

CIRCULAR DATED 16 MARCH 2018

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

This Circular is issued by Sysma Holdings Limited (the “Company”). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance 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 verified the contents of this Circular.

This Circular has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Circular, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Circular.

The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).



SYSMA HOLDINGS LIMITED

Company Registration No: 201207614H
(Incorporated in the Republic of Singapore on 28 March 2012)

CIRCULAR TO SHAREHOLDERS

in relation to the

APPROVAL AND RATIFICATION OF THE AWARD OF THE CONSTRUCTION CONTRACT WORTH APPROXIMATELY S\$5,000,000 BY MR. SIN EE WUEN TO SYSMA CONSTRUCTION PTE LTD AS AN INTERESTED PERSON TRANSACTION

Independent Financial Adviser in relation to the Construction Contract



PROVENANCECAPITAL

PROVENANCE CAPITAL PTE. LTD.

(Incorporated in Singapore)
(Company Registration No. 200309056E)

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form	:	31 March 2018 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	2 April 2018 at 10.00 a.m.
Place of Extraordinary General Meeting	:	Casuarina Room, Main Clubhouse, Serangoon Gardens Country Club, 22 Kensington Park Road, Singapore 557271

CONTENTS

	Page
DEFINITIONS	3
 LETTER TO SHAREHOLDERS	
1. INTRODUCTION.....	7
2. THE CONSTRUCTION CONTRACT	7
3. RATIONALE AND BENEFITS OF THE CONSTRUCTION CONTRACT	9
4. CHAPTER 9 OF THE CATALIST RULES	9
5. PREPARATORY WORKS.....	11
6. ASSURANCE AND INDEMNITY PROVIDED TO THE COMPANY	12
7. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER.....	12
8. AUDIT COMMITTEE’S STATEMENT	13
9. DIRECTORS’ RECOMMENDATION	13
10. ABSTENTION FROM VOTING	13
11. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS	14
12. COMPLIANCE WITH GOVERNING LAWS, REGULATIONS AND THE CONSTITUTION	14
13. EXTRAORDINARY GENERAL MEETING.....	14
14. ACTION TO BE TAKEN BY SHAREHOLDERS.....	14
15. DIRECTORS’ RESPONSIBILITY STATEMENT	15
16. CONSENTS	15
 APPENDIX – LETTER FROM THE IFA IN RELATION TO THE CONSTRUCTION CONTRACT	 A-1
 NOTICE OF EXTRAORDINARY GENERAL MEETING	 B-1
 PROXY FORM	

DEFINITIONS

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

- “Announcement”** : Has the meaning ascribed to it in Section 2.1 of this Circular
- “Architect Firm”** : Has the meaning ascribed to it in Section 2.1 of this Circular
- “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; and
- (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.
- “Audit Committee”** : The audit committee of the Company as at the Latest Practicable Date, comprising Mr. Heng Yeow Meng Michael and Mr. Chen Timothy Teck-Leng @ Chen Teck Leng
- “Board”** : The board of Directors of the Company as at the Latest Practicable Date
- “BCA”** : The Building and Construction Authority of Singapore
- “Catalist”** : The sponsor-supervised listing platform of the SGX-ST
- “Catalist Rules”** : The SGX-ST Listing Manual Section B: Rules of Catalist, as may be amended, modified or supplemented from time to time
- “CDP”** : The Central Depository (Pte) Limited
- “CEO”** : Chief Executive Officer
- “Circular”** : This circular to Shareholders dated 16 March 2018
- “Companies Act”** : The Companies Act, Chapter 50 of Singapore, as may be amended, modified or supplemented from time to time
- “Company”** : Sysma Holdings Limited
- “Construction Contract”** : Has the meaning ascribed to it in Section 2.1 of this Circular
- “Construction Contract Sum”** : Has the meaning ascribed to it in Section 2.1 of this Circular

DEFINITIONS

“Controlling Shareholder”	:	A person (including a corporation) who: <ul style="list-style-type: none">(a) holds directly or indirectly 15% or more of the total votes attached to all the voting Shares of the Company. (unless otherwise determined by the SGX-ST); or(b) in fact exercises control over the Company
“Directors”	:	The directors of the Company, as at the Latest Practicable Date
“EGM”	:	The extraordinary general meeting of the Company to be held on 2 April 2018 at 10.00 a.m, notice of which is set out on page B-1 of this Circular
“Group”	:	The Company and its subsidiaries, collectively
“Group NTA”	:	Has the meaning ascribed to it in Section 4.3 of this Circular
“IFA”	:	Provenance Capital Pte. Ltd., the independent financial adviser in relation to the Construction Contract
“IFA Letter”	:	The letter dated 16 March 2018 from the IFA in relation to the Construction Contract, entitled “Letter from the IFA in relation to the Construction Contract”, as set out in the Appendix to this Circular
“Independent Shareholders”	:	Shareholders, save for Xiang Investment Ltd., an Associate of Mr. Sin Soon Teng and his immediate family, which is an interested person under the Catalist Rules
“IPT Guidelines”	:	Has the meaning ascribed to it in Section 5 of this Circular
“Latest Practicable Date”	:	7 March 2018, being the latest practicable date prior to the printing of this Circular
“Losses”	:	All losses, liabilities, fines, penalties, costs, damages, charges, expenses, actions, proceedings, investigations, claims and demands (if any) in relation to the Construction Contract and the Preparatory Works excluding any compliance or legal cost incurred by the Company in relation to the process of obtaining approval and ratification from the Independent Shareholders
“Management”	:	The management of the Company, as at the Latest Practicable Date
“Minority Shareholders”	:	Has the meaning ascribed to it in the IFA Letter
“Non-Interested Directors”	:	Has the meaning ascribed to it in Section 9 of this Circular
“Notice of EGM”	:	Notice of the EGM set out on pages B-1 and B-2 of this Circular
“NTA”	:	Net tangible assets
“Ordinary Resolution”	:	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
“Preparatory Works”	:	Has the meaning ascribed to it in Section 5 of this Circular
“Preparatory Works Expenses”	:	Has the meaning ascribed to it in Section 5 of this Circular

DEFINITIONS

“Proxy Form”	:	The proxy form in respect of the EGM set out in this Circular
“Register of Members”	:	Register of members of the Company
“Relevant Period”	:	Has the meaning ascribed to it in Section 4.4 of this Circular
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
“Securities and Futures Act”	:	Securities and Futures Act, Chapter 289 of Singapore, as may be amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares in the Register of Members, except that where the registered holder is CDP, the term “ Shareholders ” shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP whose Securities Accounts are credited with those Shares
“Shares”	:	Ordinary shares in the share capital of the Company
“Sponsor”	:	PrimePartners Corporate Finance Pte. Ltd.
“Substantial Shareholder”	:	A person who has an interest in voting Shares of the Company and the total votes attached to those Shares is not less than 5% of the total votes attached to all voting Shares in the Company

Currencies, Units and Others

“%”	:	Per centum or percentage
“S\$” and “cents”	:	Singapore dollars and cents, respectively

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

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

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

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

References to persons shall, where applicable, include corporations.

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

DEFINITIONS

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

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

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 “intend”, “project”, “plan”, “potential”, “strategy”, “forecast” and similar expressions or verbs such as “will”, “would”, “should”, “could”, “may”, or “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. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements and the Company does not undertake any obligation to update publicly or revise any forward-looking statements.

