

RESPONSE TO SGX QUERIES IN RELATION TO THE COMPANY'S ANNOUNCEMENT ON

- (1) **THE PROPOSED ACQUISITION OF THE ENTIRE REGISTERED CAPITAL OF 深圳市小钶网络科技有限公司之买卖协议 (SHENZHEN XIAOZHAO NETWORK TECHNOLOGY CO., LTD) ("TARGET COMPANY") FROM DREAMSGAME INC. LIMITED ("PROPOSED ACQUISITION");**
 - (2) **ENTRY INTO LOAN AGREEMENT WITH MR. ZHU HUA AS AN INTERESTED PERSON TRANSACTION ("ZH LOAN");**
 - (3) **THE PROPOSED SUBSCRIPTION OF UP TO 407,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY BY MR. ZHU HUA ("PROPOSED SUBSCRIPTION");**
 - (4) **ENTRY INTO THE SECOND SUPPLEMENTAL AGREEMENT WITH MR. CHEN LU ("PROPOSED ISSUANCE OF SIGN-ON SHARES"); AND**
 - (5) **THE PROPOSED ISSUANCE OF THE CONSIDERATION SHARES, THE SUBSCRIPTION SHARES, THE SIGN-ON SHARES AND THE ICON SHARES.**
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The Board of Directors (the "**Board**") of Biolidics Limited (the "**Company**") and together with its subsidiaries, the "**Group**") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 26 July 2024 and would like to provide further information in relation to the Company's announcement released by the Company on 24 July 2024 (the "**Announcement**").

Unless otherwise defined, capitalised terms used herein shall bear the same meaning as ascribed to them in the Announcement.

SGX Query 1:

In relation to the Proposed Acquisition, we note that the Target Company was only incorporated on 9 April 2024 and has no material historical track record.

- (i) What was the due diligence undertaken by the Board prior to the signing of the conditional sale and purchase agreement?
- (ii) Who introduced the Vendor/Target Company to the Company?
- (iii) Are there any introducer fee and/or commission payable to any party in relation to the Proposed Acquisition?
- (iv) Does the Target Company have any contracts which are still subsisting? What is the value of these contracts?

The Company's response:

- (i) The Company has engaged PRC counsel Hylands Law Firm (浩天律师事务所) to conduct legal due diligence on the Target Company and FVA Advisory Pte. Ltd. to conduct an independent business valuation in arriving at the market value of the Target Company. The Company has also engaged a third-party service provider to conduct background due diligence on the founders of the Target Company, Mr. Yuan and Mr. Wu.
- (ii) The Vendor and the founders of the Target Company were introduced to Mr. Zhu Hua, the Executive Director and Chairman of the Company ("**Mr Zhu**") through a business contact in 2017.
- (iii) No introducer, referral or commission fees have been paid or will be payable by the Company in connection with the Proposed Acquisition.

- (iv) Based on the valuation report by the Independent Valuer dated 22 July 2024, the Target Company has entered into three (3) signed contracts for the engagement of its services with three (3) game developers (each a “**Signed SXNT Agreement**”). Each of the Signed SXNT Agreement stipulates monthly targets that when annualised, will result in the estimated revenue as follows:

Game	Duration of the Signed SXNT Agreement and Commencement Date	Estimated Revenue
Game B	One (1) year with an option to renew for an additional year Commencement Date: July 2024	RMB 3.8 million for the period from July 2024 to June 2025
Game C ⁽¹⁾	One (1) year with an option to renew for an additional year Commencement Date: May 2024	RMB 2.3 million for the period from May 2024 to April 2025
E-sports	One (1) year with an option to renew for an additional year Commencement Date: July 2024	RMB 1.5 million for the period from July 2024 to June 2025

Notes:

- (1) The Target Company has signed a strategic cooperation agreement with the developer of Game C, for publishing and promoting its game in the overseas market. However, further details remain pending as the substantive agreement setting out the terms are still in negotiation.

The valuation report also sets out that the Target Company has entered into additional subsisting contracts with several marketing channel partners (each a “**Marketing Channel Agreement**”) to place advertisements relating to the respective Game B, Game C and E-sports. As per the terms of the Marketing Channel Agreement with each marketing channel partner, the Target Company will pay RMB 10.00 per new user that installs and activates the game. This cost remains consistent across Game B and Game C, except for E-sports, which has a lower acquisition cost of RMB 4.00 for E-sports. Such Marketing Channel Agreements do not specify user targets and payment is solely based on the number of new users the marketing channel partner can deliver at the relevant rates.

