)</sup>       |

## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

| Aquirer   | Target   | Date of announcement | Type    | % of interest in the target acquired | Consideration structure | Total consideration ('000) | Price-to-Valuation (times)                   |                             |  |      |      |     |      |      |      |        |      |
|---|--|----------------------|---------|--------------------------------------|-------------------------|----------------------------|--|-----------------------------|--|------|------|-----|------|------|------|--------|------|
| Hatten Land   | Velvet Valley Sdn Bhd and its subsidiaries ("VVSBB")   | 3 August 2018        | IPT     | 100%                                 | 100% cash               | RM43,000                   | 0.72 <sup>(21)</sup><br>0.80 <sup>(22)</sup> |                             |  |      |      |     |      |      |      |        |      |
| Katrina Group Ltd.  | Straits Organization Pte. Ltd. ("SOPL")  | 13 November 2018     | IPT     | 100%                                 | 100% cash               | S\$358,000                 | n.a. <sup>(23)</sup>                         |                             |  |      |      |     |      |      |      |        |      |
| Capitaland Limited  | Ascendas Pte Ltd and Singbridge Pte. Ltd.  | 13 January 2019      | IPT     | 100%                                 | 50% cash, 50% shares    | S\$6,035,900               | 0.90 – 0.91 <sup>(24)</sup>                  |                             |  |      |      |     |      |      |      |        |      |
| Raffles Education Corporation Limited   | Campus facilities located at 28 Jinjing Road, Xiqing District, Tianjin, PRC and are located within the compound of the Tianjin University of Commerce Boustead College | 24 April 2019        | Non-IPT | 100%                                 | 100% cash               | RMB260,000                 | 1.00   |                             |  |      |      |     |      |      |      |        |      |
| <table><tr><th colspan="2">All Comparable Transactions</th></tr><tr><td>High</td><td>1.00</td></tr><tr><td>Low</td><td>0.64</td></tr><tr><td>Mean</td><td>0.93</td></tr><tr><td>Median</td><td>0.96</td></tr></table> |  |                      |         |                                      |                         |                            |  | All Comparable Transactions |  | High | 1.00 | Low | 0.64 | Mean | 0.93 | Median | 0.96 |
| All Comparable Transactions   |  |                      |         |                                      |                         |                            |  |                             |  |      |      |     |      |      |      |        |      |
| High  | 1.00   |                      |         |                                      |                         |                            |  |                             |  |      |      |     |      |      |      |        |      |
| Low   | 0.64   |                      |         |                                      |                         |                            |  |                             |  |      |      |     |      |      |      |        |      |
| Mean  | 0.93   |                      |         |                                      |                         |                            |  |                             |  |      |      |     |      |      |      |        |      |
| Median  | 0.96   |                      |         |                                      |                         |                            |  |                             |  |      |      |     |      |      |      |        |      |
| <table><tr><th colspan="2">Comparable IPT Transactions</th></tr><tr><td>High</td><td>1.00</td></tr><tr><td>Low</td><td>0.76</td></tr><tr><td>Mean</td><td>0.93</td></tr><tr><td>Median</td><td>0.95</td></tr></table> |  |                      |         |                                      |                         |                            |  | Comparable IPT Transactions |  | High | 1.00 | Low | 0.76 | Mean | 0.93 | Median | 0.95 |
| Comparable IPT Transactions   |  |                      |         |                                      |                         |                            |  |                             |  |      |      |     |      |      |      |        |      |
| High  | 1.00   |                      |         |                                      |                         |                            |  |                             |  |      |      |     |      |      |      |        |      |
| Low   | 0.76   |                      |         |                                      |                         |                            |  |                             |  |      |      |     |      |      |      |        |      |
| Mean  | 0.93   |                      |         |                                      |                         |                            |  |                             |  |      |      |     |      |      |      |        |      |
| Median  | 0.95   |                      |         |                                      |                         |                            |  |                             |  |      |      |     |      |      |      |        |      |
| The Company   | Mapur Rocky Resort Limited   | 27 February 2019     | IPT     | 54.0%                                | 100% shares             | S\$3,510                   | 1.00 <sup>(25)</sup>                         |                             |  |      |      |     |      |      |      |        |      |

**Source:** Announcements and shareholders' circulars of the respective companies in relation to the Comparable Transactions and NCF's calculations

## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

### Notes:

- (1) Based on the revalued net asset value (“**RNAV**”) of Liberty Bridge Sdn Bhd of Malaysia Ringgit (“**RM**”) 196.8 million (or approximately S\$65.5 million based on the exchange rate of S\$1.00 to RM3.0026) as extracted from the letter issued by the independent financial adviser of 3Cnergy Limited.
- (2) Based on the tentative purchase consideration of RM6,973,280 as defined and disclosed in the circular dated 12 December 2016 issued by Pharmesis Intenational Ltd.
- (3) Based on the market value of the Ying Bin Property of approximately RM7.3 million as ascribed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent valuer engaged by Pharmesis International Ltd., and as extracted from the letter issued by the independent financial adviser of Pharmesis International Ltd.
- (4) Acquisition of an industrial complex under construction that is located in Jiangyou, Mianyang, Sichuan Province, PRC, with the plot number 81-3-31-61, through the acquisition 100% of the issued and paid-up share capital of Jiangyou Neautus Traditional Chinese Medicine Technology Co. Ltd.
- (5) Based on the market value of the 100% equity interest in Jiangyou Neautus Traditional Chinese Medicine Technology Co. Ltd of approximately RM9.22 million as ascribed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent valuer engaged by Pharmesis International Ltd., and as extracted from the letter issued by the independent financial adviser of Pharmesis International Ltd.
- (6) The acquisition of the property comprises of (a) the following land lots: (i) the whole Lot of 391K of Town Subdivision 1 comprising a leasehold estate for (A) the unexpired portion of a leasehold term of 999 years commencing from 20 April 1826; and (B) the unexpired portion of a leasehold term of 999 years commencing from 5 November 1862; (ii) the whole of Lot 455W of Town Subdivision 1 comprising a leasehold estate for (A) the unexpired portion of a leasehold term of 999 years commencing from 19 December 1850; and (B) the unexpired portion of a leasehold term of 999 years commencing from 9 March 1863; (iii) the whole of Lot 700N of Town Subdivision 1 comprising a leasehold estate for the unexpired portion of a leasehold term of 999 years from 5 November 1862; and (iv) the whole of Lot 393X of Town Subdivision 1 comprising a leasehold estate for (A) the unexpired portion of a leasehold term of 999 years commencing from 20 April 1826; and (B) the unexpired portion of a leasehold term of 999 years commencing from 19 December 1850; (b) the building known as the “Straits Trading Building” (the “**Building**”) situated at 9 Battery Road, Singapore 049910 (including the car parks situated at the Building, and service, loading and other areas serving the Building); and (c) the fixed plant, mechanical and electrical equipment (including without limitation fixtures and fittings, air-conditioning equipment, lift installations, fire safety equipment, closed-circuit televisions, power generators and other plant and equipment necessary for the operation of the Building) located in or on the Building, (collectively, the “**STB Property**”).
- (7) Based on the market value of the STB Property of S\$560,000,000 as ascribed by Colliers International Consultancy & Valuation (Singapore) Pte Ltd, the independent valuer engaged by MYP Ltd., as extracted from the circular dated 20 October 2016 issued by MYP Ltd.
- (8) Based on the market value of the 53 Ubi Industrial Property of S\$30,000,000, with reference to the (a) valuation report received from the vendor issued by an independent third party valuer dated 19 December 2014, which ascribed a valuation of S\$30,000,000 to the 53 Ubi Industrial Property; and (b) indicative open market value of S\$30,000,000 to the 53 Ubi Industrial Property ascribed by two (2) property valuers of Travelite Holdings Ltd.’s bank in July 2016, as extracted from the circular dated 6 December 2016 issued by Travelite Holdings Ltd.
- (9) Based on the market value of the Yinguang Property of Chinese Yuan (“**RMB**”) 34,270,000 as ascribed by AVA Associates Limited, the independent valuer engaged by Fabchem China Limited, as extracted from the circular dated 14 July 2017 issued by Fabchem China Limited.
- (10) Based on the NAV of Pollux Alpha Investments Ltd and its subsidiaries (the “**PAI Group**”) of S\$200,955,119 which also reflects the RNAV of the PAI Group, as extracted from the letter issued by the independent financial adviser of Pollux Properties Ltd.
- (11) Based on the market value of the 51 Ubi Industrial Property of S\$25,000,000 as ascribed by Savills Valuation and Professional Services (S) Pte Ltd, the independent valuer engaged by Far East Group Limited, as extracted from the circular dated 14 December 2017 issued by Far East Group Limited.
- (12) On 13 October 2017, Global Yellow Pages Limited announced that it had, through an indirect wholly-owned subsidiary, entered into a variation agreement with the vendor to make certain variations to the sales and purchase agreement, including, *inter alia*, a reduction of the consideration from New Zealand Dollars (“**NZ**”) \$38,000,000 to NZ\$36,000,000.



