

CIRCULAR DATED 17 FEBRUARY 2020

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

**If you are in any doubt about its contents or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant, tax adviser or other professional adviser immediately.**

If you have sold or transferred all your shares in the capital of **AYONDO LTD.** (the “**Company**”) (“**Shares**”) held through the Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular together with the Notice of Extraordinary General Meeting and the enclosed Proxy Form to the purchaser or transferee as CDP will arrange for a separate Circular together with the Notice of Extraordinary General Meeting and the enclosed Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your Shares represented by physical share certificate(s), you should immediately forward this Circular together with the Notice of Extraordinary General Meeting and the enclosed Proxy Form to the purchaser or the transferee, or to the bank, stockbroker or agent through whom the sale or the transfer of Shares was effected, for onward transmission to the purchaser or the transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, UOB Kay Hian Private Limited (the “**Sponsor**”) for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist.

This Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Circular, including the 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, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.



**AYONDO LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 201728417D)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

- (1) **PROPOSED ISSUE OF (I) A CONVERTIBLE NOTE IN THE PRINCIPAL AMOUNT OF S\$1,122,620 AND (II) CONVERTIBLE NOTES UP TO THE PRINCIPAL AMOUNT OF S\$8,100,000 TO GOLDEN NUGGET JINZHUAN LIMITED**
- (2) **PROPOSED ISSUE OF A CONVERTIBLE NOTE IN THE PRINCIPAL AMOUNT OF S\$675,000 TO MAMORU TANIYA**
- (3) **PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER OF THE RIGHTS OF THE INDEPENDENT SHAREHOLDERS OF THE COMPANY TO RECEIVE A MANDATORY GENERAL OFFER FROM GOLDEN NUGGET JINZHUAN LIMITED FOR THE REMAINING ISSUED AND PAID-UP SHARES OF THE COMPANY NOT OWNED OR CONTROLLED BY THEM, AS A RESULT OF THE CONVERSION OF CONVERTIBLE NOTES PURSUANT TO THE PROPOSED ISSUE OF CONVERTIBLE NOTES REFERRED TO IN (1) ABOVE**

**(4) PROPOSED CHANGE OF AUDITORS FROM ERNST & YOUNG LLP TO FOO KON TAN  
LLP**

**Independent Financial Adviser in respect of the Proposed Whitewash Resolution**

**ASIAN CORPORATE ADVISORS PTE. LTD.**

(Company Registration No. 200310232R)  
(Incorporated in the Republic of Singapore)

**IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form : 29 February 2020 at 9.00 a.m.

Date and time of Extraordinary General Meeting : 3 March 2020 at 9.00 a.m.

Place of Extraordinary General Meeting : 20 Collyer Quay  
#23-01  
Singapore 049319

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## DEFINITIONS

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

“ACRA”	:	Accounting and Corporate Regulatory Authority of Singapore
“AGM”	:	Annual general meeting
“Announcement Date”	:	22 August 2019
“Auditors”	:	The auditors of the Company as appointed from time to time
“Audit and Risk Committee”	:	The audit and risk committee of the Company
“Board”	:	The board of directors of the Company as at the Latest Practicable Date
“Business Day”	:	A day (other than Saturday, Sunday or public holiday) on which banks are open for business in Singapore
“Catalist”	:	The sponsor-supervised listing platform of the SGX-ST
“Catalist Rules”	:	Any or all of the rules of 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
“Circular”	:	This circular to Shareholders dated 17 February 2020
“CN1”	:	Convertible note of S\$1,122,620 in principal amount to be issued to GN in relation to the Proposed CN1 Issue
“CN2”	:	Convertible note of S\$675,000 in principal amount to be issued to Mr Taniya in relation to the Proposed CN2 Issue
“CN3”	:	Convertible notes of up to S\$8,100,000 in principal amount to be issued to GN in relation to the Proposed CN3 Issue
“CN1 Agreement”	:	The convertible note agreement dated 22 August 2019 entered into between the Company and GN pursuant to which the Company agreed to issue, and GN agreed to subscribe for CN1 which is convertible into New Shares at the Conversion Price subject to the terms and conditions set out in the agreement

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## DEFINITIONS

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<i>“CN2 Agreement”</i>	:	The convertible note agreement dated 22 August 2019 entered into between the Company and Mr Taniya pursuant to which the Company agreed to issue, and Mr Taniya agreed to subscribe for CN2 which is convertible into New Shares at the Conversion Price subject to the terms and conditions set out in the agreement
<i>“CN3 Agreement”</i>	:	The convertible note agreement dated 22 August 2019 entered into between the Company and GN pursuant to which the Company agreed to issue, and GN agreed to subscribe for CN3 which are convertible into New Shares at the Conversion Price subject to the terms and conditions set out in the agreement
<i>“CN Agreements”</i>	:	Collectively, CN1 Agreement, CN2 Agreement and CN3 Agreement
<i>“CN1 Maturity Date”</i>	:	Has the meaning ascribed to it in paragraph 3.1(c)
<i>“CN2 Maturity Date”</i>	:	Has the meaning ascribed to it in paragraph 4.1(c)
<i>“CN3 Maturity Date”</i>	:	Has the meaning ascribed to it in paragraph 3.2(c)
<i>“CN3 Option”</i>	:	Has the meaning ascribed to it in paragraph 3.2(a)(ii)
<i>“Company”</i>	:	ayondo Ltd.
<i>“Companies Act”</i>	:	The Companies Act (Chapter 50) of Singapore, as may be amended, modified or supplemented from time to time
<i>“Completion Date”</i>	:	Has the meaning ascribed to it in paragraph 5.3
<i>“Control”</i>	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
<i>“Controlling Shareholder”</i>	:	A person who:  (a) holds directly or indirectly 15% or more of the total voting shares in the Company (unless the SGX-ST determines that such a person is not a Controlling Shareholder of the Company); or  (b) in fact exercises Control over the Company.
<i>“Conversion Price”</i>	:	S\$0.007 per New Share
<i>“Directors”</i>	:	The directors of the Company as at the Latest Practicable Date
<i>“Event of Default”</i>	:	Has the meaning ascribed to it in paragraph 5.6.1
<i>“Exercise Notice”</i>	:	The form of exercise notice set out in Schedule 3 of the CN3 Agreement