The estimated revenue for each game is the product of (i) the agreed unit price to be paid by the relevant game developer to the Target Company under the Signed SXNT Agreements for each new user installation and activation, and (ii) the monthly user targets under the Signed SXNT Agreements.

SGX Query 2:

We note that the Valuer has used the income approach with the market approach serving as a cross check.

- (i) What is the date of valuation?
(ii) Please provide details on what the Valuer relied on in deriving the valuation using the income approach.

The Company’s response:

- (i) The date of valuation is 30 June 2024.
(ii) In deriving the valuation using the income approach, the Independent Valuer relied on the following:
(a) **Discounted Cash Flow Method:**

- **Financial Forecasts:** The Independent Valuer utilized the five (5) year forecast for the Target Company, covering revenue, costs, and other financial metrics.
- **Revenue Projections:** Revenue was forecasted based on signed contracts (including contracts to be concluded) with the game developers, specifying user targets and revenue per user.
- **Cost of Services (“COGS”):** COGS was calculated based on signed contracts (including contracts to be concluded) with marketing partners, specifying costs per user.
- **Operating Expenses:** Inclusive of staff salaries, additional staff costs, office rental, and other administrative expenses, such as utilities, legal and accounting fees, software subscription fees, telecommunication, bank charges and other miscellaneous expenses .
- **Depreciation and Amortization:** Based on the remaining useful life of fixed assets, including office furniture and computer equipment.
- **Working Capital Changes:** Adjustments for trade receivables and payables, based on agreed terms of 30 days.

(b) **Terminal Value:**

- Estimated based on sustainable free cash flow after FY2028 and long-term growth rate assumptions (i.e. the long term GDP growth rate of China.)

(c) **Discount Rate:**

- Calculated using the Capital Asset Pricing Model (CAPM), considering the risk-free rate, equity risk premium, unlevered beta, country risk, size premium, specific risk premium, and cost of debt.

SGX Query 3:

The Company has engaged FVA Advisory Pte Ltd as an independent valuer (“**Valuer**”) to determine the value of the Target Company

- Please provide the credentials as well as the experience of the firm and the person in-charge of the valuation, in valuing similar businesses as the Target Company.
- Please provide the Board and Sponsor’s respective assessments, together with supporting bases, on the suitability of the Valuer.

The Company’s response:

- The Independent Valuer is a boutique valuation firm founded in Hong Kong in 2019 by ex-Big 4 valuation advisory professionals and expanded into Singapore in 2021, through the incorporation of FVA Advisory Pte. Ltd. (“**FVA Singapore**”). The team has extensive experience in conducting valuations for mergers and acquisitions (“**M&A**”), financial reporting and tax purposes across various industries in China, Hong Kong and Singapore. The valuation report was signed-off by Mr. Bilal Noorgat (“**Mr. Noorgat**”)

Mr. Noorgat is a Partner at FVA Singapore. He has 13 years of professional experience in international public accounting firms, including the Big Four firms in Singapore, Hong Kong, and Dubai, with a majority of his experience in the valuations department. Mr. Noorgat had also worked in the venture arm of a family office in Singapore specialising in early-stage company investments His expertise spans valuation for M&A, litigation and financial reporting purposes across various industries as well as expertise in venture capital and early-stage companies. During his tenor at international public accounting firms, Mr Noorgat has extensive experience in preparing valuation reports for SGX-listed companies which were publicly disclosed.

Mr. Noorgat is an Associate Chartered Valuer and Appraiser (“**CVA**”), having passed all exams of the Singapore Chartered Valuer and Appraiser program. He is a Chartered Financial Analyst (“**CFA**”) charterholder and a Chartered Accountant of South Africa. He obtained his Master of Business Administration (Majoring in Finance) (“**MBA**”) from HULT International Business School.

Mr. Noorgat was supported by Mr. Jeff Sin (“**Mr. Sin**”), a Partner at FVA Singapore. He has 12 years of professional experience, having worked in the valuation advisory practice of a Big Four firm in Hong Kong. He has handled projects across various industries including technology, media and telecom, financial institutions, healthcare, energy, manufacturing, and construction. Mr. Sin’s notable work includes advising on the annual portfolio valuation for a top-tier private equity fund in the United States, portfolio valuation for Neumann Advisory Hong Kong Limited involving early-stage companies such as Pony AI Inc. and Horizon Robotics, and the valuation of SMIT Holdings Limited, a company engaged in manufacturing and selling security and chip technologies. Mr. Sin also has experience in setting up valuation functions in investment banks and venture capital firms.