LETTER TO SHAREHOLDERS

SYSMA HOLDINGS LIMITED

(Company Registration No: 201207614H)
(Incorporated in the Republic of Singapore on 28 March 2012)

Board of Directors:

Mr. Sin Soon Teng (Executive Chairman and Group CEO)
Mr. Ang Seng Heng (Executive Director)
Mr. Andy Goh Beng Kwang (Executive Director and Group Chief Financial Officer)
Mr. Chen Timothy Teck-Leng (Lead Independent Director)
@ Chen Teck Leng
Mr. Heng Yeow Meng Michael (Independent Director)

Registered Office:

2 Balestier Road
#03-669
Balestier Hill
Shopping Centre
Singapore 320002

16 March 2018

To Shareholders of **SYSMA HOLDINGS LIMITED**

Dear Sir/Madam,

APPROVAL AND RATIFICATION OF THE AWARD OF THE CONSTRUCTION CONTRACT WORTH APPROXIMATELY S\$5,000,000 BY MR. SIN EE WUEN TO SYSMA CONSTRUCTION PTE LTD AS AN INTERESTED PERSON TRANSACTION

1. INTRODUCTION

- 1.1 The Directors are convening the EGM to seek the Independent Shareholders' approval and ratification of the Construction Contract as an interested person transaction.
- 1.2 The purpose of this Circular is to provide Shareholders with information relating to, and the rationale for, the approval and ratification of the Construction Contract to be tabled at the EGM, and to seek Independent Shareholders' approval and ratification of the Construction Contract as an interested person transaction at the EGM. The Notice of EGM is set out on pages B-1 and B-2 of this Circular.
- 1.3 The SGX-ST and the Sponsor assume no responsibility for the contents of this Circular, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Circular.

2. THE CONSTRUCTION CONTRACT

2.1 Background

On 16 January 2018, the Company announced that its direct wholly-owned subsidiary, Sysma Construction Pte. Ltd. ("**Sysma Construction**") has been awarded the contract ("**Construction Contract**") for the proposed erection of two (2) units of two-storey envelope control detached dwelling house with an attic and a basement on Lots 97979A and 97980P MK18 at Medway Drive ("**Project**") by Mr Sin Ee Wuen ("**Announcement**"). The Construction Contract was awarded by way of an acknowledgement, on a tender summary setting out the proposed scope of work, by Mr. Sin Ee Wuen (through the Architect Firm, as defined below) on 10 January 2018.

The Construction Contract was awarded to Sysma Construction at a contract sum of approximately S\$5,000,000 representing the costs of the Project at a profit margin of 10% based on the final contract sum on a cost-recovery basis ("**Construction Contract Sum**"). The Construction Contract period is for sixteen (16) months.

Ernesto Bedmar Architect Pte. Ltd. ("**Architect Firm**") has been appointed as the architect and consultant in relation to the Project.

LETTER TO SHAREHOLDERS

2.2 Parties to the Construction Contract

2.2.1 Architect Firm

The Architect Firm is a Singapore-based design practice established in 1986 in the business of providing a wide range of architectural, conservation, landscape and interior design services. The Architect Firm was founded and owned by Mr Ernesto Bedmar. In the past, Sysma Construction has been appointed by the Architect Firm for projects which have been completed such as certain houses built on Nassim Road and Jervois Road.

None of the Directors or Controlling Shareholder(s) has any interest, direct or indirect, in the Architect Firm. In addition, neither Mr. Sin Ee Wuen nor his immediate family members have any relationship to any of the founders or owners of the Architect Firm.

2.2.2 Sysma Construction

Sysma Construction is a direct wholly-owned subsidiary of the Company with an issued and paid-up share capital of S\$3,000,000. The directors of Sysma Construction are Mr. Chong Kim Guan, Mr. Sin Soon Teng, Mr. Ang Seng Heng and Ms. Ng Lay Khim. The principal activities of Sysma Construction are in building and construction.

2.2.3 Mr Sin Ee Wuen

Mr Sin Ee Wuen is the deputy CEO of the Group and is the son of Mr. Sin Soon Teng, who is the Executive Chairman and CEO of the Group.

Mr. Sin Soon Teng holds equity interests representing 89.0% of the issued share capital of Xiang Investments Ltd. which in turns hold equity interests representing 66.02% of the issued share capital of the Company. Accordingly, Xiang Investment Ltd. is a Controlling Shareholder, and Mr. Sin Soon Teng is deemed to be a Controlling Shareholder pursuant to Section 4 of the Securities and Futures Act.

2.3 Principal Terms of the Construction Contract

Under the terms of the Construction Contract, Sysma Construction has undertaken to perform the following services, *inter alia*, for the Project:

- (a) All preliminaries such as site preparatory work;
- (b) Demolition and site clearance;
- (c) Excavation and temporary works;
- (d) Construction of sub structures and super structures;
- (e) Construction of structural steel works;
- (f) All mechanical and electrical works;
- (g) All external works including the construction of walls, gates, fencing and drainage; and
- (h) All building finishes including the finishes for walls, floors, ceilings, staircases, construction of timber ceilings, timber doors, windows, roofing, glass lift enclosure, and sundries.

The Construction Contract Sum, which excludes the prevailing Goods and Services Tax, was arrived on an arm's length basis taking into account, *inter alia*, the cost of the Project, based on prevailing market rates of subcontracting works and construction supplies, at a profit margin of 10% of the final contract sum on a cost-recovery basis. These costs include structural works, the prime costs of materials and supplies, site preparation works, piling works and general preliminaries relating to materials and supplies.

LETTER TO SHAREHOLDERS

As at the Latest Practicable Date, certain preparatory works have been completed as described in Section 5 of this Circular. Further, the Preparatory Works relating to the Project is currently temporarily halted pending approval from the Independent Shareholders at the EGM, and the construction schedule in relation to the Project will resume after approval and ratification of the Construction Contract have been obtained from the Independent Shareholders at the EGM.

Based on the Management's current estimates, the Project is expected to be completed by 20 December 2018.

The Construction Contract has no specific terms on liquidated damages or performance bonds/ security deposits.

3. **RATIONALE AND BENEFITS OF THE CONSTRUCTION CONTRACT**

Save for Mr. Sin Soon Teng who have abstained from taking a view and from voting on the Construction Contract due to his interests as described in this Circular, the Directors of the Company are of the view that the Group should not turn down the opportunity to execute a project without due consideration simply because Mr. Sin Ee Wuen is an "interested person".

The award of the Construction Contract reflects the confidence of the Deputy CEO, Mr. Sin Ee Wuen, in the Company's superior capabilities in constructing high-end landed residential housing over the Company's competitors. The completion of the Construction Contract will therefore affirm and maintain the Company's reputation as being one of the key players in constructing high-end landed residential housing.

The Construction Contract will also benefit the Company in terms of its utilisation of its excess capacity, thereby contributing positively to the Group's financial results, especially in view of the current general slowdown in the construction industry in Singapore. The current general market sentiment for residential properties and consequentially the construction sector in Singapore has been relatively weak. Hence, securing the Construction Contract is beneficial to the Group. The Group will earn a profit margin of ten (10) % on the Construction Contract Sum and to a certain extent, allow the Company to withstand industry headwinds during this slowdown.