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## DEFINITIONS

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“EGM”	:	The Extraordinary General Meeting going to be held at 20 Collyer Quay, #23-01, Singapore 049319 on 3 March 2020 at 9.00 a.m., notice of which is set out on pages 31 to 34 of this Circular
“FKT”	:	Foo Kon Tan LLP
“FY”	:	Financial year ended or ending 31 December (as the case may be)
“GN”	:	Golden Nugget Jinzhuang Limited
“Group”	:	The Company and its subsidiaries as at the date of this Circular
“IFA”	:	Asian Corporate Advisors Pte. Ltd., which has been engaged as the independent financial adviser to the Directors in relation to the Proposed Whitewash Resolution
“IFA Letter”	:	The letter from the IFA to the Independent Directors
“Independent Directors”	:	The Directors who are considered independent for the purpose of making a recommendation to Shareholders on the Proposed Whitewash Resolution, namely Foo Fatt Kah, Foong Daw Ching and Lam Shiao Ning
“KOLs”	:	Key opinion leaders
“Latest Practicable Date”	:	7 February 2020, being the latest practicable date prior to the printing of this Circular
“Loan”	:	Various loans amounting to the aggregate principal amount of S\$1,122,620 granted by GN to the Company pursuant to a loan agreement dated 30 June 2019
“Long-Stop Date”	:	The date falling six months from the date of the CN Agreements or such other date as the Company and GN or Mr Taniya (as the case may be) may agree in writing
“LPS”	:	Loss per Share
“Luminor Funds”	:	Collectively, Luminor Pacific Fund 1 Ltd. and Luminor Pacific Fund 2 Ltd.
“Mr Taniya”	:	Mr Mamoru Taniya
“New Shares”	:	New ordinary shares in the share capital of the Company to be issued upon conversion of the Notes
“NTL”	:	Net tangible liabilities
“Notes”	:	Collectively, CN1, CN2 and CN3

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## DEFINITIONS

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<i>“Proposed Change of Auditors”</i>	:	The proposed change of auditors of the Company from Ernst & Young LLP to Foo Kon Tan LLP
<i>“Proposed CN1 Issue”</i>	:	The proposed issue of CN1 pursuant to the CN1 Agreement
<i>“Proposed CN2 Issue”</i>	:	The proposed issue of CN2 pursuant to the CN2 Agreement
<i>“Proposed CN3 Issue”</i>	:	The proposed issue of CN3 pursuant to the CN3 Agreement
<i>“Proposed Issue”</i>	:	The Proposed CN1 Issue, Proposed CN2 Issue and Proposed CN3 Issue
<i>“Proposed Whitewash Resolution”</i>	:	The proposed whitewash resolution for the waiver of the rights of the independent Shareholders of the Company to receive a mandatory general offer from GN for the remaining issued and paid-up shares of the Company not owned or controlled by them, as a result of the conversion of convertible notes pursuant to the Proposed CN1 Issue and Proposed CN3 Issue
<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP (but does not include a securities sub-account)
<i>“SFA”</i>	:	The Securities and Futures Act (Chapter 289) of Singapore, as may be amended, modified, or supplemented from time to time
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Share(s)”</i>	:	Ordinary share(s) in the share capital of the Company
<i>“Shareholders”</i>	:	The registered holders of the Shares in the register of members of the Company, except where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with such Shares
<i>“SIC”</i>	:	Securities Industry Council of Singapore
<i>“Subscribers”</i>	:	Collectively, GN and Mr Taniya
<i>“Substantial Shareholders”</i>	:	A person (including a corporation) who holds directly or indirectly 5% or more of the issued shares in the Company
<i>“Supplemental CN3 Agreement”</i>	:	Supplemental agreement dated 4 December 2019 entered into between the Company and GN, pursuant to which the Company and GN agreed to vary, amend and modify the terms and conditions of the CN3 Agreement.

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## DEFINITIONS

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“Takeover Code”	:	The Singapore Code on Take-overs and Mergers, as may be amended, modified, or supplemented from time to time
“Tranche 1 CN3”		Has the meaning ascribed to it in paragraph 3.2(a)(i)
“Whitewash Waiver”	:	The whitewash waiver granted by the SIC to GN, waiving its obligation to make a mandatory general offer for the Shares pursuant to the Takeover Code arising from or in connection with the conversion of the convertible notes pursuant to the Proposed CN1 Issue and the Proposed CN3 Issue

### Currencies, Units and Others

“CHF”	:	Swiss Franc, being the lawful currency of the Swiss Confederation
“SGD”, “S\$”, “\$” or “cents”	:	Singapore dollars and cents, respectively
“%” or “per cent”	:	Per centum or percentage

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the same meanings ascribed to them, respectively, in Section 81SF of the SFA. The term “**Subsidiary**” shall have the same meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

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

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the Catalist Rules, the Takeover Code or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act, the SFA, the Catalist Rules, the Takeover Code or any statutory modification thereof, as the case may be.

Any reference to a time of day or date in this Circular is made by reference to Singapore time or date unless otherwise stated.

Any discrepancies in this Circular between the sum of the figures stated and the total thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures which precede them.



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## LETTER TO SHAREHOLDERS

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### AYONDO LTD.

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 201728417D)

#### Board of Directors

Foo Fatt Kah (Non-Executive Director)  
Tse Man Kit Gilbert (Non-Executive Director)  
Foong Daw Ching (Lead Independent Director)  
Lam Shiao Ning (Independent Director)

#### Registered Office

20 Collyer Quay  
#01-02  
Singapore 049319

**17 February 2020**

To: The Shareholders of the Company

Dear Sir/Madam

- (1) **PROPOSED ISSUE OF (I) A CONVERTIBLE NOTE IN THE PRINCIPAL AMOUNT OF S\$1,122,620 AND (II) CONVERTIBLE NOTES UP TO THE PRINCIPAL AMOUNT OF S\$8,100,000 TO GOLDEN NUGGET JINZHUAN LIMITED**
- (2) **PROPOSED ISSUE OF A CONVERTIBLE NOTE IN THE PRINCIPAL AMOUNT OF S\$675,000 TO MAMORU TANIYA**
- (3) **PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER OF THE RIGHTS OF THE INDEPENDENT SHAREHOLDERS OF THE COMPANY TO RECEIVE A MANDATORY GENERAL OFFER FROM GOLDEN NUGGET JINZHUAN LIMITED FOR THE REMAINING ISSUED AND PAID-UP SHARES OF THE COMPANY NOT OWNED OR CONTROLLED BY THEM, AS A RESULT OF THE CONVERSION OF CONVERTIBLE NOTES PURSUANT TO THE PROPOSED ISSUE OF CONVERTIBLE NOTES REFERRED TO IN (1) ABOVE**
- (4) **PROPOSED CHANGE OF AUDITORS FROM ERNST & YOUNG LLP TO FOO KON TAN LLP**

#### 1. INTRODUCTION

##### 1.1 Background

The Company had on 30 June 2019 entered into a loan agreement with GN, under which GN granted various loans of an aggregate principal amount of S\$1,122,620 (the "**Loan**") to the Company for a term of 12 months commencing on the respective dates of disbursement of the Loan amount. Pursuant to the CN1 Agreement, the parties agree to convert the entire principal amount of the Loan to CN1.