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- (13) Based on the market value of the NZ Land of NZ\$41,500,000 as ascribed by Bayleys Valuations Limited, the independent valuer engaged by Global Yellow Pages Limited, as extracted from the circular dated 8 May 2018 issued by Global Yellow Pages Limited.
- (14) The proposed acquisition was undertaken by a wholly-owned subsidiary of MHI MY 1 Pte. Ltd., a joint venture company owned by ICP Ltd. and Mr Aw Cheek Huat (the non-executive chairman and controlling shareholder of ICP Ltd.) with the shareholding interests of approximately 73.3% and 26.7% respectively. Following the completion of the proposed acquisition, ICP Ltd. indirectly holds approximately 73.3% of the Hotel Property. On 14 March 2018, ICP Ltd. announced, *inter alia*, that Mr Aw Cheek Huat had transferred an approximately 17.4% of his shareholding interests in MHI MY 1 Pte. Ltd. to certain investors, resulting in him holding a shareholding interest of approximately 9.3% in MHI 1 Pte. Ltd. after the transfer.
- (15) Based on the market value of the Hotel Property of RM90,000,000 as ascribed by Messrs Firdaus & Associates, the independent valuer engaged by ICP Ltd., as extracted from the circular dated 6 October 2017 issued by ICP Ltd.
- (16) Based on the market value of the Factory Property of S\$7,800,000 as ascribed by United Valuers Pte Ltd., the independent valuer engaged by Soon Lian Holdings Limited, as extracted from the circular dated 9 March 2018 issued by Soon Lian Holdings Limited.
- (17) Based on the market value of the KCT Industrial Property of S\$11,000,000 as ascribed by AVA Associates Limited, the independent valuer engaged by Infinio Group Limited, as extracted from the circular dated 6 March 2018 issued by Infinio Group Limited.
- (18) Based on the market value of the Development Site of S\$57,000,000 as ascribed by PREMAS Valuers & Property Consultants Pte Ltd., the independent valuer engaged by Lafe Corporation Limited, as extracted from the circular dated 13 August 2018 issued by Lafe Corporation Limited.
- (19) Based on the circular dated 28 May 2018 issued by Thakral Corporation Ltd, upon completion of the proposed acquisition of Thakral Realty, Thakral Realty will have no assets or business save for its holding of the property known as 20 Upper Circular Road #03-06 The Riverwalk Singapore 058416 (the “**Riverwalk Property**”), and no liabilities save for the loan taken up by Thakral Realty for the purchase of the Riverwalk Property (the “**Riverwalk Property Loan**”), of which approximately S\$21.0 million shall remain outstanding at completion of the proposed acquisition. Accordingly, the Price-to-Valuation ratio is computed based on the total consideration of S\$9.0 million over the market value of the Riverwalk Property of S\$30.5 million (as ascribed by Jones Lang LaSalle Property Consultants Pte Ltd, the independent valuer engaged by Thakral Corporation Ltd), adjusted for the Riverwalk Property Loan of S\$21.0 million.
- (20) Based on the circular dated 16 August 2018 issued by APAC Realty Limited, HC Home owns a property at 450 Lorong 6 Toa Payoh Singapore 319394 (the “**HC Property**”). In addition, HC Home is loss-making and relies on funds from Hersing Corporation Pte. Ltd. to repay its mortgage loan instalments. The current loan taken out by HC Home shall be repaid prior to the completion of the proposed acquisition. Based on the unaudited financial statements of HC Home for the half year ended 30 June 2018, HC Home is in a net liability and net tangible liability position of approximately S\$2.7 million. As HC Home is being acquired on a debt-free cash-free basis, there will be no net liability. Accordingly, the Price-to-Valuation ratio is computed based on the total consideration of approximately S\$72.8 million over the market value of the HC Property of S\$72.8 million (as ascribed by Savills Valuation and Professional Services (S) Pte Ltd, the independent valuer engaged by APAC Realty Limited).
- (21) Based on the RNAV of the VVSB Group of RM59.7 million as at 31 March 2018 as extracted from the business valuation report dated 4 September 2018 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the “**Business Valuation Report**”). The range of the Price-to-Valuation ratios for all Comparable Transactions and all Comparable IPT Transactions were computed based on an average value of 0.76 as implied by the RNAV of the VVSB Group and the value based on the 100% equity interest in the VVSB Group for this transaction.
- (22) Based on the 100% equity interest in the VVSB Group of RM53.8 million as at 31 March 2018 as extracted from the Business Valuation Report. The range of the Price-to-Valuation ratios for all Comparable Transactions and all Comparable IPT Transactions were computed based on an average value of 0.76 as implied by the RNAV of the VVSB Group and the value based on the 100% equity interest in the VVSB Group for this transaction.
- (23) Denotes not available as there was no independent valuation conducted on SOPL and the consideration was arrived at on a willing buyer and willing seller basis after taking into account, *inter alia*, the net tangible assets of SOPL as at 30 November 2018 as estimated from the management accounts of SOPL, which was not disclosed.
- (24) Based on the upper and lower bounds of the valuation range for the target companies’ sum-of-the-parts valuation as determined by the independent financial adviser in respect of the transaction and disclosed in the circular. The range of the Price-to-Valuation ratios for all Comparable Transactions and all Comparable IPT Transactions were computed based on an average value of 0.905 as implied by the valuation range for this transaction.
- (25) Based on the Acquisition Consideration vis-à-vis the Land Value.

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Based on the above, we note the following:

- (a) The Price-to-Valuation ratio of the Company as implied by the Acquisition Consideration of approximately 1.00 times is within the range of the Price-to-Valuation ratios of the Comparable Transactions, equal to the highest Price-to-Valuation ratio as implied by certain of the Comparable Transactions, but higher than both the mean and median Price-to-Valuation ratios of 0.93 times and 0.96 times; and
- (b) When comparing with Comparable Transactions that constitute IPTs (the “**Comparable IPT Transactions**”), the Price-to-Valuation ratio as implied by the Acquisition Consideration of approximately 1.00 times is within the range of the Price-to-Valuation ratios of the Comparable IPT Transactions, equal to the highest Price-to-Valuation ratio as implied by one (1) of the Comparable IPT Transactions, but higher than both the mean and median Price-to-Valuation ratios of 0.93 times and 0.95 times.

We wish to highlight that the Company is not in the same industry and does not conduct the same businesses as the other companies in the list of Comparable Transactions and therefore, would not be directly comparable to the list of companies in terms of, *inter alia*, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria. Further, the list of Comparable Transactions is by no means exhaustive and information relating to the said companies was compiled from publicly available information. Accordingly, the Independent Directors should note that the above comparison merely serves as a general guide to provide an indication of the relevant premium or discount in connection with the Comparable Transactions. Any comparison of the terms of the Proposed Acquisition with that of the Comparable Transactions is for illustrative purposes only and should not be conclusively relied upon.

### 5.5.7 Comparison with recent transactions involving issuance of shares for cash by companies listed on the SGX-ST

In assessing the Subscription Issue Price and the Option Exercise Price, we have also looked at the salient statistics of selected completed transactions which involve issuance of shares for cash by companies (excluding real estate and business trusts) listed on the SGX-ST, that were announced since 1 January 2014 and up to the Latest Practicable Date, wherein a whitewash resolution was sought from shareholders (the “**Comparable WR Transactions**”) similar to the Proposed Whitewash Resolution.

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We have tabulated the Comparable WR Transactions to illustrate the typical issue or placement price to NAV, premium/discount represented by the issue or placement price to the last traded price for the relevant share on the market day immediately preceding the date of the relevant announcement, wherein the shares were last traded. Shareholders should note that some of these Comparable WR Transactions are more than three (3) years old and as such references or observation made herein is necessarily limited. The table below summarises the salient statistics of the Comparable Transactions:

| Company  | Date of announcement    | Issue / placement price (S\$) | Resultant shareholding of incoming shareholder in the company | Premium / (Discount) of issue price to last transacted price prior to announcement (%) | Issue / placement price to NTA per share <sup>(1)</sup> (%) |
|--|-------------------------|-------------------------------|---|--|---|
| Edition Ltd. (formerly known as Oniontech Limited) | 21 February 2014        | 0.030                         | From 0% to 68.13%   | 11.1   | 0.3   |
| ChinaVision Media Group Limited                    | 11 March 2014           | HK\$0.50                      | From 0% to 59.83%   | (21.9)   | 2.5   |
| Cacola Furniture International Limited             | 02 October 2014         | n.a. <sup>(2)</sup>           | From 0% to 79.43%   | (10.0)   | n.m. <sup>(3)</sup>   |
| Xpress Holdings Limited                            | 05 December 2014        | 0.007                         | From 0.58% to 57.66%  | (22.2)   | 21.2  |
| Asiatravel.com Holdings Ltd                        | 27 November 2015        | 0.200                         | From 11.41% to 63.49%   | (14.9)   | 4.3   |
| Eucon Holding Limited                              | 11 December 2015        | 0.018                         | From 0% to 88.54%   | (35.7)   | n.m. <sup>(4)</sup>   |
| Singapore eDevelopment Limited                     | 29 January 2016         | 0.060                         | From 28.31% to 48.41%   | 100.0  | 0.9   |
| OKH Global Ltd                                     | 05 April 2016           | 0.100                         | From 0% to 43.0%  | (19.4)   | 0.4 <sup>(5)</sup>  |
| Swee Hong Limited                                  | 14 March 2016           | 0.0029                        | From 0% to 50.62%   | (97.7)   | n.m. <sup>(6)</sup>   |
| Jason Holdings Limited                             | 21 December 2016        | 0.0005                        | From 19.81% to 92.18%   | (99.2)   | 0.04  |
| SunMoon Food Company Limited                       | 3 January 2017          | 0.045                         | From 0% to 51.12%   | (53.1)   | 1.5   |
| SIIC Environment Holdings Ltd.                     | 16 January 2017         | 0.630                         | From 37.56% to 45.94%   | 11.5   | n.m. <sup>(7)</sup>   |
| AEI Corporation Ltd                                | 8 August 2017           | 0.800                         | From 0% to 68.31%   | 35.6   | 0.5 <sup>(8)</sup>  |
| Gaylin Holdings Limited                            | 23 October 2017         | 0.050                         | From 0% to 75.64%   | (47.4)   | 0.2 <sup>(9)</sup>  |
| Atlantic Navigation                                | 16 July 2018            | 0.1348                        | From 0% to 50.22%   | 10.5   | 0.6 <sup>(10)</sup>   |
|  |                         |                               | <b>Highest premium / Maximum</b>                              | <b>35.6</b>  | <b>4.30</b>   |
|  |                         |                               | <b>Lowest discount / Minimum</b>                              | <b>(99.2)</b>  | <b>0.04</b>   |
|  |                         |                               | <b>Mean</b>   | <b>(25.2)</b>  | <b>1.12<sup>(11)</sup></b>                                  |
|  |                         |                               | <b>Median</b>   | <b>(20.7)</b>  | <b>0.55<sup>(11)</sup></b>                                  |
|  |                         |                               | <b>From 9.2% to 44.5% and thereafter to 54.0%</b>             |  |   |
| <b>The Company</b>                                 | <b>27 February 2019</b> | <b>0.011</b>                  |   | <b>10.0</b>  | <b>0.77</b>   |

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

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

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### Notes:

- (1) The NTA of the respective companies are based on their respective NTA values as set out in their respective circular for the abovementioned transactions.
- (2) Subscription Price is determined to be at a discount of 10% to the VWAP of the price traded on the day the Company received the subscription request.
- (3) Cacola Furniture International Limited's P/NTA is deemed not meaningful as the computation requires many assumptions including determining the reference price.
- (4) Eucon Holding Limited recorded a negative NTA of approximately S\$3.0 million and negative revalued NTA of S\$1.0 million as at 30 June 2016.
- (5) Based on the revalued NTA as at 31 March 2016.
- (6) Swee Hong Limited recorded a negative NTA of approximately S\$47.1 million as at 31 March 2016.
- (7) SIIC Environment Holdings Ltd. recorded a negative NTA of approximately RMB466.5 million as at 31 December 2016.
- (8) Based on revalued NTA as at 31 December 2017.
- (9) Based on revalued NTA as at 30 September 2017.
- (10) Based on the Group's revalued NTA per share as per the independent financial adviser's opinion letter.
- (11) Excludes Xpress Holdings Limited as a statistical outlier in the mean and median computations.

Based on the above, we note the following:

- (a) The premium of the Subscription Issue Price and the Option Exercise Price to the last transacted price of the Shares of S\$0.009 on the Last Trading Day of approximately 10.0% is within the range of the corresponding premia/discounts of the Comparable WR Transactions and higher than the mean and median discounts of approximately 25.2% and 20.7% respectively; and
- (b) the P/NAV ratio (as implied by the Subscription Issue Price and the Option Exercise Price) to the NAV per Share of approximately 0.77 times is within the range of the corresponding P/NAV of the Comparable WR Transactions, lower than the mean P/NAV ratio of 1.12 times and higher than the median P/NAV ratio of 0.55 times respectively.

**We wish to highlight that the Company is not in the same industry and does not conduct the same businesses as the other companies in the list of Comparable WR Transactions and would not, therefore, be directly comparable to the list of companies in terms of, *inter alia*, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria. Further, the list of Comparable WR Transactions is by no means exhaustive and information relating to the said companies was compiled from publicly available information. Accordingly, the Independent Directors should note that the above comparison merely serves as a general guide to provide an indication of the relevant premium or discount in connection with the Comparable WR Transactions. Any comparison of the terms of the Proposed Subscription and the Proposed Options with that of the Comparable WR Transactions is for illustrative purposes only and should not be conclusively relied upon.**

### 5.6 Assessment of the Shareholders' Agreement

The full text of the information relating to the principal terms of the Shareholders' Agreement is set out in Section 12.4 of the Circular and an extract of which has been reproduced in italics below. All terms and expressions used in the extract below shall have the same meaning as those defined in the Circular, unless otherwise defined.

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*“The Shareholders’ Agreement stipulates the rights and obligations of the Company and the Vendor, Doris Chung Gim Lian (“DC”) as shareholders in the Target Company (the “Target Shareholders”). The terms of the Shareholders’ Agreement provide, inter alia:*

- (a) **Effective Date.** The Shareholders’ Agreement is effective from the Completion Date.*
- (b) **Business of the Target Company.** The principal business of the Target Group is to undertake the Proposed Development and the Property Development Business, or such other business as the Target Shareholders may from time to time mutually agree in writing.*
- (c) **Parties’ Obligations.** DC will (a) use her best endeavours to assist the Target Group to obtain the necessary financing to fund the Proposed Development on terms acceptable to the Company and the Target Company; and (b) subject to the approval of the Company or such other management committee appointed by the Company, use her best endeavours to assist the Target Group to put in place the necessary personnel and professionals with the requisite experience and expertise to oversee the Proposed Development.*
- (d) **Constitution of the Board.** The board of directors of the Target Company and the Subsidiary shall consist of a maximum of five (5) directors. The Company shall have the right to appoint three (3) directors and DC shall have the right to appoint two (2) directors.*
- (e) **Conflicts of Interests.** Subject to prevailing laws and regulations, the rules of any recognised stock exchange or any regulatory body or authority and any agreement or undertaking that are binding on a party, a Target Company director shall not be prohibited from voting or being counted in a quorum at any meeting of the board of directors in respect of any contract or arrangement in which he is or may be interested provided he has disclosed the nature of his interest in accordance with the applicable laws and the constitution of the Target Company.*
- (f) **Shareholder Meetings.** Except for the reserved matters or unless otherwise required by applicable law, all matters raised at a shareholders meeting shall be decided by a resolution of the Target Shareholders approved by the affirmative vote of a simple majority of the votes of the Target Shareholders entitled to vote and voting on the resolution.*
- (g) **Reserved Matters.** The express written consent of both the Company and DC shall be obtained prior to the passing of any resolutions to approve inter alia, the below matters at any general meeting of the Target Company or the Target Subsidiary or any meeting of the Target Company board of directors, committee of the board of directors or board meeting of the Target Subsidiary (as the case may be):*
  - (i) to change or expand the industry segment of the business of a Target Group Company;*
  - (ii) to make any distribution of profits or assets amongst its shareholders by way of dividend, distribution in specie, capitalisation of reserves or otherwise;*
  - (iii) to increase, reduce, sub-divide, change or cancel the issued shares or share capital (as applicable) of a Target Group Company or issue or grant any option, warrant or other right over the unissued share capital or shares (as applicable) of such company; or issue any new shares or new class of shares of such company;*
  - (iv) to amend its constitution or such other constitutive documents or part thereof;*
  - (v) to adopt its audited accounts;*
  - (vi) to approve any transactions with any shareholder or director or its subsidiaries, or any company or business in which any of the shareholders or directors or its subsidiaries have financial interests, or enter into any contract, agreement or arrangement with any such shareholders, directors or company;*