4. **CHAPTER 9 OF THE CATALIST RULES**

4.1 **Chapter 9 of the Catalist Rules**

Chapter 9 of the Catalist Rules governs transactions in which a listed company or any of its subsidiaries or associated companies (known as the "entity at risk") enters into or proposes to enter into with a party who is an interested person of the listed company. Under Chapter 9 of the Catalist Rules, an immediate announcement and subsequent shareholders' approval is required in respect of a transaction between an entity at risk and its interested persons if the value of that transaction exceeds 5% of the value of the group's latest audited net tangible assets ("NTA").

The following definitions are contained under Chapter 9 of the Catalist Rules:

- (a) the term "approved exchange" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9.
- (b) the term "entity at risk" means:
 - (i) the issuer;
 - (ii) a subsidiary of the issuer that is not listed on the SGX-ST or an approved exchange;or

LETTER TO SHAREHOLDERS

- (iii) an associated company of the issuer that is not listed on the SGX-ST or an approved exchange, provided that the issuer and its subsidiaries (the “listed group”), or the listed group and its interested person(s) has control over the associated company.
- (c) the term “interested person”, in the case of a company, means:
 - (i) a director, chief executive officer, or Controlling Shareholder of the issuer; or
 - (ii) an Associate of any such director, chief executive officer, or Controlling Shareholder.
- (d) the term “interested person transaction” means a transaction between an entity at risk and an interested person.

4.2 The Construction Contract as an Interested Person Transaction

As at the Latest Practicable Date,

- (a) Sysma Construction is a direct wholly-owned subsidiary of the Company; and
- (b) Mr. Sin Ee Wuen is the deputy CEO of the Group and is the son of Mr. Sin Soon Teng who is the Executive Chairman, CEO of the Group and Controlling Shareholder of the Group.

Accordingly, Sysma Construction is an “entity at risk” and Mr. Sin Ee Wuen, being the immediate family of the CEO and/or Director, is an “interested person”, for the purposes of Chapter 9 of the Catalist Rules. Consequently, the entry into of the Construction Contract between Mr. Sin Ee Wuen as an “interested person” and the Sysma Construction, as an “entity at risk”, constitutes an “interested person transaction”.

4.3 Materiality Thresholds under Chapter 9 of the Catalist Rules

In accordance with Rules 906(1)(a) and 918 of Chapter 9 of the Catalist Rules, where the value of an interested person transaction, or when aggregated with other transactions entered into with the same interested person during the same financial year, is equal to or exceeds 5% of the latest audited NTA of the Group, the approval of shareholders is required to be obtained either prior to the transaction being entered into, or if the transaction is expressed to be conditional on such approval, prior to the completion of such transaction, as the case may be.

Based on the latest audited NTA (attributable to owners of the Company) of the Group as at 31 July 2017 (“**Group NTA**”) of S\$51,002,976, the Construction Contract Sum represents approximately 9.8% of the Group NTA.

As the Construction Contract Sum represents more than 5% of the Group NTA, for the purposes of Chapter 9 of the Catalist Rules and in particular Rule 906(1)(a), the Construction Contract is therefore subject to the approval of the Independent Shareholders.

4.4 Total Value of Interested Person Transactions

Save for the Preparatory Works, there were no interested person transactions (excluding transactions less than S\$100,000) entered into by the Group with Mr. Sin Ee Wuen during the current financial year beginning 1 August 2017 up to the Latest Practicable Date (the “**Relevant Period**”).

Accordingly, the aggregate value of all interested person transactions entered into between the Group and Mr. Sin Ee Wuen during the Relevant Period is the Construction Contract Sum (which includes the Preparatory Works) of approximately S\$5,000,000.

Save for the Construction Contract, there are no other interested person transactions (excluding transactions less than S\$100,000) entered into by the Group during the Relevant Period.

LETTER TO SHAREHOLDERS

5. PREPARATORY WORKS

After the issue of the Announcement on 16 January 2018, the Audit Committee was informed on 29 January 2018 that certain preparatory works had commenced prior to the entry into of the Construction Contract. These preparatory works included applying for all relevant regulatory permits from the BCA such as the “Permit to Commence Structural Works”, demolishing the existing structures and constructing certain sub structures for the Project (collectively, the “**Preparatory Works**”). The guidelines and review procedures for on-going and future interested person transactions of the Company (“**IPT Guidelines**”) require all category 1 interested person transactions (where the value thereof is equal to or more than 3% of the NTA of the Group based on the latest audited accounts) to be approved prior to entry by the Audit Committee. Since the Preparatory Works were part of the initial works forming the Construction Contract which constituted an interested person transaction, the value of which was more than 3% of the NTA of the Group, the Audit Committee held a meeting the following day to discuss the Preparatory Works as was required under IPT Guidelines.

In the construction industry, it is not an uncommon practice for contractors to commence preparatory works for negotiated construction contracts (i.e. non-tender construction contracts) before finalised drawings are completed or before any formal contract is entered into, to allow for costing estimates. This is usually done to meet construction schedules, which could be tight, or in the event that the costings of the material and supplies proposed to be used have not been fully and mutually agreed with the land owners. Such preparatory works may commence as early as a few months prior to the entry into of a formal contract. In the unlikely event that the project is aborted or the formal contract is not awarded after preparatory works have been completed, the contractor will be reimbursed the full costs of all the preparatory works completed to the date of termination, by the land owners.

As at the Latest Practicable Date,

- (a) the Permit to Commence Structural Works has been obtained from BCA on 21 August 2017, the existing structures have been completely demolished and certain sub structures that form the foundation of the building have been constructed; and
- (b) the total amount of expenses incurred by the Company for the Preparatory Works is approximately S\$950,461 (“**Preparatory Works Expenses**”), representing 1.86% of the Group NTA of S\$51,002,976.

At the time the Audit Committee was informed of the Preparatory Works, the Preparatory Works Expenses represented less than 3% of the Group NTA. Notwithstanding, the Audit Committee had requested for the Preparatory Works to halt immediately in view that the Construction Contract Sum, including the Preparatory Works, represented more than 5% of the Group NTA. Under Rule 918 of the Catalist Rules, if a transaction requires shareholder approval, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction. On 9 February 2018, Mr. Sin Ee Wuen confirmed to the Audit Committee that the Preparatory Works have been temporarily halted and will be resumed after approval and ratification has been obtained from the Independent Shareholders. The construction schedule in relation to the Project will resume after approval and ratification of the Construction Contract from Independent Shareholders have been obtained.

On 20 February 2018, Mr. Sin Ee Wuen and Sysma Construction entered into a supplemental letter to confirm that the Construction Contract will be subject to approval by the Independent Shareholders in compliance with Rule 918 of the Catalist Rules.

LETTER TO SHAREHOLDERS

6. **ASSURANCE AND INDEMNITY PROVIDED TO THE COMPANY**

Notwithstanding that it is not an uncommon practice in the construction industry for contractors to commence preparatory works before entering into a formal contract for negotiated construction contracts, the Company only adopts such practice for existing clients who have not presented any credit risks in the past. In addition, the Company also ensures that proper and accurate records reflecting the value of any preparatory work are kept.

The Company, including the Non-Interested Directors, would like to assure Shareholders that, in this instance the commencement of the Preparatory Works prior to the Construction Contract was in the ordinary course of the Group's business procedures as explained in Section 5.

Despite the fact that the Preparatory Works were undertaken for an interested person, the Company had undertaken certain review procedures to ensure that the Construction Contract is undertaken on an arm's length basis, on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders. These review procedures included:

- (a) The quantity surveyors of Sysma Construction working in a team of at least two (2), had compared each quotation received from subcontractors and/or suppliers against two (2) other quotations to ensure competitiveness in price and quality in accordance with its usual business procedures; and
- (b) The managing director of Sysma Construction, together with such quantity surveyors, performed a further review and evaluation based on the budget in relation to the Construction Contract.