As announced by the Company on 22 August 2019, the Company had entered into the following agreements dated 22 August 2019:

- (i) a convertible note agreement with GN pursuant to which the Company agrees to issue, and GN agrees to subscribe for a convertible note of S\$1,122,620 in principal amount, which is convertible into the New Shares at the Conversion Price, subject to the CN1 Agreement;
- (ii) a convertible note agreement with Mr Taniya, pursuant to which the Company agrees to issue, and Mr Taniya agrees to subscribe for a convertible note of S\$675,000 in principal amount, which is convertible into the New Shares at the Conversion Price, subject to the terms and conditions of the CN2 Agreement; and

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## LETTER TO SHAREHOLDERS

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- (iii) a convertible note agreement with GN pursuant to which the Company agrees to issue, and GN agrees to subscribe for convertible notes of up to S\$8.1 million in principal amount, which is convertible into the New Shares at the Conversion Price, subject to the terms and conditions of the CN3 Agreement.

Further, as announced by the Company on 4 December 2019, the Company has entered into a supplemental agreement dated 4 December 2019 ("**Supplemental CN3 Agreement**"), pursuant to which the Company and GN agreed to vary, amend and modify the terms and conditions of the CN3 Agreement as follows:

- (i) to insert a new clause, under which GN shall notify the Company and, jointly with the Company, make such announcements as may be required pursuant to Note 2(d) of Section 2 to Appendix 1 of the Takeover Code on SGXNET upon the subscription of each subsequent tranche Note and conversion of any CN3; and
- (ii) to amend the definition of "Maturity Date" to the the date falling upon the earlier of (a) three years from the date of issue of the respective tranches of CN3, or (b) five years from the date of issue of the Tranche 1 CN3.

As announced by the Company on 31 January 2020, the Board would like to propose that Foo Kon Tan LLP ("**FKT**") be appointed to act as the new auditors of the Company and its Singapore-incorporated subsidiary, namely ayondo Asia Pte. Ltd. ("**AAPL**") in place of Ernst & Young LLP in respect of the financial year ended 31 December 2019.

### 1.2 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with information on and to seek Shareholders' approval for the (i) Proposed Issue, (ii) Proposed Whitewash Resolution and (iii) Proposed Change of Auditors at the forthcoming EGM.

### 1.3 Additional Listing Application

An application will be submitted by the Sponsor to the SGX-ST, for and on behalf of the Company, for the approval of the listing and quotation of the New Shares on the Catalist. The Company will make the relevant announcement(s) to notify the Shareholders when the listing and quotation notice(s) from the SGX-ST is obtained.

The listing approval from the SGX-ST is not to be taken as an indication of the merits of the New Shares, the Company and/or its subsidiaries. The SGX-ST takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.

## 2. INFORMATION ON THE SUBSCRIBERS

*The information in this section relating to the Subscribers is based on information provided by and/or representations made by the Subscribers. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.*

### 2.1 GN

GN has entered into the CN1 Agreement and CN3 Agreement pursuant to the arrangements under a non-binding strategic alliance terms entered into between the Company and GN, further details of which are set out in the Company's announcement dated 20 February 2019. GN will not be holding the New Shares on trust or as a nominee. There is no connection (including business relationships) between the Directors or the Substantial Shareholders and GN, its directors and substantial shareholders. As at the Latest Practicable Date, GN does not have any shareholding interests in the Company.

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## LETTER TO SHAREHOLDERS

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GN is a company incorporated in the British Virgin Islands. GN offers a cost-efficient social investing platform for Asian, European and other global contract-for-differences to facilitate investment-related business, via its network of social media influencers and KOLs, followers of such KOLs, and third party service and product providers. As at the date of this Circular, there are 26 shareholders in GN comprising of 18 individual shareholders and 8 corporate shareholders. GN provides free content to its users via its platform. Users may also opt to obtain premium content provided by KOLs to their followers for a subscription fee, or premium services and contract-for-differences supported by other third parties. Since its inception in 2013, GN's platform, iMaibo.net, has built a user base with over 3,500,000 registered users.

### 2.2 Mr Taniya

Mr Taniya is a citizen of Japan and he is currently the managing principal and co-chief executive officer for Asia-Pacific of Stormharbour Securities LP, an independent financial services firm. Mr Taniya is a shareholder of GN and was introduced to the Company by GN. There is no connection (including business relationships) between the Directors or the Substantial Shareholders and Mr Taniya. As at the Latest Practicable Date, Mr Taniya does not have any shareholding interests in the Company.

### 2.3 GN and Mr Taniya have in the CN1 Agreement, the CN2 Agreement and the CN3 Agreement (as the case may be) respectively represented and warranted to the Company that:

- (a) it/he has no connection with the Company, its Directors and the Substantial Shareholders (including any business relationship), and is not a person to whom the Company is prohibited from issuing Shares to, as provided for in Rule 812 of the Catalist Rules; and
- (b) it is not acting in concert with any other person in relation to the Proposed Issue.

## 3. PROPOSED ISSUE OF CN1 AND PROPOSED ISSUE OF CN3 TO GN

### 3.1 CN1

CN1 will be in registered form and will not be listed. CN1 constitutes the direct, unsubordinated, unconditional and unsecured obligations of the Company. The payment obligations of the Company under CN1 shall, save as mandated under law, rank at least equally with all of the Company's present and future direct, unsubordinated, unconditional and unsecured obligations, other than subordinated obligations and priorities created by law.

The key terms and conditions of CN1 include:

- (a) **Principal Amount:** CN1 will be in the principal amount of S\$1,122,620.
- (b) **Interest:** CN1 shall bear simple interest at the rate of 8% per annum, accruing from the respective dates of disbursement of the Loan up to the date such CN1 is repaid or converted. The accrued interest on CN1 will be payable upon the CN1 Maturity Date (as defined below) or on the date of the conversion, redemption or repayment of CN1 (as the case may be).
- (c) **Maturity Date:** CN1 will mature on the date falling one year from the date of issue of CN1, or such date as GN may agree with the Company in writing (the "**CN1 Maturity Date**").
- (d) **Conversion Price:** The issue price for each New Share to be issued upon conversion of CN1 shall be S\$0.007 ("**Conversion Price**") which represents a discount of approximately 84.7% over the volume weighted average price of S\$0.0459 for trades done on the Shares on the SGX-ST on 29 January 2019, being the full market day on

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## LETTER TO SHAREHOLDERS

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which the Shares were last traded prior to the suspension of trading of the Shares on the Catalist on 1 February 2019. The Conversion Price was arrived based on the negotiation of the Company and GN, taking into account the Group's current financial position.