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- (vii) *to implement, terminate, or amend the terms of, any employee share option or share participation schemes;*
  - (viii) *to create, allow to arise or issue any debenture, pledge or security constituting a charge on all or any of the undertaking, assets or rights of such company;*
  - (ix) *to borrow or raise any monies lend any monies to or guarantee the payment obligations of any party or give any guarantees or indemnities or any form of security to any third party; and*
  - (x) *to dispose of any asset, undertaking or property of the Target Company of a net book value in excess of an agreed threshold amount, other than disposal made in the ordinary course of business.*
- (h) **Funding.** *The timing and amounts of further funds and working capital shall be determined by the Target Company's board of directors from time to time on the basis that such amounts should only be called prior to the Target Company requiring to expend the same and after the approval of all Target Shareholders. Whenever further funding or working capital is required to be provided, the number of shares in the capital of the Target Company to be subscribed and/or the amount of shareholders' loans to be advanced and/or any guarantee or security to be provided by the Target Shareholders shall be in the proportion of their respective shareholdings in the Target Company ("**Respective Proportion**"), unless otherwise determined in accordance with the pre-emptive provisions set out below in respect of any additional equity investment by the Target Shareholders.*
- (i) **Funding Priority.** *Unless otherwise determined by the Target Company's board of directors and agreed by the Target Shareholders, the business operations and expansion of the Target Group shall be financed firstly, by retained earnings; secondly, by bank or other third party lenders' loans and credit facilities; thirdly, from equity investment in accordance with the terms of the Shareholders' Agreement; and lastly, by loans from the Target Shareholders in the Respective Proportion provided that the Target Shareholders shall not be under any obligation to make loans to any Target Group Company or to guarantee any indebtedness or other obligations of any Target Group Company.*
- (j) **Pre-emptive provisions.** *Subject to the approval of the Company and DC being obtained for any increase in the number of issued shares or share capital, (as applicable), any issuance of new Target Shares or other securities or rights convertible or exchangeable into Target Shares shall before issue be offered for subscription in the first instance to each of the Target Shareholders in their Respective Proportion. Any increase in new Target Shares not subscribed by the Target Shareholders may be offered to a third party for subscription on the same terms.*
- (k) **Rights of First Refusal.** *Before a Target Shareholder ("selling shareholder") may sell or dispose of any or all of its Target Shares, such selling shareholder shall offer its Target Shares to the other Target Shareholders for sale on the same terms and conditions as those offered by a third party purchaser.*
- (l) **Deadlock.** *In the event of a major disagreement (involving at least S\$500,000 or more) in which a general meeting or board meeting of the Target Company is unable to be held for lack of quorum after three consecutive attempts (by way of adjourned meetings and/or meetings called by a separate notice) with the result that: (i) the business of the Target Group can no longer be conducted or a material breach of any customer contract is reasonably likely to result therefrom, and (ii) there is a substantial likelihood that the business of the Target Group, assets, financial condition or results of operation of the Target Group will be materially and adversely affected as a result thereof, then a Target Shareholder may issue a notice to buy-out the shares of the other Target Shareholders*



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*at fair value (as determined by an independent auditor acting as expert). The other Target Shareholders may elect to accept or decline the buy-out offer made. If the offer is declined, the declining Target Shareholder shall offer to purchase the shares held by the other Target Shareholders at the fair value. The right of first refusal shall not apply in the event of a sale pursuant to a deadlock.*

- (m) **Termination.** *The Shareholders' Agreement shall take effect without limit in point of time. If any Target Shareholder sells all of its shares, the Shareholders' Agreement shall be terminated with such Target Shareholder.*
- (n) **Conditions of Transfer.** *All sale, purchase or transfer of any Target Shares pursuant to the Shareholders' Agreement shall be subject to the approval of any relevant regulatory authority or body, stock exchange and/or the shareholders of a Target Shareholder if such approval is required to be obtained pursuant to prevailing laws or regulations or the listing rules of a stock exchange that is binding on such a Target Shareholder. In the event such an approval is required to be obtained, the timeframe for the completion of the purchase, sale or transfer of the Target Shares shall be extended for a period not exceeding three (3) months from the applicable closing date to enable a party to obtain the relevant approval(s)."*

Having reviewed the Shareholders' Agreement, we note the following:

- (a) Doris will (i) use her best endeavours to assist the Target Group to obtain the necessary financing to fund the Proposed Development on terms acceptable to the Company and the Target Company; and (ii) subject to the approval of the Company or such other management committee appointed by the Company, use her best endeavours to assist the Target Group to put in place the necessary personnel and professionals with the requisite experience and expertise to oversee the Proposed Development;
- (b) the board of directors of the Target Company and its subsidiary shall consist of a maximum of five (5) Directors. The Company shall have the right to appoint three (3) directors and Doris shall have the right to appoint two (2) directors;
- (c) the express written consent of both the Company and Doris is required in respect of matters that might result in any material changes / developments to, *inter alia*, the business, capital structure, assets, and distribution of profits and/or assets amongst the shareholders of the Target Company, which serves to safeguard the interest of the Company;
- (d) the timing and amounts of further funds and working capital shall be determined by the Target Company's board of directors, and the amount of financing to be raised from or provided by the Target Shareholders shall be in proportion of their respective shareholdings in the Target Company (the "**Respective Proportion**");
- (e) the business operations and expansion of the Target Group shall be financed firstly, by retained earnings; secondly, by bank or other third party lenders' loans and credit facilities; thirdly, from equity investment in accordance with the terms of the Shareholders' Agreement; and lastly, by loans from the Target Shareholders in the Respective Proportion provided that the Target Shareholders shall not be under any obligation to make loans to any Target Group company or to guarantee any indebtedness or other obligations of any Target Group company;
- (f) in the event of any major disagreement (as defined in the Shareholders' Agreement) between the Target Shareholders and which could possibly result in a material adverse impact to the business, assets, financial condition results of operations of the Target Group, a shareholder of the Target Company may offer to buy-out the shares of the other shareholders of the Target Company at fair value; and

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- (g) each shareholder of the Target Company is also entitled to the same rights as set out in the Shareholders' Agreement such as, but not limited to, pre-emptive provisions in the event of additional equity investments in the Target Company and rights of first refusal in respect of any shares intended to be sold or disposed by a shareholder of the Target Company.

Based on the above, we note that (i) the risk and rewards of the Proposed Joint Venture are shared in proportion to the respective equity interests of each shareholder in the Target Company; and (ii) the terms of the Proposed Joint Venture do not appear to be prejudicial to the interests of the Company.

### 5.7 Financial effects of the Proposed IPT Transactions

The financial effects have been prepared based on the audited consolidated financial statements of the Group for FY2018 and are set out in Section 14 of the Circular. Shareholders are advised to read the information carefully, including the bases and assumptions set out therein.

For the purposes of our assessment below, we have considered the following scenarios:

| Scenario   | Description  |
|------------|--|
| Scenario 1 | : After the Proposed Acquisition and the Proposed Subscription but before the allotment and issuance of the Options Shares in full |
| Scenario 2 | : After the Proposed Acquisition and the Proposed Subscription and assuming the Option Shares are fully allotted and issued        |

#### Share Capital

The effect of the Proposed IPT Transactions on the issued share capital of the Group is expected to be as follows, assuming that the Proposed Acquisition and the Proposed Subscription had been completed and the Option Shares were fully allotted and issued on 31 December 2018.

| Share Capital  | No. of Shares ('000) | S\$'000 |
|--|----------------------|---------|
| Issued Share capital as at the Latest Practicable Date | 751,200              | 17,817  |
| Share capital after Scenario 1                         | 1,228,300            | 22,815  |
| Share capital after Scenario 2                         | 1,483,300            | 25,620  |

#### Loss per Share ("LPS")

The Proposed IPT Transactions will have the following impact on the LPS of the Group for FY2018, assuming that the Proposed Acquisition and the Proposed Subscription were completed and the Option Shares were fully issued on 1 January 2018:

|  | Before the Proposed IPT Transactions | Adjusted for Scenario 1 | Adjusted for Scenario 2 |
|--|--------------------------------------|-------------------------|-------------------------|
| Net loss attributable to equity holders of the Company (S\$'000) | 2,980                                | 2,611 <sup>(2)</sup>    | 2,626 <sup>(2)</sup>    |
| LPS <sup>(1)</sup> (cents)                                       | 0.40                                 | 0.21                    | 0.18                    |

#### **Notes:**

- (1) LPS based on basic net loss per Share and diluted net loss per Share is the same.
- (2) The figures have incorporated an adjustment of the NAV of the Target Group to take into account the market value of the Property of approximately S\$6.5 million, as determined in the Valuation Report.

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We note that the LPS of the Group would decrease from approximately 0.40 cents for FY2018 to 0.21 cents and 0.18 cents as adjusted for Scenario 1 and Scenario 2 respectively.

### NTA per Share

The Proposed IPT Transactions will have the following impact on the NTA and the NTA per Share of the Group as at 31 December 2018, assuming that the Proposed Acquisition and the Proposed Subscription had been completed and the Option Shares were fully allotted and issued on 31 December 2018.

|  | Before the Proposed<br>IPT Transactions | Adjusted for<br>Scenario 1 | Adjusted for<br>Scenario 2 |
|--|---|----------------------------|----------------------------|
| NTA attributable to equity holders of the Company as at 31 December 2018 (S\$'000) | 10,690                                  | 16,058 <sup>(2)</sup>      | 18,848 <sup>(2)</sup>      |
| NTA per Share (cents)  | 1.42                                    | 1.31                       | 1.27                       |

### **Note:**

- (1) The figure has incorporated an adjustment of the NAV of the Target Group to take into account the market value of the Property of approximately S\$6.5 million, as determined in the Valuation Report.

We note that the NTA per Share attributable to equity holders of the Company would decrease from approximately 1.42 cents as at 31 December 2018 to 1.31 cents and 1.27 cents as adjusted for Scenario 1 and Scenario 2 respectively.