Furthermore, following the request from the Audit Committee and with a view to protect the interests of the Company, Mr. Sin Ee Wuen granted an indemnity in favour of the Group under a deed of indemnity entered into on 21 February 2018 pursuant to which he has agreed to indemnify the Company against all Losses incurred by the Company in the event the Construction Contract including the Preparatory Works are not approved and ratified by the Independent Shareholders.

7. **ADVICE OF THE INDEPENDENT FINANCIAL ADVISER**

Chapter 9 of the Catalist Rules provides that, where Shareholders' approval is required for an interested person transaction, the Circular must include an opinion from an independent financial adviser ("IFA") as to whether such transaction (and all other transactions which are the subject of aggregation pursuant to Rule 906 of the Catalist Rules) is on normal commercial terms and if it is prejudicial to the interests of the Company and its Minority Shareholders.

Accordingly, Provenance Capital Pte. Ltd. has been appointed as the IFA in relation to the Construction Contract, to provide an opinion on whether the Construction Contract, as an interested person transaction, is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.

A copy of the letter dated 16 March 2018 from the IFA ("**IFA Letter**"), containing its opinion in full, is set out in the Appendix to this Circular. The Independent Shareholders are advised to read the IFA Letter carefully and in its entirety before deciding whether to approve and ratify the Construction Contract.

Overall, having considered the above and the information available to the IFA as at the Latest Practicable Date, the IFA is of the opinion that the Construction Contract as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.

LETTER TO SHAREHOLDERS

8. **AUDIT COMMITTEE'S STATEMENT**

Having considered, *inter alia*, the terms, rationale for and benefits of the Construction Contract, as well as the opinion of the IFA on the Construction Contract, the Audit Committee concurs with the opinion of the IFA and is of the view that the Construction Contract as an interested person transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.

9. **DIRECTORS' RECOMMENDATION**

Mr. Sin Soon Teng, the Executive Chairman and CEO of the Group has abstained from making any recommendation to the Independent Shareholders as he is the father of Mr. Sin Ee Wuen, the interested person in the Construction Contract. The remaining Directors, namely, Mr Ang Seng Heng, Mr Andy Goh Beng Kwang, Mr Chen Timothy Teck-Leng @ Chen Teck Leng and Mr. Heng Yeow Meng Michael are deemed to be independent for the purpose of making a recommendation on the Construction Contract ("**Non-Interested Directors**").

The Non-interested Directors, having considered and reviewed amongst other things, the terms, rationale for and benefits of the Construction Contract, the advice of the IFA and the views of the Audit Committee, are of the opinion that the Construction Contract is in the interests of the Company and the terms of the Construction Contract are on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.

Accordingly, the Non-Interested Directors recommend that the Independent Shareholders vote in favour of the Ordinary Resolution relating to the approval and ratification of the Construction Contract as set out in the Notice of EGM.

10. **ABSTENTION FROM VOTING**

Rule 919 of the Catalist Rules provides that interested persons and their Associates must not vote on any shareholders' resolution nor accept appointments as proxies unless specific instructions as to voting are given, in respect of any resolutions approving interested person transactions involving themselves and their Associates.

As at the Latest Practicable Date, Mr. Sin Soon Teng holds equity interests representing 89.0% of the issued share capital in Xiang Investment Ltd., who in turn holds 166,600,000 Shares, representing 66.02% of the issued share capital of the Company. Accordingly, Mr. Sin Soon Teng is deemed interested in the Shares held by Xiang Investment Ltd, a Controlling Shareholder, pursuant to Section 4 of the Securities and Futures Act.

Accordingly, Mr. Sin Soon Teng shall procure that he and his Associates (being Xiang Investment Ltd.) shall abstain from voting in respect of the Ordinary Resolution relating to the Construction Contract, and shall not accept appointment as proxy for any Shareholder to vote in this regard.

Save as set out above, each of Mr. Sin Soon Teng and Mr. Sin Ee Wuen do not have any Associates who are also Shareholders.

LETTER TO SHAREHOLDERS

11. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the Directors' interests in the Shares as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, and the Substantial Shareholders and their interests in the Shares as recorded in the Register of Substantial Shareholders of the Company kept under Section 88 of the Companies Act are set out below:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% of Issued Capital	Number of Shares	% of Issued Capital	Number of Shares	% of Issued Capital
Directors						
Sin Soon Teng	–	–	166,600,000	66.02	166,600,000	66.02
Ang Seng Heng	15,400,000	6.10	–	–	15,400,000	6.10
Andy Goh Beng Kwang	200,000	0.08	–	–	200,000	0.08
Heng Yeow Meng Michael	–	–	–	–	–	–
Chen Timothy Teck-Leng @ Chen Teck Leng	–	–	–	–	–	–
Substantial Shareholders						
Xiang Investment Ltd. ⁽¹⁾	166,600,000	66.02	–	–	166,600,000	66.02

Note:

- (1) Xiang Investment Ltd. is an investment holding company incorporated in the British Virgin Island on 2 March 2012. As at the Latest Practicable Date, the shareholders of Xiang Investment Ltd. are Sin Soon Teng (89%) and Ng Lay Khim (11%). Sin Soon Teng is deemed to have an interest in the Shares held by Xiang Investment Ltd. in the Company pursuant to Section 4 of the Securities and Futures Act.

Save as disclosed in this Circular, none of the Directors, or Substantial Shareholders of the Company has any interest, direct or indirect, in the Construction Contract.

12. COMPLIANCE WITH GOVERNING LAWS, REGULATIONS AND THE CONSTITUTION

The Company confirms that that nothing in this Circular contravenes any laws and regulations governing the Company and its constituent documents.

13. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page B-1 of this Circular, will be held on 2 April 2018 at Casuarina Room, Main Clubhouse, Serangoon Gardens Country Club, 22 Kensington Park Road, Singapore 557271 at 10.00 a.m., for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution as set out in the Notice of EGM.

14. ACTION TO BE TAKEN BY SHAREHOLDERS

A Shareholder who is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf should complete, sign and return the Proxy Form attached with this Circular in accordance with the instructions printed thereon as soon as possible and in any event so as to reach the office of the Company's Share Registrar, Tricor Share Registration Services at 80 Robinson Road #11-02 Singapore 068898 not later than 48 hours before the time fixed for the EGM. The completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM in place of his proxy should he subsequently wish to do so.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register as certified by CDP, 72 hours before the EGM.

LETTER TO SHAREHOLDERS

15. 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 Construction Contract, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the 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 the Circular in its proper form and context.

16. CONSENTS

Consent by IFA

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

Yours faithfully

For and on behalf of the Board of Directors of
SYSMA HOLDINGS LIMITED

CHEN TIMOTHY TECK-LENG @ CHEN TECK LENG

Lead Independent Director

APPENDIX – LETTER FROM PROVENANCE CAPITAL PTE. LTD. IN RELATION TO THE CONSTRUCTION CONTRACT

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

16 March 2018

To: The Non-Interested Directors of Sysma Holdings Limited
(deemed to be independent in respect of the Construction Contract as an Interested Person Transaction)

Mr Ang Seng Heng	(Executive Director)
Mr Andy Goh Beng Kwang	(Executive Director)
Mr Chen Timothy Teck-Leng @ Chen Teck Leng	(Lead Independent Director)
Mr Heng Yeow Meng Michael	(Independent Director)

Dear Sirs,

AWARD OF CONSTRUCTION CONTRACT TO THE GROUP BY MR SIN EE WUEN AS AN INTERESTED PERSON TRANSACTION

Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to the shareholders of Sysma Holdings Limited (“Shareholders”) dated 16 March 2018 (“Circular”).