- (e) **Conversion Period:** On the CN1 Maturity Date, CN1 with all accrued interest shall be convertible in whole or in part at the option of GN (or the transferee of such CN1) into such number of New Shares at the Conversion Price.
- (f) **Issue of New Shares:** Based on the Conversion Price and assuming the entire principal amount of CN1 is converted on the CN1 Maturity Date (not including any accrued interest on the Loan), an aggregate of 160,374,285 New Shares will be issued after disregarding fractional entitlements of GN to the New Shares. Based on the Conversion Price and assuming that (i) CN1 is issued on 31 March 2020, (ii) the entire principal amount of CN1 is converted on the CN1 Maturity Date including all interest accrued up to 30 March 2021, an aggregate of 185,875,933 New Shares will be issued after disregarding fractional entitlements of GN to the New Shares.
- (g) **Transferability:** CN1 shall be transferable in whole or in part.
- (h) **Repayment of the Notes:** If GN does not exercise its option to convert CN1 on the CN1 Maturity Date, the principal amount (and accrued interest on the Loan) of CN1 shall be repaid by the Company within 30 Business Days from the CN1 Maturity Date.

### 3.2 CN3

CN3 will be in registered form and will not be listed. CN3 constitutes the direct, unsubordinated, unconditional and unsecured obligations of the Company. The payment obligations of the Company under CN3 shall, save as mandated under law, rank at least equally with all of the Company's present and future direct, unsubordinated, unconditional and unsecured obligations, other than subordinated obligations and priorities created by law.

The key terms and conditions of CN3 include:

- (a) **Issue and Subscription:** Subject to the terms of the CN3 Agreement, the Company agrees to issue and GN agrees to subscribe for the CN3 of up to S\$8.1 million in principal amount in the following manner:
  - (i) The first tranche of a principal amount of S\$675,000 ("**Tranche 1 CN3**") within five Business Days immediately after the last of the conditions precedent under the CN3 Agreement is fulfilled or waived by GN (if capable of being waived), or such other date as GN may agree with the Company in writing;
  - (ii) The Company has granted an option ("**CN3 Option**") to GN to subscribe for subsequent tranches of CN3 (each of a principal amount in the multiples of S\$135,000, and the aggregate principal amount of such subsequent tranches shall be no more than S\$7,425,000) from the Company at the principal amount to be agreed between GN and the Company at any time within three years from the issue of the Tranche 1 CN3; and
  - (iii) GN may (but shall not be obliged to) exercise the CN3 Option by submitting the Exercise Notice to the Company at any time in respect of that CN3 Option or such other date as the parties may agree in writing. Upon receipt of an Exercise Notice from GN in respect of any subsequent tranches, the Company shall be obliged to issue at the principal amount stated in the Exercise Notice within five Business Days following the date of the Exercise Notice or such other date as

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## LETTER TO SHAREHOLDERS

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the parties may agree in writing, such date being the closing date of the relevant subsequent tranches.

- (b) **Interest:** CN3 shall bear simple interest at the maximum rate of 12% per annum, accruing from the date of issue of each relevant tranche up to the date such CN3 is repaid or converted. The accrued interest on CN3 will be payable upon the relevant tranches of CN3 Maturity Date (as defined below), or on the date of the conversion, redemption or repayment of such tranches of CN3 (as the case may be).
- (c) **Maturity Date:** Each tranche of CN3 will mature on the date falling upon the earlier of (a) three years from the date of issue of the respective tranches of CN3, or (b) five years from the date of issue of Tranche 1 CN3 (the "**CN3 Maturity Date**").
- (d) **Conversion Price:** The issue price for each New Share to be issued upon conversion of CN3 shall be the Conversion Price which represents a discount of approximately 84.7% over the volume weighted average price of S\$0.0459 for trades done on the Shares on the SGX-ST on 29 January 2019, being the full market day on which the Shares were last traded prior to the suspension of trading of the Shares on the Catalist on 1 February 2019. The Conversion Price was arrived based on the negotiation of the Company and GN, taking into account the Group's current financial position.
- (e) **Conversion Period:** Any outstanding CN3 and all accrued interest shall be convertible at the option of GN (or the transferee of such CN3) at any time from the issue of such tranches of CN3 up to one day prior to the relevant tranches of CN3 Maturity Date.
- (i) **Issue of New Shares:** Based on the Conversion Price and assuming the entire principal amount of CN3 is converted on the CN3 Maturity Date (not including accrued interest), an aggregate of 1,157,142,857 New Shares will be issued after disregarding fractional entitlements of GN to the New Shares. Based on the Conversion Price and assuming that (i) CN3 is issued on 31 March 2020, (ii) the entire principal amount of the CN3 is converted on the CN3 Maturity Date including all interest accrued up to 30 March 2023, an aggregate of 1,573,714,285 New Shares will be issued after disregarding fractional entitlements of GN to the New Shares.
- (f) **Transferability:** CN3 shall be transferable in whole but not in part.
- (g) **Repayment of the Notes:** If GN does not exercise its option to convert the CN3 on the CN3 Maturity Date, the principal amount (and accrued interest) of each tranche of CN3 shall be repaid by the Company within 30 Business Days after the relevant CN3 Maturity Date.

#### 4. PROPOSED ISSUE OF CN2 TO MR TANIYA

##### 4.1 CN2

CN2 will be in registered form and will not be listed. CN2 constitutes the direct, unsubordinated, unconditional and unsecured obligations of the Company. The payment obligations of the Company under CN2 shall, save as mandated under law, rank at least equally with all of the Company's present and future direct, unsubordinated, unconditional and unsecured obligations, other than subordinated obligations and priorities created by law.

The key terms and conditions of CN2 include:

- (a) **Principal Amount:** CN2 will be in the principal amount of S\$675,000.
- (b) **Interest:** CN2 shall bear no interest.

