GLOBAL INVACOM GROUP LIMITED
(Company Registration No. 200202428H)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM THE SGX-ST

Unless otherwise defined, capitalized terms used in this announcement shall have the same meaning ascribed to them in the announcement dated 24 October 2018 ("**Announcement**").

INTRODUCTION

The board of directors ("**Board**" or "**Directors**") of Global Invacom Group Limited (the "**Company**") would like to provide the following information in response to queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in respect of the Announcement.

(A) QUERIES IN RELATION TO THE PROPOSED ACQUISITION

Query 1:

It is stated that the Proposed Acquisition is expected to result in a very substantial acquisition ("VSA") or a reverse takeover ("RTO") pursuant to Rule 1015 of the Listing Manual. As the listing requirements for a VSA are different from those applicable to an RTO, please clarify whether the Proposed Acquisition is a VSA or an RTO.

Response to Query 1:

The Proposed Acquisition is expected to constitute a reverse takeover, considering it will result in a change in control of the Company upon its completion.

Query 2:

We note that the Target made a loss of US$1.9 million, US$2.36 million and US$1.2 million for the 6 months ended 30 June 2018, the full year 2017 and the full year 2016 respectively. If the Proposed Acquisition is an RTO, the Listing Rules require both the Target and the enlarged group to comply with Rule 210(2)(a) or (b) or (c) of the Listing Manual. Which of Rule 210(2)(a) or (b) or (c) does the Target comply? If the Target is relying on its profit forecast for financial year ending 31 December 2018 ("FY2018") to satisfy Rule 210(2)(b) which requires the Target to be profitable in the latest financial year amongst other quantitative criteria, please provide the forecast revenue and profit before tax of the Target Group for FY2018, and explain the basis and assumptions used in arriving at the forecast revenue and profit before tax.

Response to Query 2:

Assuming no adjustment to the Total Valuation of US$200,000,000 (equivalent to S$275,000,000, based on the agreed exchange rate of US$1:00 : S$1.375) will be required, and based on the issue price and the expected compliance placement issue price of S$0.15 (on a pre-consolidation basis), it is expected that Rule 210(2)(c) of the Listing Manual will be satisfied, taking into account the following:

(a) Both the Target and the enlarged group consisting of the Company, its subsidiaries and the Target ("**Enlarged Group**") are expected to have operating revenue (actual or pro forma) for financial year ending 31 December 2018; and

(b) the indicative market capitalisation of the Enlarged Group immediately upon completion of the Proposed Acquisition (i.e. before taking into account the Compliance Placement) will be approximately:

(i) S$328.7 million in the event that no Additional Target Convertible Notes will be subscribed for; or

(ii) S$306.7 million in the event that the Additional Target Convertible Notes will be fully subscribed for,

taking into account allotment and issue of the Consultant Shares and the maximum 50 million RCN Conversion Shares pursuant to the conversion of the Tranche 1 RCN Notes.

In the event that Rule 210(2)(c) cannot be met, the Company will seek a transfer of the listing of the Company from Mainboard to Catalist of the SGX-ST concurrently with the completion of the Proposed Acquisition.

Query 3:

It is stated that in the event that the Target achieves at least US$25,000,000 in net profit before net interest expenses, tax, depreciation and amortization (which excludes share of results of joint ventures, material gains or losses which are of capital nature or non-operational related, acquisition related costs and non-cash gain on re-measurement of contingent consideration payable) ("EBITDA Target") based on the Target's audited consolidated financial statements for the year ending 31 December 2019, the Company shall pay the Vendor additional consideration in the form of new shares based on a prescribed formula, subject to a maximum additional consideration of US$50 million. Why is an EBITDA Target instead of a net profit before or after tax target set for the payment of additional consideration by the Company to the Vendor? Please disclose the Target Group's EBITDA for the 6 months ended 30 June 2018, 12 months ended 31 December 2017 and 12 months ended 31 December 2016. What is the basis used in arriving at additional consideration that is 5 times the EBITDA?