1. INTRODUCTION

1.1 On 16 January 2018, Sysma Holdings Limited (“**Company**”, and together with its subsidiaries, “**Group**”) announced (“**Announcement**”) that its direct wholly-owned subsidiary, Sysma Construction Pte Ltd (“**Sysma Construction**”) has been awarded the contract (“**Construction Contract**”) for the proposed erection of two units of two-storey envelope control detached dwelling house, each with an attic and a basement, on Lots 97979A and 97980P MK18 at Medway Drive (“**Project**”) by Mr Sin Ee Wuen at the total contract sum of approximately S\$5.0 million (the “**Construction Contract Sum**”).

Mr Sin Ee Wuen is the Deputy Chief Executive Officer (“**Deputy CEO**”) of the Group and the son of Mr Sin Soon Teng, who is the Executive Chairman and Chief Executive Officer (“**CEO**”) of the Group. As at the Latest Practicable Date, Mr Sin Soon Teng holds 89.0% of the shares in Xiang Investment Ltd., which in turn holds 166,600,000 ordinary shares of the Company (“**Shares**”), representing 66.02% of the total number of issued Shares. The remaining 11.0% of Xiang Investment Ltd. is held by Ms Ng Lay Khim, who is the Administration Director of the Group.

The Company is listed on the Catalist Board (“**Catalist**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Pursuant to Chapter 9 of Section B: Rules of Catalist of the Listing Manual of the SGX-ST (“**Catalist Rules**”), Mr Sin Ee Wuen is deemed as an interested person (“**Interested Person**”) and the entry into the Construction Contract between Mr Sin Ee Wuen as an Interested Person and Sysma Construction as an entity at risk will constitute an interested person transaction (“**Interested Person Transaction**”).

In accordance with Rule 906(1) of the Catalist Rules, shareholders’ approval must be obtained for any interested person transaction of a value equal to or more than 5% of the group’s latest audited net tangible assets (“**NTA**”) or when aggregated with other interested person transactions with the same interested person during the same financial year, the value of the transaction is equal to or more than 5% of the group’s latest audited NTA (“**5% Threshold**”). In obtaining such approval, pursuant to Rule 919 of the Catalist Rules, the interested person and its associates are required to abstain from voting on the resolution approving the interested person transaction. In addition, the company is to seek the opinion of an independent financial adviser (“**IFA**”) on whether the interested person transaction is on normal commercial terms

APPENDIX – LETTER FROM PROVENANCE CAPITAL PTE. LTD. IN RELATION TO THE CONSTRUCTION CONTRACT

and not prejudicial to the interests of the Company and its minority shareholders (“**Minority Shareholders**”).

Based on the Group’s latest audited accounts for the financial year ended 31 July 2017 (“**FY2017**”), the NTA (attributable to owners of the Company) of the Group was approximately S\$51.0 million. As the Construction Contract Sum represents 9.8% of the Group’s latest audited NTA, pursuant to Rule 906 of the Catalist Rules, the Construction Contract is subject to the approval of Shareholders at an extraordinary general meeting (“**EGM**”) to be convened and the opinion of an IFA.

As an Interested Person, Mr Sin Soon Teng and his associates (including Xiang Investment Ltd.) are required to abstain from voting on the ordinary resolution in relation to the Construction Contract at the EGM in respect of their entire shareholding interests in the Company.

Mr Sin Soon Teng, as a Director of the Company, will also abstain from deliberating and making any recommendation on the Construction Contract. The remaining Directors, namely, Mr Ang Seng Heng, Mr Andy Goh Beng Kwang, Mr Chen Timothy Teck-Leng @ Chen Teck Leng and Mr Heng Yeow Meng Michael are deemed to be independent for the purpose of making a recommendation on the Construction Contract (“**Non-Interested Directors**”).

- 1.2 Provenance Capital Pte. Ltd. (“**Provenance Capital**”) has been appointed as the IFA as required under Rule 921(4) of the Catalist Rules and to render an opinion on whether the Construction Contract as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.

This letter (“**Letter**”) is addressed to the Non-Interested Directors and sets out, *inter alia*, our evaluation and opinion on the Construction Contract as an Interested Person Transaction. This Letter forms part of the Circular to Shareholders which provides, *inter alia*, the details of the Construction Contract and the recommendations of the Non-Interested Directors on the Construction Contract as an Interested Person Transaction.

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA as required under Rule 921(4) of the Catalist Rules and to advise the Non-Interested Directors in respect of the Construction Contract as an Interested Person Transaction. We are not and were not involved or responsible, in any aspect, of the negotiations in relation to the Construction Contract nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the Construction Contract, and we do not, by this Letter, warrant the merits of the Construction Contract other than to express an opinion on whether the Construction Contract as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.

We have confined our evaluation to the terms of the Construction Contract. It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the Construction Contract or to compare their relative merits *vis-à-vis* alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the responsibility of the Directors and/or the management of the Company (“**Management**”) although we may draw upon the views of the Directors and/or the Management or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

In the course of our evaluation, we have held discussions with the Directors and Management and/or their professional advisers (where applicable) and have examined and relied on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and the professional advisers of the Company (where applicable), including information contained in the Circular. We have

APPENDIX – LETTER FROM PROVENANCE CAPITAL PTE. LTD. IN RELATION TO THE CONSTRUCTION CONTRACT

not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. Nevertheless, we have made reasonable enquiries and judgment as were deemed necessary and have found no reason to doubt the accuracy or reliability of the information and representations.

The Directors (including those who may have delegated detailed supervision of the Circular) have confirmed that, having made all reasonable enquiries, to the best of their respective knowledge and belief, information and representations as provided by the Directors and Management are accurate and have confirmed to us that, upon making all reasonable enquiries and to their best knowledge and beliefs, all material information available to them in connection with the Construction Contract as an Interested Person Transaction, the Company and/or the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that 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 Construction Contract, the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular in relation to the Construction Contract as an Interested Person Transaction have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information on which we have relied on, we have not independently verified the information but nevertheless have made such reasonable enquiries and judgment as were deemed necessary and have found no reason to doubt the accuracy or reliability of the information and representations.

Save as disclosed, we would like to highlight that all information relating to the Construction Contract, the Company and the Group that we have relied upon in arriving at our recommendation or advice has been obtained from publicly available information and/or from the Directors and the Management. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company and/or the Group at any time or as at 7 March 2018, being the Latest Practicable Date as referred to in the Circular.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Company and/or the Group, or to express, and we do not express, a view on the future growth prospects, value and earnings potential of the Company and/or the Group after the Construction Contract. Such review or comment, if any, remains the responsibility of the Directors and the Management, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Catalist Rules and/or deemed necessary or appropriate by us) in arriving at our advice as set out in this Letter. We have not obtained from the Company and/or the Group any projection of the future performance including financial performance of the Company and/or the Group and further, we did not conduct discussions with the Directors and the Management on, and did not have access to, any business plan and financial projections of the Company and/or the Group. In addition, we are not expressing any view herein as to the prices at which the Shares may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after the completion of the Construction Contract or if the Group does not proceed with the Construction Contract.