Mr. Sin is a Hong Kong Certified Public Accountant (“**CPA**”) and CFA charterholder.

Some of the recent valuations conducted by the Independent Valuer into gaming and early stage technology companies include:

- Valuation of Dream Games Holdings Limited, a company that develops, publishes and markets mobile games on multiple third party platforms. The valuation was conducted in 2024 for Makers Investment Advisor II SG Pte. Ltd. (a venture capital fund) for financial reporting purposes.
- Valuation of Fairbanc Pte Ltd, an early-stage financial technology company that offers traditional retailers in Indonesia working capital credits via FMCG distributors ordering tablets. The valuation was conducted in 2023 and 2024 for ESOPs granted for financial reporting purposes.
- Valuation of PT Kharisma Catur Mandala, an Indonesian financial technology company that provides a payment gateway solution for businesses and individuals. The valuation was conducted in 2024 for A.F.T SEA Pte Ltd for financial reporting purposes.
- Valuation of PT. Patra Aksa Jaya, a financial technology company engaged in the digitalization of payment systems, including e-wallet solutions, in Indonesia. The valuation was conducted in 2023 and 2024 for TOTM Technologies Pte Ltd for financial reporting purposes.
- Valuation of Rootbridge Tech Pte Ltd, a company that operates the Ula platform, an online marketplace platform in Indonesia. The valuation was conducted in 2022, 2023 and 2024 for ESOPs granted for financial reporting purposes.
- Valuation of a portfolio of investments for Neumann Advisory Hong Kong Limited, including technology companies such as Pony AI Inc., Horizon Robotics, Bombax Corporation, PingCap Ltd., QuantumPharm Inc. and Hyperparameter Technology Limited. The valuations were conducted in 2023 for financial reporting purposes.
- Valuation of SMIT Holdings Limited, a company engaged in manufacturing and selling security and chip technologies. The valuation was conducted in 2023 for financial reporting purposes.

- (ii) Prior to the engagement of Independent Valuer, the Company had explored engaging the services of other independent valuers. In selecting the Independent Valuer, the Company’s management team and the Chairman of the Audit Committee conducted an interview with representatives of FVA Singapore to evaluate and assess, *inter alia*, its credentials, experience, track record, and to understand the methodology and approach to valuing the Target Company.

The Board has concluded that:

- (a) **Professional Credentials:** Mr. Noorgat and Mr Sin's extensive qualifications and professional designations (CA, CFA, MBA, Associate CVA and CPA, CFA respectively) demonstrates a high level of expertise and competence in the field of business valuation.
- (b) **Relevant Experience:** The Independent Valuer's experience in conducting valuations for similar transactions, particularly in the technology, media, and telecom (TMT) sector, aligns with the nature of the Target Company.
- (c) **Track Record:** The successful completion of high-profile valuation assignments and experience providing comprehensive valuation reports for SGX-ST public disclosure purposes further supports the credibility and reliability of Mr. Noorgat.
- (d) **Client Testimonials and References:** Positive feedback obtained from previous clients provide confidence in Mr. Noorgat and the Independent Valuer's ability to deliver comprehensive and reliable valuations.
- (e) **Methodology and Approach:** The adoption of robust valuation methodologies, including the Discounted Cash Flow approach and cross-checks using market approach, ensures a thorough and reliable valuation on the Target Company by adhering to International Valuation Standards.

Sponsor's Assessment

The Sponsor has conducted an independent discussion with FVA Singapore in assessing its experience in valuing early-stage companies, the resources and track record. The Sponsor has also considered each partners' experience and profile, as well as the past valuations undertaken by the Valuer and is satisfied as to the suitability of the Independent Valuer, having arrived at the same supporting bases set out by the Board.

SGX Query 4:

It is stated that the Earn-Out Consideration Shares (equivalent to 30% of the aggregate Consideration Shares) will be held in escrow up until the net profit after tax target of RMB 0.75 million ("**NPAT Target**") for the first full financial year of the Target Company following the completion of the Proposed Acquisition, is met

We also note that in the event the NPAT Target is not achieved, the Earn-Out Consideration Shares shall be cancelled or forfeited in accordance with the relevant applicable laws.