Response to Query 3:

The Target has been granted High Tech Pioneer Status by the Malaysian Investment Development Authority. The Target has been offered 100% tax exemption status for 5 years from the commencement of its production and is currently completing application for activation thereof. The Target anticipates that such tax exemption will be in place for FY2019, being the year in which the Additional Consideration will be computed. Therefore, EBITDA (instead of a net profit before or after tax) has been used for the determination of the Additional Consideration payable by the Company to the Vendor.

The Target's EBITDA for the 6 months ended 30 June 2018, 12 months ended 31 December 2017 and 12 months ended 31 December 2016, during a period of product development and market readiness, were as follows:

- 6 months to 30 June 2018 (US$1,759,997)
- 12 months to 31 Dec 2017 (US$2,300,264)
- 12 months to 31 Dec 2016 (US$1,203,823)

*Note: Brackets above represent losses.

Based on the Target's Total Valuation of US$200,000,000, the projected EBITDA for FY2019 of US$25,000,000 would translate into a price to EBITDA ratio of 8 times. The Additional Consideration computed based on a price to EBITDA ratio of 5 times was determined through commercial negotiation between the Vendor and the Company, in order to leave an attractive potential upside to benefit the other Shareholders of the Company.

Query 4:

Please disclose who will be appointed by the Company as the independent professional valuer to verify the Total Valuation of US$200 million for the Target.

Response to Query 4:

The Company has yet to finalise the appointment of an independent valuer for the purposes of the Proposed Acquisition as of the date of this announcement. The Company will update the SGX-ST and Shareholders accordingly once the appointment has been finalized, via an announcement on the SGXNET.

Query 5:

We note that the Company expects to issue 73,333,333 new Shares to the Consultant (representing 4% of the valuation of the Target). Please provide the name of the consultant, the names of the shareholders and directors of the consultant, as well as background information on the consultant.

Response to Query 5:

The Consultant is Advance Capital Asia Partners Pte Ltd ("**AC Asia**"), a boutique business and management consultancy firm in Singapore. AC Asia provides consultancy services to its clients and specialises in structured financing. It is an advocate of an open architecture platform, working with strategic partners to deliver one-stop solutions to its clients.

The sole director and shareholder of AC Asia is Therese Lim Lay Hui. She was an assistant editor in Eastern Publishing Ltd, a publishing company. Her expertise is in research, analysis and writing. After leaving Eastern Publishing Ltd, she saw opportunities for synergy between parties of different expertise, and hence formed AC Asia. Apart from business consulting and research, she is also involved in the trading of soft commodities in Asia. She obtained a degree in Biomedical Sciences from the University of Bradford in 2007.

The key personnel of AC Asia who provides the services in relation to the Proposed Acquisition and related transactions is Jericho Ang, who has over 20 years of experience in the field of finance. He started his career in external audit with BDO, an international accounting firm, and held key positions in the area of finance and accounting in various multinational companies such as Tyco International, Elsevier (Singapore) Pte. Ltd. and Grohe Asia Pacific Pte. Ltd.. Before joining AC Asia as Managing Partner, Jericho was the Chief Investment Officer at Vita Holdings Pte Ltd. He obtained a degree in Accounting and Finance from the University of East London, United Kingdom in 1997.

Query 6:

Please disclose who is the Financial Advisor.

Response to Query 6:

The Company is in the midst of finalising the appointment of the Financial Advisor. The Company will update the SGX-ST and Shareholders accordingly once the appointment has been finalised, via an announcement on the SGXNET.

Query 7:

What is the basis used in arriving at the issue price of S$0.15 for the new Shares (before the Proposed Share Consolidation)?

Response to Query 7:

The issue price of S$0.15 (on a pre-share consolidation basis) has been negotiated commercially, taking into account:

(a) NTA per Share of the Company of US$0.20 (or approximately S$0.2818 per Share) as of 30 June 2018;

(b) 12-month volume weighted average price of S$0.1040 per Share; and

(c) the effect to minimise dilution to Shareholders as the Company notes that the share price of the Company has been depressed during the last 12 months.

Query 8:

We note that no details on the share consolidation ratio have been disclosed for the Proposed Share Consolidation. Please clarify when will the share consolidation ratio be determined and announced.