Our view as set out in this Letter is based upon the market, economic, industry, monetary and other conditions (if applicable) prevailing as of the Latest Practicable Date and the information and representations provided to us as of the Latest Practicable Date. In arriving at our opinion, with the consent of the Directors and/or the Company, we have taken into account certain factors and have made certain assumptions as set out in this Letter. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders

APPENDIX – LETTER FROM PROVENANCE CAPITAL PTE. LTD. IN RELATION TO THE CONSTRUCTION CONTRACT

should take note of any announcements relevant to the Construction Contract which may be released by the Company after the Latest Practicable Date.

In rendering our advice and giving our recommendations, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder or any specific group of the Shareholders. As each Shareholder may have different investment objectives and profiles, we recommend that any individual Shareholder or group of the Shareholders who may require specific advice in relation to his or their investment portfolio(s) or objective(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this Letter). We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, whether express or implied, on the contents of the Circular (other than this Letter).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any purposes, other than at the forthcoming EGM and for the purpose of the Construction Contract as an Interested Person Transaction, at any time and in any manner, without the prior written consent of Provenance Capital in each specific case.

We have prepared this Letter pursuant to Rule 921(4) of the Catalist Rules. It is addressed to the Non-Interested Directors in connection with their consideration of the Construction Contract as an Interested Person Transaction and their advice to the Minority Shareholders arising thereof. The recommendations made to the Minority Shareholders in relation to the Construction Contract as an Interested Person Transaction remain the responsibility of the Non-Interested Directors.

Our opinion in relation to the Construction Contract as an Interested Person Transaction should be considered in the context of the entirety of this Letter and the Circular.

3. THE CONSTRUCTION CONTRACT

Ernesto Bedmar Architects Pte. Ltd. (“**Architect Firm**”) is the architect and consultant in relation to the Project. On 10 January 2018, the Architect Firm, on behalf of Mr Sin Ee Wuen, had awarded the Construction Contract to Sysma Construction. The Construction Contract for the Project is in relation to the construction of two units of two-storey envelope control detached dwelling house, each with an attic and a basement, on Lots 97979A and 97980P MK18 at Medway Drive for Mr Sin Ee Wuen for a total Construction Contract Sum of approximately S\$5.0 million. The contract period is for 16 months.

Sysma Construction had already commenced certain preparatory works (“**Preparatory Works**”) on the Project by the time of the Announcement on 16 January 2018. However, all Preparatory Works have presently stopped as the Construction Contract as an Interested Person Transaction is subject to the approval of Shareholders at the forthcoming EGM. The value of services provided thus far and up to the Latest Practicable Date amounted to approximately S\$0.95 million, representing 1.86% of the latest audited NTA of the Group as at 31 July 2017 which is below the 5% Threshold.

The Company will be seeking Shareholders’ approval and ratification of the Construction Contract at the EGM, including the Preparatory Works already provided for by the Group to Mr Sin Ee Wuen, as the total Construction Contract Sum exceeds the 5% Threshold.

Salient terms of the Construction Contract

Sysma Construction and Mr Sin Ee Wuen had entered into a supplemental letter dated 20 February 2018 (“**Supplemental Letter**”) to clarify that the Construction Contract Sum of S\$5.0

APPENDIX – LETTER FROM PROVENANCE CAPITAL PTE. LTD. IN RELATION TO THE CONSTRUCTION CONTRACT

million which excludes any Goods and Services Tax (“GST”) which may be payable thereon (a) includes a profit margin of 10% on the final contract sum on a cost-recovery basis, and (b) that the Construction Contract is subject to the approval of Shareholders by way of an ordinary resolution.

The salient terms of the Construction Contract (as amended by the Supplemental Letter) are as follows:

- (i) The Construction Contract Sum takes into account, *inter alia*, the cost of structural works, the prime costs of materials and supplies, site preparation works, piling works and general preliminaries relating to materials and supplies; and
- (ii) The Project shall be completed within 16 months from the date of issuance by the Building and Construction Authority of the permit to commence structural works or to commence temporary earth retaining structures, whichever is the later.

Management had clarified that the Construction Contract Sum of approximately S\$5.0 million agreed upon between Sysma Construction and Mr Sin Ee Wuen is determined on a cost plus basis, which is based on the estimated cost of construction for the Project plus a profit margin of 10%. The profit margin is computed based on 10% of the Construction Contract Sum. Based on the Construction Contract Sum of S\$5.0 million, the estimated cost of construction is S\$4.5 million and the profit margin is therefore S\$0.5 million. In the event that the actual Construction Contract Sum differs from the estimated Construction Contract Sum of S\$5.0 million, the profit margin of 10% on the Construction Contract Sum still applies although the actual dollar quantum of profit earned by the Group will vary accordingly.

Management, however, does not expect the actual Construction Contract Sum to vary significantly from the Construction Contract Sum of approximately S\$5.0 million.

In relation to the contract period, as the construction on the Project has temporarily halted pending Shareholders’ approval and ratification of the Construction Contract at the EGM, the countdown of the contract period will resume after the above approval is obtained at the EGM.

Further information on the details of the Construction Contract can be found in Section 2.3 of the Circular.

4. INFORMATION ON THE GROUP

4.1 Overview

The Group was founded in 1986 and is an established construction company with diversified business interests in real estate development.

The Company has been listed on the Catalist Board of the SGX-ST since 3 August 2012.

The Group is principally engaged in providing building construction services to the private sector and property development in Singapore. The Group’s focus is on building high-end landed housing, particularly Good Class Bungalows as well as executing addition and alteration works on landed and other properties which require high quality furnishings and fittings. The Group has constructed more than 150 bungalows in Singapore.

Over the last few years, the Group had diversified into real estate development and has successfully launched 3 private residential projects, namely 28 RC Suites, 8M Residences and Charlton 18.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital comprising 261,000,000 Shares including 8,651,400 treasury shares. The number of outstanding Shares excluding treasury shares is 252,348,600.

APPENDIX – LETTER FROM PROVENANCE CAPITAL PTE. LTD. IN RELATION TO THE CONSTRUCTION CONTRACT

The Company does not have any other outstanding instruments convertible into, rights to subscribe for, and options in respect of, Shares or securities which carry voting rights in the Company.

Based on the last transacted Share price of S\$0.151 on the Latest Practicable Date and the number of outstanding Shares, the market capitalisation of the Company was approximately S\$38.1 million.

4.2 Financial information of the Group

The Group's revenue is derived from its 2 main business segments, building construction and property development. Revenue from building construction was relatively stable at S\$54.0 million and S\$65.2 million for the last 2 financial years ended 31 July 2016 ("FY2016") and FY2017 respectively, compared to revenue from property development of S\$72.2 million and S\$31.9 million for FY2016 and FY2017 respectively.

Based on the Group's segmental reporting, operating profit before tax margin on revenue from building construction was 9.5% and 10.0% for FY2016 and FY2017, while profit margin from revenue from property development was negligible and 7.6% for FY2016 and FY2017 respectively. The improvement in profit margin from property development in FY2017 was due mainly to stronger sales in the property development segment which generated a write-back of net provision of foreseeable losses of S\$4.3 million and lower cost of sales for FY2017.

In comparison with the Group's revenue, the Construction Contract of S\$5.0 million represents 7.7% and 5.1% of the construction revenue and total revenue of the Group for FY2017 respectively.