- (i) How was the NPAT Target derived?
- (ii) Please provide the Board's rationale, together with supporting bases, on how the NPAT Target of approximately S\$140,000 justifies the Consideration of S\$4.07 million.
- (iii) What is the rationale for issuing the Earn-Out Consideration Shares first, for it to subsequently be held in escrow?
- (iv) Who has the rights and benefits to the Earn-Out Consideration Shares whilst it is held in escrow?
- (v) Who will bear the costs of the fees to be charged by the escrow agent?
- (vi) When is the estimated timeline (in month and year) for the determination of whether the Target Company has met the NPAT Target?
- (vii) How will the Company cancel or forfeit the Earn-Out Consideration Shares if the NPAT Target is not met? Please explain the mechanisms and what impact these mechanisms may have on the Company and the shareholdings of the other shareholders of the Company.
- (viii) Please provide the Board's assessment, together with supporting bases, on how this arrangement of issuing and allotting the Earn-Out Consideration Shares to be held in escrow first, is in the best interests of the Company and its minority shareholders.

The Company's response:

- (i) The NPAT Target was derived after taking into consideration the early stage of the Target Company, revenue projections, the Signed SXNT Agreements, contracts at an advanced negotiation stage, cost analysis and strategic initiatives.
- (ii) We note that the Purchase Consideration of S\$4.07 million is supported by the indicative valuation of the Target Company using the discounted cash flow method, employing the income approach, with the market approach serving as a cross check, and is not based solely on the NPAT Target.

In considering the NPAT Target to be set, the Board has evaluated the Target Company's plans as well as the current stage of its business in determining whether such level of NPAT Target is achievable. Such evaluation takes into consideration various factors, *inter alia*, the Signed SXNT Agreements, contracts at an advanced negotiation stage, the experience of the founders and their achievements prior to the Target Company, and the achievability of active user targets. The Board take the view that the level of NPAT target is reasonable based on:

- (a) **Cash Flow Analysis:** the cash flow analysis conducted by the Board on the Target Company including, whether the Proposed Acquisition aligns with the Company's financial goals, the achievability of forecast, the expected revenue to be generated by under the Signed SXNT Agreement and contracts at an advanced negotiation stage, and the expenses required to achieve such revenue;
 - (b) **Growth Potential:** the growth potential of the Target Company and the industry it operates in determining its ability to generate profits sustainably and the room for further expansion within the industry;
 - (c) **Projected Revenue:** The Target Company's management projects a total revenue of RMB 15 million and an earning before interest, tax, depreciation and amortization of RMB 1.5 million for the 12-month period commencing May 2024.
 - (d) **Strategic Fit:** the strategic fit of the Target Company as an integrated marketing services provider in the gaming industry, focusing on the promotion and distribution of mobile games as well as E-sports events within the Company's future plans and development roadmap into the multi-channel networking, E-sports and live-streaming business sector; and
 - (e) **Commitment of the Founders:** The commitment of the founders of the Target Company, Mr. Yuan and Mr. Wu, to the continued growth of the Target Company's business following the completion of the Proposed Acquisition through the NPAT Target and entry into non-compete agreements as a condition precedent to the Proposed Acquisition. Following Acquisition Completion, Mr. Yuan and Mr. Wu will be engaged in the operations of the Target Company as full-time executive directors;
- (iii) The issuance of the Earn-Out Consideration Shares should be viewed as part of the Purchase Consideration for the Proposed Acquisition. It is a common practice in mergers and acquisitions for a portion of the consideration proceeds to be held in escrow to cover potential liabilities or disputes post-closing, and act as a hedge against a range of many potential scenarios that may result in the Company incurring losses.

In the case of the Proposed Acquisition, the introduction of the Escrow Agent arises from the inclusion of an NPAT Target as a condition to the Vendor receiving the Earn-Out Consideration Shares. This strikes a balance between the interests of the Vendor (i.e. its entitlement under the SPA to be allotted the Earn-Out Consideration Shares) and the Company and its shareholders (i.e. a safeguard in view that the Company has a right of recourse in the event that the Target Company does not achieve the NPAT Target).

- (iv) The economic and monetary rights and benefits of the Earn-Out Consideration Shares (e.g. dividends) will be held in escrow by the Escrow Agent and released to the Vendor upon the NPAT Target being achieved.