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- (c) **Maturity Date:** CN2 will mature on the date falling three years from the date of issue of the CN2, or such date as Mr Taniya may agree with the Company in writing (the "**CN2 Maturity Date**").
- (d) **Conversion Price:** The issue price for each New Share to be issued upon conversion of CN2 shall be the Conversion Price which represents a discount of approximately 84.7% over the volume weighted average price of S\$0.0459 for trades done on the Shares on the SGX-ST on 29 January 2019, being the full market day on which the Shares were last traded prior to the suspension of trading of the Shares on the Catalist on 1 February 2019. The Conversion Price was arrived based on the negotiation of the Company and Mr Taniya, taking into account the Group's current financial position.
- (e) **Conversion Period:** CN2 may be converted, in whole or in part, at the option of Mr Taniya at any time from the issue of CN2 up to one day prior to the CN2 Maturity Date.
- (f) **Issue of New Shares:** Based on the Conversion Price and assuming the entire principal amount of CN2 is converted on the CN2 Maturity Date, an aggregate of 96,428,571 New Shares will be issued after disregarding fractional entitlements of Mr Taniya to the New Shares.
- (g) **Transferability:** CN2 shall not be transferable.
- (h) **Repayment of the Notes:** If Mr Taniya does not exercise its option to convert CN2 prior to the CN2 Maturity Date, unless such maturity date is extended by the parties, the principal amount of CN2 shall be repaid by the Company within 30 Business Days from the CN2 Maturity Date.

### 5. OTHER SALIENT TERMS OF THE NOTES

#### 5.1 Adjustment

The Conversion Price and the number of New Shares to be issued are subject to certain anti-dilution adjustments under certain circumstances provided for in the CN Agreements, including, *inter alia*:

- (a) an issuance of new Shares by way of capitalisation of profits or reserves;
- (b) a sub-division, consolidation or re-classification of Shares, reorganisations or any other activities that alter the capital structure of the Company; or
- (c) a distribution of capital to Shareholders whether by way of a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets).

Any material alteration to the terms of the CN Agreements after the issue of the Notes to the advantage of GN and/or Mr Taniya and prejudicial to the Shareholders must be approved by the Shareholders in a general meeting, except where the alterations are made pursuant to the terms of the CN Agreements.

#### 5.2 New Shares

The New Shares shall be issued and credited as fully paid upon the conversion of the Notes and shall be issued unencumbered and free from any security interests, claims (including preemptive rights) or liens and will be freely transferable. The New Shares shall rank *pari passu* in all respects with all other then existing Shares, and shall carry the right to receive all dividends and other distributions declared after the date of conversion of the Notes, and all other rights pursuant to the constitution of the Company and all applicable laws.

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Assuming that the Notes are issued on 31 March 2020 and fully converted on their respective maturity dates, the aggregate maximum number of New Shares to be issued upon conversion of the Notes (and all accrued interests up to the respective maturity dates) is 1,856,018,789 New Shares, representing approximately 364.08% of the existing share capital of 509,785,570 Shares and approximately 78.45% of the enlarged share capital of 2,365,804,359 Shares.

### 5.3 Conditions Precedent

The issuance of the Notes and the obligations of GN or Mr Taniya (as the case may be) to subscribe and pay for their respective Notes shall be conditional upon the following conditions having been fulfilled or otherwise waived in writing at the sole and absolute discretion of GN or Mr Taniya (as the case may be and if capable of being waived) on the respective dates of the issue of the Notes (each a “**Completion Date**”):

- 5.3.1 all necessary consents and approvals from relevant third parties and regulatory bodies in Singapore and other jurisdictions (including but not limited to the SGX-ST and German Federal Financial Supervisory Authority (BaFin)) having been obtained in connection with:
- (a) the execution of the CN Agreements by the Company with GN and Mr Taniya (as the case may be); and
  - (b) the issuance of the Notes by the Company and the issuance of the New Shares to GN and Mr Taniya (as the case may be);
- 5.3.2 the approval of the Shareholders in a general meeting for:
- (a) the issuance of the Notes and issuance of New Shares at the Conversion Price;
  - (b) the Proposed Whitewash Resolution; and
  - (c) the transfer of controlling interest following the issuance of New Shares;
- 5.3.3 the receipt of listing and quotation notice for the listing of and quotation for all the New Shares on the Catalist from the SGX-ST, such approval not being revoked, rescinded or cancelled prior to the relevant Completion Date;
- 5.3.4 in the case of CN1 and CN3, the SIC having granted the Whitewash Waiver subject to any conditions that the SIC may impose which are reasonably acceptable to GN;
- 5.3.5 there not having been any circumstance immediately prior to or on the relevant Completion Date which will prohibit, restrict or materially delay the completion of the subscription and issue of the Notes;
- 5.3.6 no injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the issue of the Notes shall be in effect; and
- 5.3.7 the Company remaining listed on the Catalist.

### 5.4 Failure to fulfil the Conditions Precedent

If any of the conditions precedent set forth in paragraph 5.3 is not satisfied or waived by GN or Mr Taniya (as the case may be), if capable of being waived, on or before the Long-Stop Date, GN or Mr Taniya (as the case may be) shall have the right to either: (i) fix a new date for the completion of the subscription and issue of the Notes; or (ii) terminate the CN Agreement as between GN or Mr Taniya (as the case may be) and the Company. If GN or Mr Taniya (as

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the case may be) opts to terminate the CN Agreement, the relevant CN Agreement shall *ipso facto* cease and the parties shall be released and discharged from their obligations under the respective CN Agreements except for (a) the liability of the Company for the payment of costs and expenses; (b) the confidentiality obligations of the Company; and (c) any antecedent breaches.

For the avoidance of doubt, the issuance of the Notes under the CN Agreements is not inter-conditional.

### 5.5 Repayment of the Principal Amount in the event of failure to fulfil the Conditions Precedent

(a) CN1

Upon the giving of a notice of termination by GN to the Company pursuant to paragraph 5.4 above, the outstanding principal amount and all accrued interest at the agreed rate pro-rated up to the date of full repayment by the Company will be immediately due and payable by the Company. GN and the Company agree that the Company shall have up to 30 Business Days from the receipt of the notice of termination to repay the outstanding principal amount and all accrued interest.

(b) CN2

If any of the conditions precedent set out in paragraph 5.3 is not satisfied or is not waived by Mr Taniya on or before the Long-Stop Date, and Mr Taniya decides to terminate the CN2 Agreement in accordance with paragraph 5.4, the Company agrees that it shall within 30 Business Days repay to Mr Taniya the principal amount of CN2.

(c) CN3

Upon the giving of a notice of termination by GN to the Company pursuant to paragraph 5.4 above, the outstanding principal amount including the payment for the Tranche 1 CN3 and any subsequent tranches and all accrued interest at the agreed rate for the period from the relevant date of the disbursement for the Tranche 1 CN3 and the subsequent tranches up to the date of full repayment by the Company will be immediately due and payable by the Company. GN and the Company agree that the Company shall have up to 30 Business Days from the receipt of the notice of termination to repay the outstanding principal amount and all accrued interest.