### Gearing

The Proposed IPT Transactions will have the following impact on the gearing of the Group as at 31 December 2018, assuming that the Proposed Acquisition and the Proposed Subscription had been completed and the Option Shares were fully allotted and issued on 31 December 2018:

|                                | Before the Proposed<br>IPT Transactions | Adjusted for<br>Scenario 1 | Adjusted for<br>Scenario 2 |
|--------------------------------|---|----------------------------|----------------------------|
| Total borrowings (S\$'000)     | 1,525                                   | 1,525                      | 1,525                      |
| Shareholders' equity (S\$'000) | 10,690                                  | 16,058 <sup>(1)</sup>      | 18,848 <sup>(1)</sup>      |
| Gearing (times) <sup>(2)</sup> | 0.14                                    | 0.09                       | 0.08                       |

### **Notes:**

- (1) Excludes estimated expenses of S\$250,000 which have been deducted against the share capital.
- (2) Gearing is defined as the Group's total borrowings divided by Shareholders' equity.

We note that, as the Target Group has no borrowings as at the Latest Practicable Date, the net gearing of the Group would improve from approximately 0.14 times as at 31 December 2018 to 0.09 times and 0.08 times as adjusted for Scenario 1 and Scenario 2 respectively.

**Shareholders should note that the above analysis has been prepared solely for illustrative purposes only and does not purport to be indicative or a projection of the results and financial position of the Company and the Group after the completion of the Proposed IPT Transactions.**

## **5.8 Dilution Effect of the Proposed IPT Transactions on the Independent Shareholders**

The dilution effects to existing Shareholders upon completion of the Proposed Acquisition and the Proposed Subscription, as well as assuming the full allotment and issuance of the Option Shares pursuant to the exercise of the Proposed Options are set out in Section 10.3 of the Circular.

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For the purpose of our evaluation, we have considered the following:

| Name                                       | Shareholdings as at the Latest Practicable Date |                  |                            | Immediately after completion of the Proposed Acquisition and the Proposed Subscription but before the allotment and issuance of the Option Shares in full |                  |                            | Immediately after completion of the Proposed Acquisition and the Proposed Subscription and the allotment and issuance of the Option Shares in full |                  |                            |
|--|---|------------------|----------------------------|---|------------------|----------------------------|--|------------------|----------------------------|
|  | Direct<br>No. of<br>Shares                      | % <sup>(1)</sup> | Deemed<br>No. of<br>Shares | Direct<br>No. of<br>Shares  | % <sup>(2)</sup> | Deemed<br>No. of<br>Shares | Direct<br>No. of<br>Shares   | % <sup>(3)</sup> | Deemed<br>No. of<br>Shares |
| The Subscriber                             | 69,115,100                                      | 9.20             | –                          | 546,215,100   | 44.47            | –                          | 801,215,100  | 54.02            | –                          |
| Chew Ah Ba George <sup>(4)</sup>           | 120,949,081                                     | 16.10            | 86,029,318                 | 120,949,081   | 9.85             | 86,029,318                 | 120,949,081  | 8.15             | 86,029,318                 |
| Chew Chiew Siang Steven                    | 24,393,900                                      | 3.25             | –                          | 24,393,900  | 1.99             | –                          | 24,393,900   | 1.64             | –                          |
| Tan Teresa                                 | 86,029,318                                      | 11.45            | –                          | 86,029,318  | 7.00             | –                          | 86,029,318   | 5.80             | –                          |
| Independent Shareholders <sup>(5)(6)</sup> | 450,712,601                                     | 60.00            | –                          | 450,712,601   | 36.69            | –                          | 450,712,601  | 30.39            | –                          |
| <b>Total</b>                               | <b>751,200,000</b>                              | <b>100.00</b>    | <b>86,029,318</b>          | <b>1,228,300,000</b>  | <b>100.00</b>    | <b>86,029,318</b>          | <b>1,483,300,000</b>   | <b>100.00</b>    | <b>86,029,318</b>          |
|  |   |                  |                            |   |                  |                            |  |                  | <b>5.80</b>                |

**Notes:**

- (1) Based on the existing total issued Shares of 751,200,000 as at the Latest Practicable Date.
- (2) Based on the Post-Completion Share Capital.
- (3) Based on the Post-Option Shares Completion Share Capital.
- (4) Mr Chew Ah Ba George is deemed to be interested in the Shares held by Mdm Tan Teresa under Section 164 of the Companies Act (Cap 50) by virtue of their spousal relationship.
- (5) Includes the Shares held by Mr Chin Sek Peng Michael and Mr Ng Boon Huan Daniels, who are non-executive Directors and are deemed to be independent in respect of the Proposed IPT Transactions and the Proposed Whitewash Resolution, as set out in Section 10.3 of the Circular.
- (6) Includes the Shares held by Guo Shaozeng who is deemed to be a new Substantial Shareholder pursuant to the Sale of Substantial Interest announced on 12 June 2019.

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Based on the above, we note the following:

- (a) the Independent Shareholders will experience a significant dilution in their aggregate shareholding interest from approximately 60.0% to 36.7% immediately after completion of the Proposed Acquisition and the Proposed Subscription but before the allotment and issuance of the Option Shares in full; and
- (b) the Independent Shareholders will experience a further dilution in their aggregate shareholding interest from approximately 36.7% to 30.4% immediately after completion of the Proposed Acquisition, the Proposed Subscription and the allotment and issuance of the Option Shares in full.

### 5.9 A recent substantial transaction involving the Shares of the Company

We have considered the Sale of Substantial Interest and have reviewed publicly available information on the aforesaid transaction. In this regard, we note that the consideration per Share paid by Guo Shaozeng for the Acquired Shares of S\$0.025 (the “**Acquired Share Price**”) represents a premium of approximately 127.3% over each of the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price.

While we note that the Acquired Share Price is higher than each of the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price, we have observed that the VWAP of the Shares after 12 June 2019, being the date of announcement of the Sale of Substantial Interest, and up to the Latest Practicable Date was S\$0.009, representing a discount of approximately 64.0% to the Acquired Share Price. The closing price of the Shares of S\$0.008 on 1 July 2019 (being the last full market day on which the Shares were last traded on the SGX-ST preceding the Latest Practicable Date) also represents a discount of approximately 68.0% to the Acquired Share Price. The Independent Directors should note that certain circumstances and terms relating to the Sale of Substantial Interest are unique and are not identical to the Proposed Acquisition, the Proposed Subscription and/or the Proposed Options, and is largely dependent on the negotiations between the respective parties as well as the individual’s sentiments in respect of the Company and the Acquired Shares. Consequently, the Independent Directors should note that the above summary is merely for illustrative purposes and serves as a general guide only.

## 6 OTHER RELEVANT CONSIDERATIONS

### 6.1 Inter-conditionality of the Proposed IPT Transactions and the Proposed Whitewash Resolution

Shareholders should note that approval of the Proposed Whitewash Resolution is a condition precedent to Completion. In view of this, in the event that the Proposed Whitewash Resolution is not passed by Independent Shareholders, the Proposed IPT Transactions will not proceed.

Shareholders should also note that Ordinary Resolutions 1 to 6 relating to the (i) Proposed Acquisition; (ii) Proposed Subscription; (iii) Proposed Options; (iv) Proposed Whitewash Resolution; and (v) Proposed Joint Venture are inter-conditional and as well as being conditional upon the passing of Ordinary Resolution 7, which pertains to the proposed diversification of the Group’s business into the Property Development Business. Accordingly, in the event that any of these Ordinary Resolutions is not passed, the other Ordinary Resolutions will be deemed not to have been passed and the aforementioned transactions will not proceed.

### 6.2 Abstention from voting

We note that, as set out in Section 21 of the Circular, the Subscriber and the Vendors will abstain and ensure that their respective Associates will abstain from voting on all the Ordinary Resolutions approving the Proposed Transactions at the EGM, and will not accept any nominations to act as proxy for any Shareholder in voting on the respective Ordinary Resolutions unless specific instructions has been given in the proxy form as to the manner in which votes are to be cast in respect of such Ordinary Resolutions.

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The Subscriber and his Concert Parties, parties not independent of them as well as parties not independent of the Proposed Acquisition, the Proposed Subscriptions and the Proposed Options will abstain from voting on all the Ordinary Resolutions approving the Proposed Transactions at the EGM, and will not accept any nominations to act as proxy for any Shareholder in voting on the respective Ordinary Resolutions unless specific instruction has been given in the proxy form as to the manner in which votes are to be cast in respect of such Ordinary Resolution.

The Director, Mr Chew and his Associates (including Mr Chew Chiew Siang Steven and Mdm Tan Teresa) will abstain from voting on all the Ordinary Resolutions approving the Proposed Transactions at the EGM, and will not accept any nominations to act as proxy for any Shareholder in voting on the respective Ordinary Resolutions unless specific instructions has been given in the proxy form as to the manner in which votes are to be cast in respect of such Ordinary Resolutions.