Response to Query 8:

The consolidation ratio will be determined before the relevant submission of the Proposed Acquisition to the SGX-ST. One key consideration that will be taken into consideration when determining the consolidation ratio will be the minimum share issue price of S$0.50 per share for the purposes of the Compliance Placement.

Query 9:

Please justify the break fee of US$20,000,000 payable to the Vendor.

Response to Query 9:

The Company and the Vendor had negotiated and agreed on the imposition of the Break Fee against the Breaking-up Party from a commercial perspective and as a deal protection mechanism.

From the Company's perspective, the Target is a fast growing company with huge upside potential, whose value may increase during the period from the date of the announcement until completion of the Proposed Acquisition. In the event of absence of such Break Fee, there may be a risk for the Vendor to enter into an arrangement with other third party with a more attractive offer, in which event, the Company would have incurred costs and wasted its resources to pursue the Proposed Acquisition. In response to such request, the Vendor has imposed a similar obligation on the Company as a condition for it to accept such Break Fee obligation. The amounts of Break Fee in respect of the Company and Vendor constitute 10% of the Total Valuation of US$200,000,000 and were considered to be sufficient deterrent of a walk-away event.

(B) QUERIES IN RELATION TO THE PROPOSED RCN ISSUANCE

Query 10:

With reference to the Minimum Conversion Price of S$0.01, will this price be adjusted in the event of any share consolidation?

Response to Query 10:

Yes, the Minimum Conversion Price will be subject to adjustment in the event of share consolidation.

Query 11:

We note that the Tranche 1 RCN Notes have a principal amount of S$4 million and there is a cap of 50 million Conversion Shares for this tranche. Will the Company be required to repay the balance of this principal amount in cash in the event that the maximum number of RCN Conversion Shares has already been converted?

Response to Query 11:

In the event that part of the Tranche 1 RCN Notes remain outstanding after the maximum 50 million RCN Conversion Shares have been allotted and issued to the Subscribers pursuant to conversion of the Tranche 1 RCN Notes, the Company may proceed to seek Shareholders' approval for the allotment and issue of RCN Conversion Shares arising from the conversion of such outstanding Tranche 1 RCN Notes in an extraordinary general meeting ("**EGM**") of the Company. Such EGM may be held by the Company before the EGM seeking Shareholders' approval for the Proposed Acquisition.

In the event the Shareholders' approval cannot be obtained in the aforesaid EGM, the outstanding principal amount of Tranche 1 RCN Notes may be redeemed by the Company at 112% of the principal amount of the outstanding Tranche 1 RCN Notes, or at such other amount as may be agreed in writing between the Company and the Subscribers.

Query 12:

With reference to the 6% administrative fees amounting to S$360,000 which will be borne by the Company, please disclose who will be paid these fees.
Response to Query 12:

It will be paid to ACPAM and/or AOF, in such proportion as may be instructed by ACPAM and AOF.

Query 13:

We refer to paragraph 2.8(c) of the Announcement which sets out that the Company shall not issue or enter into any agreement or arrangement for the issue of new Shares, options, or securities convertible into new Shares, other than under the circumstances defined as Permitted Purchaser Share Allotments. Presumably, this condition will only cease to apply upon completion of the Proposed Acquisition. However, it appears from the Company's disclosures that prior to completion of the Proposed Acquisition, the Company intends to raise the US$2 million funding needed to subscribe for the Initial Target Convertible Notes from the Tranche 1 RCN Notes which are convertible securities. If the subscription of Tranche 1 RCN Notes is not a Permitted Purchaser Share Allotment, how does the Company intend to fund the Initial Target Convertible Notes.

Response to Query 13:

Under the terms of the SPA, the Permitted Purchaser Share Allotments include any allotment and issue of new Shares with the prior written consent of the Vendor. Whilst the issue of the RCN Notes and the RCN Conversion Shares have not been expressly set out as part of the Permitted Purchaser Share Allotments in the SPA, the Vendor is aware of and has consented to the Proposed RCN Issuance to be undertaken by the Company.

BY ORDER OF THE BOARD

ANTHONY BRIAN TAYLOR
EXECUTIVE CHAIRMAN

31 October 2018