### 5.6 Events of Default

#### 5.6.1 The following are “Events of Default” and each an “Event of Default”:

- (a) the Company ceases or will cease to be a company registered under the laws of Singapore or is liquidated or a petition is presented in any court giving jurisdiction over the Company or a resolution is passed for the winding up of the Company except for the purpose of reconstruction the terms of which have been approved in writing by the Subscribers or a receiver and/or manager is appointed in respect of the assets or undertaking of the Company or a judicial manager or equivalent officer is appointed in respect of the Company;
- (b) the Company having convened a meeting of its creditors or is purported to have entered into any arrangement or composition for the benefit of its creditors;
- (c) the delisting of the Shares from Catalist Board of the SGX-ST;



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- (d) a default by the Company of any of the terms and conditions of the CN Agreements, and any applicable law and/or regulations; or
- (e) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Notes.

5.6.2 If at any time and for any reason any Event of Default has occurred then and at any time thereafter, whether or not any Event of Default is still continuing, the Subscribers may by notice to the Company declare its respective outstanding Notes to be immediately due and payable and repay the whole of its respective Notes and all fees, charges and/or interest and/or default interest (where applicable) or any other sums agreed to be paid under its respective Notes which shall become due and payable without any demand or notice of any kind by the Subscribers to the Company and/or exercise all their rights, powers and remedies under its respective Notes in any order that they deem fit.

### 6. RATIONALE AND USE OF PROCEEDS

6.1 In view of the Group's current financial position, it is continually considering fundraising options in order to improve its financial position. The Company is of the opinion that the Proposed Issue will be necessary to meet the Group's working capital requirements and financial needs.

6.2 As at the Latest Practicable Date, the Company has received the advance payment of the subscription monies for CN1 of S\$1,122,620 and CN2 of S\$675,000, totalling S\$1,797,620.

6.3 The proceeds from the Proposed CN1 Issue and Proposed CN2 Issue shall be used solely by the Company for working capital purposes. The proceeds from the Proposed CN1 Issue and Proposed CN2 Issue have been fully applied to meet the Group's general working capital requirements.

6.4 The Company intends to utilise the aggregate proceeds from the Proposed CN3 Issue of up to S\$8.1 million in the following proportions:

<b>Use of Proceeds</b>	<b>Percentage Allocation (%)</b>
Repayment of loans and outstanding payments owing by the Group	30
Payments for the costs and expenses relating to the Notes	0.5
General working capital	39.5
Business expansion through investments, acquisitions and joint ventures	30

6.5 The disbursement from and use of proceeds from the Proposed CN3 Issue of more than S\$50,000 shall require the prior approval from GN.

6.6 After taking into consideration the present bank facilities available to the Group, the Directors are of the opinion that the working capital available to the Group is insufficient to meet its present requirements. However, after taking into consideration the present bank facilities and proceeds of the Proposed Issue, the Directors are of the opinion that the working capital available to the Group is sufficient to meet its present requirements.

6.7 The Company will make periodic announcements on the utilisation of the proceeds of the Proposed Issue as and when such proceeds are materially disbursed, and provide a status report on the use of the proceeds raised in its interim and full-year financial results announcements issued under Rule 705 of the Catalist Rules and its annual report. Where the proceeds have been used for working capital purposes, the Company will disclose a breakdown with specific details on how the proceeds have been applied. Where there is any

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material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

### 7. THE PROPOSED WHITEWASH RESOLUTION IN RELATION TO THE PROPOSED CN1 ISSUE AND PROPOSED CN3 ISSUE

Under Rule 14 of the Takeover Code, any person who acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of the Company must make a mandatory general offer for the shares which it does not already own or control. Furthermore, any person who, together with parties acting in concert with him, holds not less than 30% but not more than 50% of the voting rights of the Company and such person, or any person acting in concert with him, acquires in any period of six months additional shares carrying more than 1% of the voting rights, must make a mandatory general offer.

As at the Latest Practicable Date, GN does not hold any Shares and does not hold any instruments convertible into rights to subscribe for and options in respect of Shares. GN has represented in the CN1 Agreement and the CN3 Agreement that it is not acting in concert with any party in respect of the Proposed CN1 Issue and the Proposed CN3 Issue.

Assuming all Notes are issued and fully converted on their respective maturity dates, the shareholding of GN in the Company will be 1,759,590,218 Shares, being approximately 74.38% of the enlarged share capital of the Company comprising 2,365,804,359 Shares. Accordingly, GN may potentially acquire 30.0% or more voting rights of the Company as a result of acquiring New Shares upon conversion of CN1 and CN3 pursuant to the Proposed CN1 Issue and the Proposed CN3 Issue. In such an event, GN would incur an obligation to make a mandatory general offer for the Company under Rule 14 of the Takeover Code.

GN had sought a Whitewash Waiver from the SIC and SIC had, on 4 December 2019, waived the requirement for GN to make a general offer for the Company if it increases its shareholding in the Company to 30.0% or more upon conversion of CN1 and CN3 pursuant to the Proposed CN1 Issue and the Proposed CN3 Issue, subject to the following conditions:

- (a) A majority of holders of voting rights of the Company present and voting at a general meeting to approve the Proposed Whitewash Resolution, before the issue of securities to GN under the Proposed CN1 Issue and the Proposed CN3 Issue, by way of poll to waive their rights to receive a mandatory general offer from GN;
- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) GN, persons acting in concert with it, as well as parties not independent of them, abstain from voting on the Proposed Whitewash Resolution;
- (d) GN and persons acting in concert with it did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of the Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of New Shares which have been disclosed in this Circular in relation to the Proposed Issue):
  - (i) during the period between the Announcement Date and the date Shareholders' approval is obtained for the Proposed Whitewash Resolution; and
  - (ii) in the six months prior to the Announcement Date, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Proposed Issue;