### 6.3 Implications of approval of the Proposed Whitewash Resolution

By voting in favour of the Proposed Whitewash Resolution, the Independent Shareholders will be waiving their rights to receive a General Offer for all their Shares from the Subscriber and his Concert Parties, which they would otherwise have been obliged to make at the highest price paid or agreed to be paid by them for the Shares in the past six (6) months preceding the Announcement Date.

The Independent Shareholders should note that should they approve the Proposed Acquisition, the Proposed Subscription, the Proposed Options as well as the allotment and issuance of the Consideration Shares, the Subscription Shares and the Option Shares, the Subscriber would hold Shares carrying up to a maximum of approximately 44.5% of the voting rights of the Company based on the Post-Completion Share Capital. The Company would then possibly be in a relatively less favourable position in the context of interest from potential parties seeking control of the Company, by virtue of a significant controlling stake held by the Subscriber and his Concert Parties after Completion. Accordingly, it may be less likely for a third party to make a takeover offer for the Company without the support of the Subscriber and his Concert Parties.

Furthermore, in the event that the Proposed Options are exercised, and assuming that the Option Shares are fully allotted and issued to the Subscriber, this could result in the Subscriber and his Concert Parties potentially holding Shares carrying over 49.0% of the voting rights of the Company based on its Post-Option Shares Completion Share Capital. The Subscriber and his Concert Parties will thereafter be free to acquire further Shares without incurring any obligation under Rule 14.1 of the Code to make a general offer for the Company.

Subject to the approval of the Board, the Subscriber will also be nominated to be appointed as a non-executive Director and intends to nominate one (1) other Director to be appointed to the Board. Accordingly, we note that the Board may, subject to compliance with the Code of Corporate Governance 2018 and the requirements under the relevant Catalist Rules, need to appoint additional independent Director(s) to the Board.

### 6.4 Risks relating to the Proposed Acquisition

We note that the Group is proposing to diversify from its Existing Business into the Property Development Business through the Proposed Acquisition. The Company may undertake future property development projects through the Target Group or through other subsidiary(ies) of the Company.

In view that this is a new business that the Group is proposing to venture into and which it has no prior track record and/or operating history in, the Group will be subject to new risks arising from, *inter alia*, economic, business, market, political, liquidity, operational, legal and regulatory factors that relate to the Property Development Business and which could materially change the risk profile of the Company.



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Furthermore, Independent Shareholders should note that the Property currently consists of vacant land and the construction of the Proposed Development is expected to commence sometime in 2022 or within 24 months after the Target Company secures a targeted number of pre-sales units and complete in about three (3) years after commencement of construction. The actual commencement and completion of the construction of the Proposed Development may however be affected by a number of factors such as delay in the construction schedule or in obtaining the relevant regulatory approvals. As at the Latest Practicable Date, the development plan has not been finalized and is subject to the advice of the professional team to be appointed, taking into consideration the highest and best use of the Property, legally permissible limits, market sentiments and demand, and financial feasibility.

Accordingly, Independent Shareholders should note that there is no guarantee or assurance that the proposed development plan will be successfully implemented, or that the Group will have the ability or sufficient expertise to complete the Proposed Development or be able to obtain sufficient financing for the Proposed Development's capital requirements. Further details of the relevant risk factors are set out in Section 13.6 of the Circular, and Shareholders are advised to read the information carefully.

Notwithstanding the potential exposure to new risk factors relating to the Proposed Acquisition, we note the following considerations:

- (a) the Group intends to restrict the Property Development Business only to the market in Bintan, Indonesia. The Group will seek to build its expertise and experience in the Property Development Business through time. If at any time in the future, the Company decides to expand the Property Development Business to other jurisdictions, it will seek separate Shareholders' approval for such expansion;
- (b) the Proposed Development is currently managed by the Target Subsidiary's director, Wen Wei, and it is intended for him to serve in an executive position in the Target Subsidiary with effect from July 2019. Wen Wei will be in charge of the overall operations of the Target Subsidiary, including the Proposed Development;
- (c) the Target Group will put in place an internal management team with the necessary relevant experience to manage and operate the Proposed Development. More details of the proposed management team are set out in Section 4.3 of the Circular;
- (d) subject to the approval of the Company and such other management committee appointed by the Company, the Subscriber will use his best endeavours to assist the Board or the Management (as the case may be) to put in place the necessary personnel and professionals with the requisite experience and expertise to oversee the development, management and operation of the Proposed Development, including to ensure the commencement of the construction of the Proposed Development before 2023 and the completion of the development as soon as reasonably practicable;
- (e) subject to the approval of the Company and other management committee appointed by the Company, Doris will use her best endeavours to assist the Target Group to put in place the necessary personnel and professionals with the requisite experience and expertise to oversee the Proposed Development; and
- (f) the proposed funding arrangements to be implemented for the Proposed Development, which we have considered below in paragraph 6.5 of this Letter.

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### 6.5 Development Costs to be incurred in relation to the Property

The details of the estimated development costs in relation to the Proposed Development are set out in Section 4.2.4 of the Circular, the full text of which has been reproduced in italics below.

*“The Proposed Development is intended to be constructed in a phased manner with the proceeds from the long-term leases of the property units to be utilised to partially fund the initial development costs.*

*The total development cost to be incurred over a period of two years, based on a proposed hotel resort development plan comprising 250 keys, is estimated to be approximately S\$50 million. The development costs for the Proposed Development is subject to the finalisation of the design and development plans, the type of development, the number of units and total development area.”*

We note that the Group intends to fund the Proposed Development using a combination of financing from financial institutions and/or other financial instruments, secondary fund raising through capital markets and proceeds from pre-sale of units in the Proposed Development as deemed appropriate by the Board.

Pursuant to the Shareholders’ Agreement, Doris has represented that she will, *inter alia*, use her best endeavours to assist the Company, the Target Company and/or the Target Subsidiary to obtain the necessary financing to fund the Proposed Development on terms acceptable to the Board. In the Agreement, the Subscriber has also represented that he will use his best endeavours to assist the Company, the Target Company and/or the Target Subsidiary to obtain the necessary financing to fund the Proposed Development on terms acceptable to the Board.

### 6.6 No alternative investment / business expansion or acquisition opportunity

As at the Latest Practicable Date, the Directors have confirmed that they are not aware of any firm/formal offer for alternative investment/business expansion or acquisition opportunities available to the Company, which is comparable in nature, size and scope to the Proposed Acquisition.

### 6.7 Alternative fund-raising options

We understand from the Directors that the Company has decided to proceed with the Proposed Subscription and the Proposed Options after considering all other alternative fund-raising options available to the Company. The Directors are of the view that other fund-raising options such as (a) bank borrowings from financial institutions and/or convertible bonds issued to independent third parties would result in the Group incurring increased interest liabilities and expenses; and (b) raising funds from Shareholders such as by way of a rights issue or from other strategic investors/partners would be difficult in view of the Group’s current weak financial performance and position (in particular the losses recorded during FY2017 and FY2018 and the Group’s low cash position), which would make it difficult to seek any meaningful amount of funds without a significant discount to the Share price; whereas the proceeds to be raised from such alternative fund-raising options could instead be satisfied by the Company by way of the Proposed Subscription and the Proposed Options.

## 7. OPINION AND ADVICE

In arriving at our opinion and advice in respect of the Proposed IPT Transactions and the Proposed Whitewash Resolution, we have taken into consideration, *inter alia*, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter.

- (a) the rationale for the Proposed IPT Transactions and the use of the net proceeds from the Proposed Subscription and the allotment and issuance of the Option Shares in full (assuming that the Proposed Options are exercised in respect of all of the Option Shares) for general working capital purposes for the existing opportunities of the Group;

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

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- (b) the Valuation conducted by the Valuer;
- (c) the historical financial performance of the Group;
- (d) our assessment of the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price as follows:
  - (i) the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price each represent a discount of approximately 22.5% to the audited NAV per Share attributable to equity holders of the Company as at 31 December 2018 of S\$0.0142;
  - (ii) the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price each represent a premium of approximately 37.5%, 37.5%, 22.2% and 10.0% over the 1-year, 6-month, 3-month and 1-month VWAP of the Shares;
  - (iii) the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price each represent a premium of approximately 10.0% and 22.2% over the closing price of the Shares of S\$0.010 and the VWAP of the Shares of S\$0.009 on the Last Trading Day respectively;
  - (iv) the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price each represent a premium of approximately 22.2% over the VWAP of the Shares of S\$0.009 after the release of the Announcement and up to the Latest Practicable Date.
  - (v) the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price each represent a premium of approximately 37.5% over the closing price of the Shares of S\$0.008 on 1 July 2019 (being the full market day on which the Shares were last traded on the SGX-ST preceding the Latest Practicable Date); and
  - (vi) the P/NAV multiple of approximately 0.77 times as implied by the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price is above the corresponding historical range of trailing P/NAV multiples of the Shares for the 1-year period prior to and including the Last Trading Day, and leading up to the Latest Practicable Date;
- (e) in comparison with the Comparable Companies:
  - (i) the Company had recorded a net loss attributable to equity holders of the Company and negative EBITDA in FY2018, hence the P/E ratio and the EV/EBITDA ratio of the Company (as implied by the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price) would not be applicable; and
  - (ii) the P/NAV ratio of the Company of 0.77 times (as implied by the Consideration Issue Price, the Subscription Issue Price and the Option Exercise Price) is within the range of the P/NAV ratios of the Comparable Companies and higher than both the mean and median P/NAV ratios of 0.71 times and 0.59 times respectively;
- (f) in comparison with the Comparable Transactions:
  - (i) the Price-to-Valuation ratio of the Company as implied by the Acquisition Consideration of approximately 1.00 times is within the range of the Price-to-Valuation ratios of the Comparable Transactions, equal to the highest Price-to-Valuation ratio as implied by certain of the Comparable Transactions, but higher than both the mean and median Price-to-Valuation ratios of 0.93 times and 0.96 times; and