The NTA of the Group as at 31 July 2017 was S\$51.0 million. The Group does not have any intangible assets. In comparison to the Group's NTA, the Construction Contract represents 9.8% of the Group's NTA as at 31 July 2017.

As the Construction Contract Sum exceeds the 5% Threshold, pursuant to Rule 906 of the Catalist Rules, the Construction Contract is subject to the approval of Shareholders at the EGM and the opinion of the IFA.

In the event that Shareholders' approval is not obtained, Mr Sin Ee Wuen will indemnify the Group against all losses incurred by the Group including the Preparatory Works as set out in the deed of indemnity dated 21 February 2018 in favour of the Group, and as disclosed in Section 6 of the Circular.

5. EVALUATION OF THE INTERESTED PERSON TRANSACTION

In our evaluation of the Interested Person Transaction, we have given due consideration to, *inter alia*, the following key factors:

- (a) rationale for and benefits of the Construction Contract;
- (b) no tender process by the Interested Person;
- (c) independent negotiations between the Group and the Architect Firm;
- (d) comparison of profit margins of the Group's recently completed residential construction projects; and
- (e) the Group is not materially dependent on the Construction Contract.

APPENDIX – LETTER FROM PROVENANCE CAPITAL PTE. LTD. IN RELATION TO THE CONSTRUCTION CONTRACT

5.1 Rationale for and benefits of the Construction Contract

It is not within our terms of reference to comment or express an opinion on the commercial merits of the Construction Contract or the future prospects of the Group. Nevertheless, we have reviewed the rationale for the Construction Contract as set out in Section 3 of the Circular which is reproduced below:

“Save for Mr. Sin Soon Teng who have abstained from taking a view and from voting on the Construction Contract due to his interests as described in this Circular, the Directors of the Company are of the view that the Group should not turn down the opportunity to execute a project without due consideration simply because Mr. Sin Ee Wuen is an “interested person”.

The award of the Construction Contract reflects the confidence of the Deputy CEO, Mr. Sin Ee Wuen, in the Company’s superior capabilities in constructing high-end landed residential housing over the Company’s competitors. The completion of the Construction Contract will therefore affirm and maintain the Company’s reputation as being one of the key players in constructing high-end landed residential housing.

The Construction Contract will also benefit the Company in terms of its utilisation of its excess capacity, thereby contributing positively to the Group’s financial results, especially in view of the current general slowdown in the construction industry in Singapore. The current general market sentiment for residential properties and consequentially the construction sector in Singapore has been relatively weak. Hence, securing the Construction Contract is beneficial to the Group. The Group will earn a profit margin of ten (10) % on the Construction Contract Sum and to a certain extent, allow the Company to withstand industry headwinds during this slowdown.”

We note that the Construction Contract was awarded to the Group for 3 main reasons:

- (a) The Group has the experience and track record to build similar residential landed properties for unrelated third party customers;
- (b) The Construction Contract will benefit the Group as the basis of the pricing is based on cost plus 10% profit margin as explained in Section 3 of this Letter. There is therefore no downside risk to the Group since the Construction Contract is based on a cost recovery basis plus a profit margin; and
- (c) The Construction Contract will benefit the Group in terms of its utilisation of its excess capacity.

5.2 No tender process by the Interested Person

In view of the above rationale and benefits of the Construction Contract to the Group, Mr Sin Ee Wuen and the Architect Firm did not go through the tender process of securing competing quotations for the Construction Contract. Instead, the Architect Firm had worked through and agreed the details of the terms of the Construction Contract with the Group before eventually awarding the Construction Contract to the Group.

The Group had, however, compared each quotation received from subcontractors and/or suppliers against two other quotations to ensure competitiveness in price and quality in accordance with its usual business procedures.

The securing of the Construction Contract by the Group is not prejudicial to the Group as the Construction Contract is on a cost recovery basis with profit margin. In this regard, the Group will be earning a profit margin of 10% on the Construction Contract Sum.

APPENDIX – LETTER FROM PROVENANCE CAPITAL PTE. LTD. IN RELATION TO THE CONSTRUCTION CONTRACT

5.3 Independent negotiations between the Group and the Architect Firm

As Mr Sin Soon Teng and Mr Sin Ee Wuen are Interested Persons, they have abstained from negotiations on the terms of the Construction Contract on behalf of the Group. Mr Sin Ee Wuen is represented by the Architect Firm in all the negotiations relating to the Construction Contract.

As far as the negotiation of the Construction Contract with the Architect Firm is concerned, the Group is represented by Mr Chong Kim Guan who is the executive officer of the Group. He is responsible for overseeing and managing all the construction projects undertaken by the Group. He is also the Managing Director of Sysma Construction. Mr Chong Kim Guan is not related to the Sin family.

Accordingly, we note that there is a certain degree of independence in the negotiations of the Construction Contract by the Group.

5.4 Comparison of profit margins of the Group's recently completed residential construction projects

In addition to the above, we have compared the Project, in particular, the 10% profit margin, against the profit margins achieved by the Group on similar completed residential construction projects carried out for unrelated third party customers with a contract sum below S\$10.0 million during the period from 2014 to 2017.

The Group had completed 10 such construction projects since 2014. While these projects may not be directly comparable to the Project in terms of the economic conditions and industry cycle at the respective contract dates, design, scale, complexity, method of construction, construction time and other relevant factors, the comparison with these completed projects may be a useful reference for comparison purposes with the Project.

The statistics of the completed projects as a comparison with the Project are set out in the table below:

	Construction contract sum (S\$'million)	Profit margin on sales recorded (%)
High	9.5	17.6
Low	3.4	3.5
Mean	6.4	10.9
Median	6.7	11.4
The Project	5.0	10.0

Source: The Company

Based on the table above, we note that the Construction Contract Sum is within the range of construction contracts that the Group had undertaken for the construction of bungalows in Singapore, and the profit margin of 10% for the Project is close to the mean and median of the historical profit margins achieved by the Group on its construction contracts for bungalows in Singapore.

In addition, the profit margin of 10% is similar to the overall profit margins achieved by the Group for its building construction segments for FY2016 and FY2017 as set out in Section 4.2 of this Letter.

The Company had explained further that profit margins achieved for the various construction projects in the past can vary depending on the prevailing economic climate and construction activities, in particular, the residential properties market, at the time of securing the contract. It

APPENDIX – LETTER FROM PROVENANCE CAPITAL PTE. LTD. IN RELATION TO THE CONSTRUCTION CONTRACT

also depends on the complexities of the project and the construction time schedule specified for the contract.

In the case of the Project, the current general market sentiment for residential properties and consequentially the construction sector in Singapore has been relatively weak. Hence, securing the Construction Contract is beneficial to the Group.

Aside from the above, we note that the Construction Contract has no specified terms on liquidated damages and performance bond/security deposit, which are typically found in construction contracts to insure the customer against risk of non-performance by the contractor. The more “friendly” Construction Contract which the Interested Person has with the Group without the above terms is therefore not carried out on arm’s length basis but is to the benefit of the Group.

Liquidated damages refer to the payment that a contractor will have to bear in the event that it is unable to comply with the stipulated completion date. Management had explained that in a typical construction contract for residential properties, the liquidated damages could be at the rate of at least S\$1,000 per calendar day for works that remain incomplete.

Performance Bond/Security Deposit refers to a means of insuring a client against the risk of the contractor failing to fulfil its contractual obligations to the client. Management had explained that a typical performance bond could be 10% of the contract sum.