In relation to the voting rights of the Earn-Out Consideration Shares while they are held in escrow, during the Earn-Out Period and up until the Earn-Out Consideration Shares are no

longer held in escrow following the achievement of the NPAT Target, save for the Escrow Agent acting on the instructions of the Company (in its sole and absolute discretion) on behalf of the Vendor, the Escrow Agent and/or the Vendor shall not exercise any right to attend or vote at meetings in connection with the Earn-Out Consideration Shares and, the Vendor shall be treated as having no right to vote.

- (v) The fees arising from the service of the Escrow Agent shall be borne by the Target Company.
- (vi) It is anticipated that the achievement of the NPAT Target will be determined within four (4) months from the end of the Earn-Out Period, which is the 12-month period commencing the day of Acquisition Completion to the first anniversary of Acquisition Completion (both days inclusive). A special audit will be performed to audit the management accounts of the Target Company in respect of the Earn-Out Period.

We note that the Earn-Out Period as provided in the Announcement refers to “the first full financial year of the Target Company following the Acquisition Completion”. However since the release of the Announcement, the Company and the parties to the SPA have mutually agreed to amend the definition of the Earn-Out Period. The Company will be making an announcement to update the Shareholders on the amendments to the SPA through the entry into a supplemental letter agreement.

- (vii) In the event where the NPAT Target is not met, the Company shall have the right to take the necessary steps to cancel or forfeit the Earn-Out Consideration Shares in accordance with the applicable laws and regulations. The Audit Committee of the Company shall be responsible for the oversight of this arrangement. The cancellation of the Earn-Out Consideration Shares may be undertaken by way of a selective capital reduction pursuant to Section 78A read with Section 78C of the Companies Act 1967 of Singapore (the “**Act**”) to cancel up to 135,600,000 Earn-Out Consideration Shares issued as part of the Purchase Consideration of the Target Company.

Section 78C of the Act requires that a public company proposing to undertake a capital reduction exercise should, *inter alia*, obtain the approval of its shareholders at a general meeting by way of a special resolution to be tabled at such general meeting.

- (viii) In considering the interest of the Company and its minority shareholders in the allotment and issuance of the Earn-Out Consideration Shares to be held in escrow, the Board has considered the following factors:

- (a) **Conditional Issuance:** By holding the Earn-Out Consideration Shares in escrow, the Company ensures that such shares are only transferred to the Vendor (or its nominees) when the Target Company achieves the NPAT Target, thereby mitigating the risk of overpaying for the Proposed Acquisition. This ensures that the basis which the Purchase Consideration was arrived at is achieved, which protects the interests of both the Company and its minority shareholders, whilst demonstrating the Company’s commitment to fulfilling the Purchase Consideration.
- (b) **Acceptance of Consideration Shares:** The acceptance of Consideration Shares for the full satisfaction of the Purchase Consideration by the Vendor, is a show of confidence by the Vendor in the future plans, viability and anticipated performance of the Group, which further is in the interest of the Company.
- (c) **Alignment with Performance:** Incorporating a performance milestone to the release of the Earn-Out Consideration Shares aligns the interests of the Vendor with the Target Company’s key management, including but not limited to Mr. Yuan and Mr. Wu, to remain motivated and incentivized to achieve the NPAT Target and commit to the overall value creation of the Target Company following the completion of the Proposed Acquisition.
- (d) **Fair Valuation:** This arrangement ensures that the Purchase Consideration arrived at is fair and directly tied to the value delivered by the Target Company, protecting the interests of both the Company and its Shareholders.
- (e) **Demonstrating Prudence:** This arrangement demonstrates that the Board is prudent and strategic in its approach towards acquiring the Target Company, enhancing confidence in the Company’s governance and decision-making processes.

- (f) **Independent Oversight:** The involvement of an independent Escrow Agent adds a layer of accountability, ensuring that the process is conducted fairly and impartially.

SGX Query 5:

We note that the terms of the conditional sale and purchase agreement allows the Vendor to designate other persons to receive the Consideration Shares.

- (i) Who are these persons that could potentially receive the Consideration Shares instead of the Vendor?
- (ii) Would the Company be obtaining separate approvals for the potential transfer of controlling interest to such persons?