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## APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

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- (ii) the Price-to-Valuation ratio as implied by the Acquisition Consideration of approximately 1.00 times is within the range of the Price-to-Valuation ratios of the Comparable IPT Transactions, equal to the highest Price-to-Valuation ratio as implied by one (1) of the Comparable IPT Transactions, but higher than both the mean and median Price-to-Valuation ratios of 0.93 times and 0.95 times;
- (g) in comparison with the Comparable WR Transactions:
  - (i) the premium of the Subscription Issue Price and the Option Exercise Price to the last transacted price of the Shares of S\$0.009 on the Last Trading Day of approximately 10.0% is within the range of the corresponding premia/discounts of the Comparable WR Transactions and higher than the mean and median discounts of approximately 25.2% and 20.7% respectively; and
  - (ii) the P/NAV ratio (as implied by the Subscription Issue Price and the Option Exercise Price) of approximately 0.77 times is within the range of the corresponding P/NAV of the Comparable WR Transactions, lower than the mean P/NAV ratio of 1.12 times and higher than the median P/NAV ratio of 0.55 times respectively;
- (h) in respect of the Proposed Joint Venture, we note that (i) the risk and rewards of the Proposed Joint Venture are shared in proportion to the respective equity interests of each shareholder in the Target Company; and (ii) the terms of the Proposed Joint Venture do not appear to be prejudicial to the interests of the Company;
- (i) the financial effects of the Proposed IPT Transactions;
- (j) the dilution effect of the Proposed IPT Transactions on the Independent Shareholders, with the maximum potential dilution in shareholdings of the Independent Shareholders at between approximately 36.7% and 30.4% of the enlarged total issued Shares; and
- (k) other relevant considerations as set out in paragraph 6 of this Letter, namely (i) the inter-conditionality of the Proposed IPT Transactions and the Proposed Whitewash Resolution; (ii) abstention from voting; (iii) the implications of approval of the Proposed Whitewash Resolution; (iv) the risks relating to the Proposed Acquisition; (v) the development costs to be incurred in relation to the Property; (vi) no alternative investment / business expansion or acquisition opportunities; and (vii) the consideration of alternative fund-raising options.

**Having regard to the considerations set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that (i) the Proposed IPT Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders; and (ii) the Proposed Acquisition, the Proposed Subscription and the Proposed Options, which collectively are the subject of the Proposed Whitewash Resolution, are on balance fair and reasonable.**

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

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

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## **APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS**

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This Letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the Proposed IPT Transactions and the Proposed Whitewash Resolution. The recommendation made by the Independent Directors to the minority Shareholders and the Independent Shareholders (as the case may be) in relation to the Proposed IPT Transactions and the Proposed Whitewash Resolution shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of NCF in each specific case except for the EGM and the purpose of the Proposed IPT Transactions and the Proposed Whitewash Resolution. Our opinion and advice is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly,

For and on behalf of  
**Novus Corporate Finance Pte. Ltd.**

Andrew Leo  
Chief Executive Officer

Melvin Teo  
Senior Manager

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### SITRA HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 197901237E)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Unless otherwise defined, all capitalised terms not defined herein shall bear the same meaning as ascribed to them in the circular dated 10 July 2019 of the Company to its Shareholders (including supplements and modifications thereto).*

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“**EGM**”) of Sitra Holdings (International) Limited (the “**Company**”) will be held at 15 Hillview Terrace Singapore 669226 on 26 July 2019 at 2.30 p.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolutions:

#### **ORDINARY RESOLUTION 1: THE PROPOSED ACQUISITION OF 54% OF THE TOTAL ISSUED AND PAID-UP SHARES OF MAPUR ROCKY RESORT LIMITED, AS AN INTERESTED PERSON TRANSACTION**

That, contingent upon the passing of Ordinary Resolutions 2 to 7 in this Notice:

- (a) approval be and is hereby given for the proposed acquisition of 54% of the total issued ordinary shares of Mapur Rocky Resort Limited (the “**Target Company**”) from Doris Chung Gim Lian and Chew Han Wei (collectively, the “**Vendors**”) at a consideration of S\$3,510,100 (the “**Acquisition Consideration**”) to be satisfied by the allotment and issue of 319,100,000 new ordinary shares in the capital of the Company (the “**Consideration Shares**”) and on the terms of, and subject to the conditions set out in the share sale cum subscription and option agreement dated 27 February 2019 (the “**Agreement**”) entered into between the Vendors, Chew Hua Seng (the “**Subscriber**”) and the Company, as an interested person transaction under Chapter 9 of the Catalist Rules (“**IPT**”) (the “**Proposed Acquisition**”); and
- (b) the directors of the Company (the “**Directors**”) and each of them be and are or is hereby authorised and empowered to complete and do all such acts and things (including without limitation, to execute all such documents as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they may consider necessary, desirable, expedient or in the interests of the Company to give effect to the matters contemplated by this Ordinary Resolution, as they or he may think fit.

#### **ORDINARY RESOLUTION 2: PROPOSED SUBSCRIPTION OF 158,000,000 NEW SHARES, AS AN IPT**

That, contingent upon the passing of Ordinary Resolutions 1, 3, 4, 5, 6 and 7:

- (a) approval be and is hereby given for the acceptance of the subscription of 158,000,000 new ordinary shares in the capital of the Company (the “**Subscription Shares**”) by the Subscriber for an aggregate consideration of S\$1,738,000 payable in cash and on the terms of, and subject to the conditions set out in the Agreement, as an IPT (the “**Proposed Subscription**”); and
- (b) the Directors and each of them be and are or is hereby authorised and empowered to complete and do all such acts and things (including without limitation, to execute all such documents as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they may consider necessary, desirable, expedient or in the interests of the Company to give effect to the matters contemplated by this Ordinary Resolution, as they or he may think fit.



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### ORDINARY RESOLUTION 3: PROPOSED GRANT OF A CALL OPTION TO, AND ACCEPTANCE OF THE PUT OPTION GRANTED BY, THE SUBSCRIBER IN RESPECT OF THE SUBSCRIPTION AND THE ALLOTMENT AND ISSUE OF UP TO 255,000,000 NEW SHARES, AS AN IPT

That, contingent upon the passing of Ordinary Resolutions 1, 2, 4, 5, 6 and 7:

- (a) approval be and is hereby given for the grant of an option (the **"Call Option"**) by the Company to the Subscriber, to require the Company to allot and issue to the Subscriber up to 255,000,000 new ordinary shares in the capital of the Company (the **"Option Shares"**), and the acceptance of an option (the **"Put Option"**) to be granted by the Subscriber to the Company to require the Subscriber to subscribe for up to the number of the Option Shares, at the option exercise price of S\$0.011 for each new Share, and on the terms of, and subject to the conditions set out in the Agreement, as an IPT (the **"Proposed Options"**); and
- (b) the Directors and each of them be and are or is hereby authorised and empowered to complete and do all such acts and things (including without limitation, to execute all such documents as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they may consider necessary, desirable, expedient or in the interests of the Company to give effect to the matters contemplated by this Ordinary Resolution, as they or he may think fit.