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- (e) the Company appoints an independent financial adviser to advise its independent Shareholders on the Proposed Whitewash Resolution;
- (f) the Company sets out clearly in this Circular:
  - (i) details of the Proposed Issue;
  - (ii) the dilution effect to existing holders of voting rights upon the conversion of the Notes to be issued to GN;
  - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by GN and persons acting in concert with it as at the Latest Practicable Date of this Circular;
  - (iv) the number and percentage of voting rights to be issued to, or acquired by, GN as a result of the conversion of the Notes to be issued;
  - (v) a specific and prominent reference that the issue of New Shares upon conversion of the Notes to be issued under the Proposed Issue could result in GN holding Shares carrying over 49.0% of the voting rights of the Company based on its enlarged issued share capital, and the fact that GN will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a general offer for the Company;
  - (vi) a specific and prominent reference that the independent Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from GN at the highest price paid by GN and parties acting in concert with it for the Shares in the six months preceding the Announcement Date; and
  - (vii) a specific and prominent reference that the independent Shareholders, by voting for the Proposed Whitewash Resolution, could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the convertibles;
- (g) this Circular states that the Whitewash Waiver granted by the SIC is subject to the conditions stated in paragraphs 7 (a) to (f) above;
- (h) GN obtaining the SIC's approval in advance for the sections of this Circular that refer to the Proposed Whitewash Resolution; and
- (i) to rely on the Proposed Whitewash Resolution, the acquisition of the Notes by GN pursuant to the Proposed Issue must be completed within three months of the approval of the Proposed Whitewash Resolution. Further, the acquisition of the New Shares by GN upon the conversion of the Notes must be completed within five years of the respective dates of issue of the Notes; and
- (j) GN will comply or procure the relevant person(s) to comply with the disclosure requirements set out in Note 2 on Section 2 of Appendix 1 of the Takeover Code.

As at 12 February 2020, all the above conditions imposed by the SIC (save and except for the condition requiring approval of the majority of voting rights of the Company present and voting at a general meeting for the Proposed Whitewash Resolution) have been satisfied, including obtaining the SIC's approval for the sections of this Circular that refer to the Proposed Whitewash Resolution.

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Independent Shareholders are therefore asked to vote, on a poll, on the Proposed Whitewash Resolution as set out as Ordinary Resolution 3 in the Notice of EGM on pages 31 to 34 of this Circular.

The Directors have, on behalf of the Company, appointed Asian Corporate Advisors Pte. Ltd. as the IFA to advise the Independent Directors on the Proposed Whitewash Resolution. The recommendation of the IFA is outlined in paragraph 11 of this Circular. The letter from the IFA, setting out their advice to the Independent Directors on the Proposed Whitewash Resolution is set out in Appendix A of this Circular.

In connection with the Proposed Whitewash Resolution, GN has confirmed that it and its concert parties have not acquired any Shares in the Company in the six (6) months period prior to the announcement of the Proposed Issue, and will not acquire any Shares in the Company in the period between the Announcement Date and the date on which Shareholders' approval is obtained for the Proposed Whitewash Resolution.

**BY VOTING IN FAVOUR OF THE PROPOSED WHITEWASH RESOLUTION, INDEPENDENT SHAREHOLDERS SHOULD NOTE THAT THEY ARE WAIVING THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER UNDER RULE 14 OF THE TAKEOVER CODE FROM GN FOR THE SHARES, WHICH GN AND ANY PERSONS ACTING IN CONCERT WITH IT WOULD OTHERWISE HAVE BEEN OBLIGED TO MAKE AT THE HIGHEST PRICE PAID OR AGREED TO BE PAID BY THEM FOR THE SHARES IN THE SIX MONTHS PRECEDING THE ANNOUNCEMENT DATE.**

**INDEPENDENT SHAREHOLDERS SHOULD ALSO NOTE THAT BY VOTING IN FAVOUR OF THE PROPOSED WHITEWASH RESOLUTION, THEY MAY BE FOREGOING THE OPPORTUNITY TO RECEIVE A GENERAL OFFER FROM ANOTHER PERSON WHO MAY BE DISCOURAGED FROM MAKING A GENERAL OFFER IN VIEW OF THE POTENTIAL DILUTION EFFECT OF THE PROPOSED CN1 ISSUE AND PROPOSED CN3 ISSUE.**

**INDEPENDENT SHAREHOLDERS SHOULD NOTE THAT UPON CONVERSION OF THE NOTES TO BE ISSUED UNDER THE PROPOSED ISSUE COULD RESULT IN GN HOLDING SHARES CARRYING MORE THAN 49% OF THE VOTING RIGHTS IN THE COMPANY, AND HENCEFORTH BE FREE TO ACQUIRE FURTHER SHARES WITHOUT INCURRING ANY OBLIGATION UNDER RULE 14 OF THE TAKEOVER CODE TO MAKE A GENERAL OFFER FOR THE COMPANY.**

**SHAREHOLDERS SHOULD ALSO FURTHER TAKE NOTE THAT THE PASSING OF THE RESOLUTION TO APPROVE THE PROPOSED CN1 ISSUE AND PROPOSED CN3 ISSUE IS CONTINGENT UPON THE PROPOSED WHITEWASH RESOLUTION BEING PASSED. IN VIEW OF THIS, IN THE EVENT THAT THE PROPOSED WHITEWASH RESOLUTION IS NOT PASSED BY THE INDEPENDENT SHAREHOLDERS, THE PROPOSED CN1 ISSUE AND PROPOSED CN3 ISSUE WILL NOT TAKE PLACE.**

### **8. FINANCIAL EFFECTS OF THE PROPOSED ISSUE**

The financial effects of the Proposed Issue are for illustration purposes only and do not reflect the actual financial performance or position of the Group after the issuance and/or conversion of the Notes. The Group's most recently completed financial year is FY2019. However, as at the date of this circular, the Company has not announced its results for FY2019. As such, the financial effects set out below have been computed based on the audited financial statements of the Group for FY2018 and on the following key assumptions:

- (a) the effect on NTL per share of the Group (assuming the Proposed Issue had been completed on 31 December 2018);

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- (b) the effect on LPS of the Group (assuming that the Proposed Issue had been completed on 1 January 2018);
- (c) for the purpose of LPS, the Notes are issued on 1 January 2018;
- (d) for the purpose of LPS and NTL, (I) CN1 and CN3 are fully converted on 31 December 2018 (notwithstanding that the CN3 Maturity Date falls on the third anniversary of the date of issue of CN3), (II) CN2 is fully converted on 31 December 2018 (notwithstanding that the CN2 Maturity Date falls on the third anniversary of the date of issue of CN2) and (III) all interests accrued from 1 January 2018 to 31 December 2018 are converted;
- (e) for the purpose of share capital, (I) all interests accrued on CN1 from the respective dates of disbursement up to 30 March 2021 and (II) all interests on CN3 accrued for three years are converted;
- (f) the expenses relating to the Proposed Issue is approximately 0.5% of the total gross proceeds of the Notes;
- (g) the Loan was disbursed on 1 January 2018 and was converted based on cost; and
- (h) there is no adjustment event.