In relation to the contract period, as the construction on the Project has temporarily halted pending Shareholders’ approval and ratification of the Construction Contract at the EGM, the countdown of the contract period will resume after the above approval is obtained at the EGM.

5.5 The Group is not materially dependent on the Construction Contract

While the Construction Contract Sum represents 9.8% of the Group’s last audited NTA as at 31 July 2017, the Construction Contract Sum represents 5.1% of the Group’s total revenue of S\$97.2 million for FY2017 and 7.7% of the revenue from construction contracts of S\$65.2 million for FY2017. On a segmental results, the estimated profit margin of S\$0.5 million from the Project represents 7.6% of the segmental results of building construction of S\$6.5 million for FY2017. The estimated profit margin of S\$0.5 million represents 6.3% of the total profit of the Group of S\$7.9 million achieved for FY2017.

Based on the above, we note that, overall, the Group is not materially dependent on the revenue and profit contribution from the Construction Contract.

6. OUR OPINION

In arriving at our opinion in respect of the Construction Contract as an Interested Person Transaction, we have reviewed and examined all factors which we consider to be pertinent in our assessment, including the following key considerations:

- (a) rationale for and benefits of the Construction Contract;
- (b) no tender process by the Interested Person;
- (c) independent negotiations between the Group and the Architect Firm;
- (d) comparison of profit margins of the Group’s recently completed residential construction projects; and
- (e) the Group is not materially dependent on the Construction Contract.

Overall, having considered the above and the information available to us as at the Latest Practicable Date, we are of the opinion that the Construction Contract as an Interested

APPENDIX – LETTER FROM PROVENANCE CAPITAL PTE. LTD. IN RELATION TO THE CONSTRUCTION CONTRACT

Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.

Our opinion, as disclosed in this Letter, is based solely on publicly available information and information provided by the Directors and the Management and does not reflect any projections of future financial performance of the Company or the Group after the completion of the Construction Contract. In addition, our opinion is based on the economic and market conditions prevailing as at the Latest Practicable Date and is solely confined to our views on the Construction Contract.

This Letter is prepared pursuant to Rule 921(4) of the Catalist Rules. It is addressed to the Non-Interested Directors for their benefit and for the purpose of their consideration of the Construction Contract as an Interested Person Transaction. The recommendation to be made by the Non-Interested Directors to the Minority Shareholders shall remain the responsibility of the Non-Interested Directors. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other person may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than for the purpose of the EGM and for the purpose of the Construction Contract, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

Our opinion 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 faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

NOTICE OF EXTRAORDINARY GENERAL MEETING

SYSMA HOLDINGS LIMITED

Company Registration No: 201207614H
(Incorporated in the Republic of Singapore on 28 March 2012)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Sysma Holdings Limited (the “**Company**”) will be held on 2 April 2018 at Casuarina Room, Main Clubhouse, Serangoon Gardens Country Club, 22 Kensington Park Road, Singapore 557271 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following Ordinary Resolution:

AS AN ORDINARY RESOLUTION:

APPROVAL AND RATIFICATION OF THE AWARD OF THE CONSTRUCTION CONTRACT WORTH APPROXIMATELY S\$5,000,000 BY MR. SIN EE WUEN TO SYSMA CONSTRUCTION PTE LTD AS AN INTERESTED PERSON TRANSACTION

- (a) That the Preparatory Works (as defined in the Circular dated 16 March 2018), be and is hereby approved, ratified and confirmed;
- (b) That the entry into the construction contract between Sysma Construction Pte Ltd and Mr. Sin Ee Wuen in relation to the proposed erection of two (2) units of two-storey envelope control detached dwelling house with an attic and a basement on Lot 97979A and 97980P MK18 at Medway Drive (“**Construction Contract**”) at the contract sum of approximately S\$5,000,000 (“**Construction Contract Sum**”) be and is hereby approved, ratified and confirmed; and
- (c) That the Directors and any of them be and are hereby authorised and empowered to approve, complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as they or he may consider expedient, desirable or necessary or in the interests of the Company to give effect to the Construction Contract, this resolution and the transactions contemplated by the Construction Contract and/or authorised by this resolution.

For and on behalf of the Board of Directors of
SYSMA HOLDINGS LIMITED

CHEN TIMOTHY TECK-LENG @ CHEN TECK LENG

Lead Independent Director
16 March 2018
Singapore

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member of the Company who is entitled to attend and vote at the EGM and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under its common seal or the hand of its duly authorised officer or attorney.

Where a member appoints more than a proxy, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of his shareholding and any second named proxy shall be deemed to be an alternate to the first named proxy.

2. A member of the Company who is entitled to attend and vote at the EGM and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3. A corporation which is a member may appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore to attend and vote for and on behalf of such corporation.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised in writing.
5. Where an instrument appointing a proxy is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
6. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Share Registration Services at 80 Robinson Road, #11-02, Singapore 068898, not less than 48 hours before the time appointed for holding the EGM of the Company.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose Shares are deposited with The Central Depository (Pte) Limited, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

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) for the purpose of the processing and administration by the Company (or its agents) 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) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “Purposes”), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), 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) 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.

PROXY FORM

SYSMA HOLDINGS LIMITED

Company Registration No: 201207614H
(Incorporated in the Republic of Singapore on 28 March 2012)

I/ We, _____ (Name)
of _____ (NRIC No./Passport No./Company Registration No.)
at _____ (Address)
being a member/ members of **SYSMA HOLDINGS LIMITED** (“Company”), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons referred to above, the Chairman of the Extraordinary General Meeting (the “EGM”) as my/our proxy/proxies to vote for me/us on my/our behalf, at the EGM of the Company to be held on 2 April 2018 at 10.00 a.m.

I/We direct my/our proxy/proxies to vote for or against the resolution to be proposed at the EGM as indicated below. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the EGM.

ORDINARY RESOLUTION	No. of votes “For”*	No. of votes “Against”*
APPROVAL AND RATIFICATION OF THE AWARD OF THE CONSTRUCTION CONTRACT WORTH APPROXIMATELY S\$5,000,000 AWARDED BY MR. SIN EE WUEN TO SYSMA CONSTRUCTION PTE LTD, AS AN INTERESTED PERSON TRANSACTION		

* Voting will be conducted by poll. If you wish to exercise all your votes “For” or “Against” the resolution, please indicate with an “X” within the space provided. Alternatively, if you wish to exercise your votes both “For” and “Against” the resolution, please indicate the number of shares within the space provided.

Dated this _____ day of _____, 2018

Total Number of Shares in:	
(a) CDP Register	
(b) Register of Members	

Signature(s) of Shareholder(s)
or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF



PROXY FORM

NOTES:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap 289)), you should insert that number of Shares.
2. 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.
3. A member of the Company who is entitled to attend and vote at the EGM and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under its common seal or the hand of its duly authorised officer or attorney.

Where a member appoints more than a proxy, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of his shareholding and any second named proxy shall be deemed to be an alternate to the first named proxy.

4. A member of the Company who is entitled to attend and vote at the EGM and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

5. A corporation which is a member may appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore to attend and vote for and on behalf of such corporation.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised in writing.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Share Registration Services at 80 Robinson Road, #11-02, Singapore 068898 not less than forty-eight (48) hours before the time appointed for holding the EGM of the Company.

PERSONAL DATA PRIVACY:

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

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose Shares are deposited with The Central Depository (Pte) Limited, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.