The Company's response:

- (i) The persons that the Vendor may potentially nominate to receive the Consideration Shares include Mr. Yuan and Mr. Wu, who are the ultimate beneficial owners of the Vendor and founders of the Target Company.
- (ii) As mentioned in section 2.3(b) of the Announcement, where the number of Consideration Shares issued to the Vendor or the persons designated by the Vendor exceed 15% of the Enlarged Share Capital, the Company will seek approval from the Shareholders for the Potential Transfer of Controlling Interest arising from the proposed allotment and issue of the Consideration Shares in accordance with Rule 803 of the Catalist Rules.

The Company will take steps to confirm the identities of the persons nominated by the Vendor to receive the Consideration Shares and the quantum of Consideration Shares each nominee will receive, such that shareholder approval for any Potential Transfer of Controlling Interest can be obtained at the EGM to be convened. Details on the proposed allocation of Consideration Shares will be disclosed in the circular to be despatched in due course.

SGX Query 6:

It is stated in Section 12 of the Announcement in relation to Documents Available for Inspection that the valuation report issued by the Valuer is available for inspection. However, it is stated in Section 2.1(b) of the Announcement that details of the final independent valuation report or valuation certificate to be issued by the Valuer will be set out in the circular to shareholders in due course.

Please clarify whether the valuation report has indeed been finalised and issued.

The Company's response:

The final valuation report has been submitted on 22 July 2024.

SGX Query 7:

In relation to the ZH Loan, we note that S\$1.054 million had already been disbursed to the Company prior to the entry into the Loan Agreement with Mr Zhu Hua ("**Lender**") on 24 July 2024.

Please explain why the Loan Agreement was only entered into with the Lender on 24 July 2024

The Company's response:

Pursuant to the subscription agreement between the Lender and the Company dated 21 November 2023 ("**2023 SA**"), an undertaking was given by the Lender to irrevocably provide financial support to the Company by way of, *inter alia*, interest-free shareholder loans to ensure that the Company and the Group will be able to continue to operate as a going concern. The ZH Loan is thus in line with undertaking in the 2023 SA to provide financial support.

The Company requires financial support from the Lender for its general working capital, administrative expenses, manpower costs, compliance costs, continuing listing expenses and professional fees of the Group. The advance of the aggregate sum of S\$1.054 million by the Lender was disbursed in multiple tranches with the initial intention of being returned in the short term. However, no definitive repayment terms were agreed upon at the time the loans were disbursed. Following the changes to the board composition and the management team, the Company has taken steps to improve its corporate governance and compliance processes by entering into the Loan Agreement to formalise and clarify the terms and conditions of repayment.

SGX Query 8:

In relation to the Proposed Subscription:

- (i) The Subscription Price of S\$0.004 is at a discount of 55.56% to the volume weighted average price of S\$0.009 per share for trades done on the SGX-ST on 24 July 2024.

Please provide more details, together with supporting bases, on the Audit Committee's view that the Proposed Subscription is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

- (ii) With reference to Paragraph 4.11 of the Announcement, it is stated that "The Directors (with the Subscriber and his associates abstaining) are of the view that the Proposed Subscription is beneficial to and in the best interests of the Company....".

Who are the associates of the Subscriber on the Board who have abstained? Please explain the relationship between the Subscriber and the respective associates.

The Company's response:

- (i) In determining the Subscription Price, the Audit Committee together with the Board has considered the financial position of the Company (e.g. unprofitable for the FYE2021 to FYE2023), Mr. Zhu's commitment to the continued growth and success of the Company through his leadership as Executive Chairman and the undertaking by him to provide financial support. The Audit Committee had also considered, in particular, that the Company is dependent on Mr. Zhu's support financially and strategically through the new business to ensure its continuity, and the considerable risks arising from his investment in the Company.

Having also assessed the terms of alternative sources of funding available, the Audit Committee together with the Board notes that it would be in the best interest of the Company and its minority shareholders for the Proposed Subscription to be completed, so as to align his interest with that of the Company.

Additionally, the Audit Committee has considered, *inter alia*, the background and rationale for the Proposed Subscription as set out in section 4.1 of the Announcement the terms and conditions of the Proposed Subscription, and the Subscriber's undertaking to provide financial support to the Company as set out in section 4.12 of the Announcement, is of the opinion that the Proposed Subscription is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders

- (ii) The Subscriber confirms that none of the Directors on the Board are his associates.