### ORDINARY RESOLUTION 4: AUTHORITY FOR THE ALLOTMENT AND ISSUE OF THE CONSIDERATION SHARES, THE SUBSCRIPTION SHARES AND THE OPTION SHARES

That, contingent upon the passing of Ordinary Resolutions 1, 2, 3, 5, 6 and 7:

- (a) authority be and is hereby given to the Directors of the Company to allot and issue the Consideration Shares at the issue price of S\$0.011 for each new ordinary share in the capital of the Company (the **"Share"**) to the Subscriber, credited as fully-paid, subject to the terms and conditions of the Agreement, in satisfaction of the Acquisition Consideration (the **"Consideration Shares"**);
- (b) authority be and is hereby given to the Directors of the Company to allot and issue the Subscription Shares at the issue price of S\$0.011 for each new Share to the Subscriber, credited as fully-paid, subject to the terms and conditions of the Agreement;
- (c) authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of Option Shares to the Subscriber as may be required to be issued pursuant to each exercise of the Call Option or Put Option (as the case may be), credited as fully-paid, provided that (i) the total number of Option Shares to be issued shall not exceed 255,000,000 Shares, (ii) each issue shall be in respect of not less than 50,000,000 Shares, (iii) the exercise price of each Option Share shall be \$0.011, (iv) the period for the exercise of the Proposed Options shall be 24 months from the date of completion of the Proposed Acquisition and the Proposed Subscription and (v) any material alteration to the terms of the Proposed Options (including without limitation, any adjustment to the issue price and the number of Shares to be issued under the Proposed Options, in the event of rights or other capitalisation issues) shall be subject to the specific approval of the shareholders of the Company (the **"Shareholders"**);
- (d) approval be and is hereby given for the transfer of a controlling interest in the Company to the Subscriber arising from the allotment and issuance of the Consideration Shares, the Subscription Shares and/or the Option Shares;
- (e) approval be and is hereby given for the allotment and issue of the Consideration Shares, the Subscription Shares and/or the Option Shares to the Subscriber as an Associate and immediate family member of the Director, Mr Chew Ah Ba George;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (f) the Consideration Shares, the Subscription Shares and the Option Shares when allotted and issued, will rank *pari passu* in all respects with, and carry all rights similar to existing Shares except that they will not rank for any dividend, right, allotment or other distributions, the record date of which falls before the date of allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares, as the case may be
- (g) the Directors and each of them be and are or is hereby authorised and empowered to complete and do all such acts and things (including without limitation, to execute all such documents as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they may consider necessary, desirable, expedient or in the interests of the Company to give effect to the matters contemplated by this Ordinary Resolution, as they or he may think fit.

### ORDINARY RESOLUTION 5: THE PROPOSED WHITEWASH RESOLUTION

That, contingent upon the passing of Ordinary Resolutions 1, 2, 3, 4, 6 and 7 in this Notice, the Independent Shareholders, hereby resolve, unconditionally and irrevocably to waive their rights to receive a mandatory general offer in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers from the Subscriber and his concert parties for all the issued Shares not already owned, controlled or agreed to be acquired by the Subscriber as a result of the allotment and issue of the Consideration Shares, the Subscription Shares and/or the Option Shares to the Subscriber pursuant to the Proposed Acquisition, the Proposed Subscription and the exercise of the Proposed Options (in whole or in part), such waiver to be on the terms imposed by the Securities Industry Council as set out in the Circular dated 10 July 2019 to Shareholders.

### ORDINARY RESOLUTION 6: THE PROPOSED JOINT VENTURE, AS AN IPT

That, contingent upon the passing of Ordinary Resolutions 1, 2, 3, 4, 5 and 7 in this Notice:

- (a) approval be and is hereby given for the Company to enter into the shareholders' agreement with Doris Chung Gim Lian and the Target Company (the "**Shareholders' Agreement**") on such terms and conditions as the Directors may deem fit, to regulate the rights and obligations of the Company and the said Doris Chung Gim Lian as shareholders and joint venture partners in the Target Company (the "**Proposed Joint Venture**"), as an IPT; and
- (b) any Director be and are or is hereby authorised to execute the Shareholders' Agreement for and on behalf of the Company and to take such steps, approve all matters, enter into all such transactions, arrangements and agreements and execute all such documents and notices as may be necessary or expedient for the purposes of giving effect to or facilitating Shareholders' Agreement with full power to assent to any condition, amendment, alteration, modification or variation as may be required by the relevant authorities or as such Directors or any of them may deem fit or expedient or to give effect to this Ordinary Resolution.

### ORDINARY RESOLUTION 7: THE PROPOSED DIVERSIFICATION

That, contingent upon the passing of Ordinary Resolutions 1 to 6 in this Notice:

- (a) the core business of the Group be and is hereby expanded to include the acquisition and development of properties in Bintan, Indonesia, including but not limited to the development of resort apartments, suites and villas or such other type of property development, for sale, lease or such other commercial purposes, and the management and operation of resorts or such other type of property development (the "**Proposed Diversification**"); and
- (b) the Directors and each of them be and are or is hereby severally authorised to do all acts and things (including executing all such documents as may be required) as they or each of them deem desirable, necessary or expedient to give effect to the matters referred to in this Ordinary Resolution as they or each of them may in their absolute discretion deem fit in the interests of the Company.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### ABSTENTION FROM VOTING

The Director, Mr Chew Ah Ba George and his Associates (including Mr Chew Chiew Siang Steven and Madam Tan Teresa) will abstain from exercising any voting rights in respect of Resolutions 1 to 7 set out in this Notice and will not accept any nominations to act as proxy for any Shareholder in voting on the respective Resolutions unless specific instruction has been given in the proxy form as to the manner in which votes are to be cast in respect of such Resolutions.

BY ORDER OF THE BOARD

**SITRA HOLDINGS (INTERNATIONAL) LIMITED**

Mr Chew Ah Ba George  
Executive Chairman and Chief Executive Officer  
10 July 2019

**IMPORTANT: Please read notes below.**

**NOTES:**

1. Each of the resolutions to be put to the vote of members at the EGM (and at any adjournment thereof) will be voted by way of a poll.
2.
  - (a) A member of the Company who is not a Relevant Intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the EGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
  - (b) A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
  - (c) "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
3. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.
4. The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be either under its common seal or under the hand of any duly authorised officer or attorney duly authorised. The power of attorney or other authority, if any, under which the instrument of proxy is signed on behalf of the member or duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the instrument of proxy.
5. A proxy need not be a member of the Company. An instrument appointing a proxy must be deposited at the registered office of the Company at 15 Hillview Terrace Singapore 669226 not less than 48 hours before the time of the EGM or any adjournment thereof.
6. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time of the EGM in order for the Depositor to attend and vote at the EGM.

**PERSONAL DATA PRIVACY TERMS:**

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 by the Company (or its agents or service providers) 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, take-over 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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# SITRA HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in the Republic of Singapore)  
(Registration No. 197901237E)

## IMPORTANT:-

- Pursuant to Section 181(1C) of the Companies Act, Cap. 50 of Singapore (the "Act"), Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Extraordinary General Meeting.
- For investors who have used their CPF monies to buy Shares in the Company ("CPF Investors"), this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
- CPF Investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Extraordinary General Meeting.

## PROXY FORM

### EXTRAORDINARY GENERAL MEETING

I/We \_\_\_\_\_ (Name) NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_ (Address)

being a shareholder/member of **SITRA HOLDINGS (INTERNATIONAL) LIMITED** (the "Company"), hereby appoint:-

| Name | Address | NRIC /<br>Passport Number | Proportion to be<br>represented by proxy |   |
|------|---------|---------------------------|--|---|
|      |         |                           | No. of Shares                            | % |
|      |         |                           |  |   |

and/or\*

| Name | Address | NRIC /<br>Passport Number | Proportion to be<br>represented by proxy |   |
|------|---------|---------------------------|--|---|
|      |         |                           | No. of Shares                            | % |
|      |         |                           |  |   |

as my/our proxy/proxies to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company ("EGM") to be held at 15 Hillview Terrace Singapore 669226 on 26 July 2019 at 2.30 p.m. and at any adjournment thereof.

☐ Please tick here if more than two proxies will be appointed. This is only applicable for members who are relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore).

I/We direct my/our proxy/proxies to vote at the EGM in the manner indicated below. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matters arising at the EGM and at the adjournment thereof.

The resolutions put to vote at the EGM shall be decided by poll.

| ORDINARY RESOLUTIONS  | No. of<br>Votes For* | No. of<br>Votes Against* |
|---|----------------------|--------------------------|
| RESOLUTION 1: To approve the Proposed Acquisition   |                      |                          |
| RESOLUTION 2: To approve the Proposed Subscription  |                      |                          |
| RESOLUTION 3: To approve the Proposed Options   |                      |                          |
| RESOLUTION 4: To approve the allotment and issue of the Consideration Shares, the Subscription Shares and the Option Shares |                      |                          |
| RESOLUTION 5: To approve the Proposed Whitewash Resolution  |                      |                          |
| RESOLUTION 6: To approve the Proposed Joint Venture   |                      |                          |
| RESOLUTION 7: To approve the Proposed Diversification   |                      |                          |

#### Note:

- \* If you wish to exercise all your votes "For" or "Against", please indicate with an "x" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

|                             |  |
|-----------------------------|--|
| Total Number of Shares held |  |
| CPD Register                |  |
| Register of Members         |  |

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

**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, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. 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 of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member (other than a Relevant Intermediary as defined in Chapter 181 of the Companies Act, Chapter 50 of Singapore) entitled to attend and vote at the above Extraordinary General Meeting of the Company ("EGM") is entitled to appoint one or two proxies to attend and vote in his/her stead. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
3. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 of Singapore, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two (2) proxies, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the proxy form.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 15 Hillview Terrace Singapore 669226, not less than 48 hours before the time appointed for the EGM.
6. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
8. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
9. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
10. The submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the EGM if he so wishes.
11. 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 EGM, as certified by The Central Depository (Pte) Limited to the Company.

**PERSONAL DATA PRIVACY TERMS:**

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, the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General meeting dated 10 July 2019.