SGX Query 9:

In relation to the Proposed Issuance of Sign-On Shares, we note that to take into account any adjustments to the number of shares that may be issued prior to the completion of the Proposed Issuance of the Sign-On Shares, the amendments made pursuant to the Second Supplemental Agreement provide for the number of Sign-On Shares to be mutually agreed upon between the Company and Mr. Chen Lu of which such number of Sign-On Shares will represent 4.5% of the enlarged share capital of the Company following the completion of the Proposed Acquisition, Proposed Subscription and the Proposed Share Issuances.

What is the minimum and maximum number of shares that may be issued to Mr. Chen Lu?

The Company's response:

Based on the Existing Share Capital and assuming that all the transactions contemplated under the Proposed Share Issuances complete, the maximum number of shares that may be issued to Mr. Chen Lu will be 76,000,000 shares (the "**Maximum CL Sign-On Shares**").

In the event that the Shareholders at the EGM do not approve the allotment and issuance of the Consideration Shares in connection with the Proposed Acquisition (or that the Proposed Acquisition does not complete) and the Proposed Subscription, the minimum number of shares that may be issued to him will be 35,100,000 (the "**Minimum CL Sign-On Shares**").

As the transactions contemplated under the Proposed Share Issuances (being the allotment and issuance of the Consideration Shares in connection with the Proposed Acquisition, the Proposed Subscription and the Proposed Issuance of the Sign-On Shares) are subject to Shareholder's approval at the EGM, the table below sets out the number of Sign-On Shares to be allotted and issued to Mr. Chen Lu in the following scenarios described below. For the avoidance of doubt, the Icon Shares will be allotted and issued pursuant to the General Mandate and therefore not subject to Shareholder's approval.

Scenario	Number of Sign-On Shares	Total number of new Shares issued	Enlarged share capital following the issuance of new Shares	Number of Sign-On Shares as a percentage of the Enlarged share capital following the issuances of new Shares (%)
Where only the Proposed Issuance of Sign-On Shares is approved at the EGM⁽¹⁾⁽²⁾	35,600,000	46,600,000 ⁽³⁾	791,358,836	4.50
Where the allotment and issuance of the Consideration Shares is not approved but the Proposed Subscription and the Proposed Issuance of Sign-On Shares are approved at the EGM	45,100,000	257,200,000 ⁽⁴⁾	1,001,958,836	4.50
Where the Proposed Share Issuances are approved at the EGM	76,000,000	946,000,000 ⁽⁵⁾	1,690,758,836	4.50

Notes:

- (1) The Proposed Issuance of Sign-On Shares is subject to approval of shareholders in meeting pursuant to Rule 804 of the Catalist Rules.
- (2) As mentioned in section 2.5 of the Announcement, the Proposed Acquisition would constitute a "disclosable" transaction pursuant to Rule 1010 of the Catalist Rules and therefore not subject to the approval of shareholders of the Company. However, the Consideration Shares will be issued to the Vendor (or the persons designated by the Vendor) will be subject to the approval of the Shareholders at the EGM to be convened by the Company.
- (3) Comprising of 35,600,000 Sign-On Shares and 11,000,000 Icon Shares.
- (4) Comprising of 201,100,000 Subscription Shares (under the Minimum Subscription Scenario), 45,100,000 Sign-On Shares, and 11,000,000 Icon Shares.
- (5) Comprising of 452,000,000 Consideration Shares, 407,000,000 Subscription Shares (under the Maximum Subscription Scenario), 76,000,000 Sign-On Shares, and 11,000,000 Icon Shares.

	Before the Proposed Share Issuances						After the Proposed Share Issuances					
	Direct Interest		Deemed Interest		Total Interest		Direct Interest		Deemed Interest		Total Interest	
	No. of Shares ('000)	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares ('000)	% ⁽²⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽¹⁾
Ian David Brown	-	-	-	-	-	-	-	-	-	-	-	-
Liew Yoke Pheng Joseph	-	-	-	-	-	-	-	-	-	-	-	-
Substantial Shareholders (other than Directors)												
Zhou Chao	83,000,000	11.14	-	-	83,000,000	11.14	83,000,000	4.9	-	-	83,000,000	4.9
Yuan Zhijun	-	-	-	-	-	-	211,988	12.5	-	-	211,988	12.5
Wu Kunwei	-	-	-	-	-	-	240,012	14.2	-	-	240,012	14.2

By Order of the Board

Zhu Hua
Executive Director and Chairman
1 August 2024

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Evolve Capital Advisory Private Limited (the "Sponsor") for compliance with relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").

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

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