### 8.1 Share Capital

	As at 31 December 2018	After conversion of the Notes
Number of New Shares to be issued	-	1,856,018,789
As a percentage of the issued Shares as at 31 December 2018 of 509,785,570	-	364.08%
Enlarged issued Shares	509,785,570	2,365,804,359
As a percentage of enlarged issued Shares after the conversion of all Notes	-	78.45%

### 8.2 NTL

	As at 31 December 2018	After conversion of the Notes
NTL (CHF '000)	(8,298)	(1,194)
Number of Shares	509,785,570	2,075,418,370
NTL per Share (CHF)	(0.0163)	(0.0006)

### 8.3 LPS

	As at 31 December 2018	After conversion of the Notes
Loss attributable to owners of the Company (CHF '000)	(50,218)	(51,020)
Number of Shares	509,785,570	2,075,418,370
LPS (CHF)	(0.0985)	(0.0246)

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### 8.4 Gearing

	As at 31 December 2018	After conversion of the Notes
Total borrowings <sup>(1)</sup> (CHF'000)	353	353
Shareholders' equity <sup>(2)</sup>	(8,234)	(1,094)
Gearing ratio <sup>(3)</sup>	n.m.	n.m.

n.m. – not meaningful

**Notes:**

- (1) Total borrowings include loans from related parties and bank overdraft.
- (2) Shareholders' equity is defined as the share capital, merger reserve, other reserves, and accumulated losses of the Group before non-controlling interest.
- (3) Gearing ratio is defined as the ratio of total borrowings to shareholders' equity.

## 9. PROPOSED CHANGE OF AUDITORS FROM ERNST & YOUNG LLP TO FOO KON TAN LLP

### 9.1 Background and Rationale

The Company's existing Auditors, Ernst & Young LLP, has served as Auditors of the Group since the initial public listing of the Company in 2018. Ernst & Young LLP was re-appointed as Auditors in the last AGM of the Company held on 28 June 2019 to hold office until the conclusion of the next AGM of the Company.

As part of the Company's efforts to manage its overall business costs and expenses amidst the Group's current financial position, as well as in conjunction with the Company's ongoing restructuring, the Board is of the view that it would be timely to effect a change of the Auditors. The Company does not expect the reduction in cost to affect the quality of the audit to be undertaken and there will be no change in the scope of the audit to be undertaken with the Proposed Change of Auditors.

Following an evaluation of several proposals by the Audit and Risk Committee, the Board would like to propose that Foo Kon Tan LLP ("**FKT**") be appointed to act as the new Auditors in place of Ernst & Young LLP. In this regard and at the request of the Company, Ernst & Young LLP has given notice of their resignation as the Auditors on 3 February 2020 and FKT has on, 20 January 2020, given its written consent to act as the Auditors of the Company, subject to the approval of the Shareholders at the EGM.

Pursuant to Section 205AB(5) of the Companies Act, the resignation of EY will take effect upon the later of (a) the day (if any) specified for the purpose in the notice of resignation of EY; (b) the day on which ACRA notifies EY and the Company of ACRA's consent to the resignation; or (c) the day (if any) fixed by ACRA (the "**ACRA Consent**"). In addition, pursuant to Rule 712(3) of the Catalyst Rules and Section 205AF of the Companies Act, the appointment of FKT as Auditors in place of EY must be specifically approved by Shareholders in a general meeting.

Accordingly, the appointment of FKT as Auditors of the Company will therefore take effect upon the later of (a) the date of approval of Shareholders at the EGM, and (b) the date of the ACRA Consent. FKT, if appointed, will hold office until the conclusion of the next AGM of the Company.

### 9.2 Information on FKT and the audit engagement partner

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*The information on FKT and the audit engagement partner provided below was provided to the Company by FKT and its representatives. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.*

Established in 1968, FKT has advanced from a traditional public accounting firm to one delivering a full range of services tailored to the needs of privately held businesses and public interest entities. FKT has helped its clients to seize growth opportunities and succeed in the changing business and regulatory environments. Many of its clients are listed on the SGX-ST as well as in other international capital markets. With experience in both the private and public sectors across a variety of industries, FKT's professionals are intent on serving its clients as independent auditors, advising on funding businesses, on tax issues, and on restructuring of business, meeting clients' objectives through practical solutions based on its practice values of integrity, reliability and personal attention. In August 2015, FKT became a member of HLB International, one of the leading global accountancy networks with presence in more than 130 countries. FKT has 20 partners and directors, with about 300 staff who are professionals providing audit, tax and business advisory services. For more information about FKT, please visit its website <https://www.fookontan.com/>.

For the audit of the Group, the audit engagement team will comprise the following professionals: three audit associates, one audit assistant manager, one audit senior manager and one audit engagement partner.

The Audit and Risk Committee had also considered the Audit Quality Indicators listed in the ACRA's Audit Quality Indicators Disclosure Framework in its selection of FKT as the Company's new Auditors.

Mr Toh Kim Teck ("**Mr Toh**") is the engagement partner of FKT who will be assigned to the audit of the Group. He is an audit partner with more than 20 years' experience in the profession. He is responsible for co-ordinating audits and other related services including due diligence to a diverse portfolio of clients, including listed companies and privately held businesses.

Prior to joining the firm in 2009, Mr Toh was with another firm, including a two-year stint with a member firm in the Silicon Valley. Mr Toh specialises in the audit of computer software and high-technology companies with regional and global presence. He has worked on the US public offering of a Singapore based semiconductor company. His extensive experience covers a wide spectrum of business activities with overseas reporting requirements.

The Audit and Risk Committee has enquired on whether Mr Toh has been subject to the Practice Monitoring Programme review by ACRA. In this regard, the Audit and Risk Committee has noted that Mr Toh has passed the Practice Monitoring Programme review by ACRA on his previous audit engagement and received no adverse feedback from previous exercise.

### 9.3 Disclosure In Relation to Rule 712 of the Catalyst Rules

FKT is a professional audit firm registered with the ACRA. The Audit and Risk Committee and the Board, having considered the various factors set out in Rule 712(1), including but not limited to the adequacy of the resources and experience of FKT, the audit engagement partner assigned to the audit, and the size and complexity of the Group, is of the opinion that FKT is able to fulfil the audit requirements of the Group.

- (a) In relation to Rule 712(3)(a), Ernst & Young LLP has provided letter dated 13 February 2020 to FKT, indicating that their professional clearance is subject to ACRA's consent for their resignation. Such letter also indicated that:

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- (i) a disclaimer audit opinion was issued for the Company for FY2018 in relation to the appropriateness of the use of going concern assumption and information technology platform cost;
  - (ii) a disclaimer audit opinion was issued for AAPL for FY2018 in relation to the appropriateness of the use of going concern assumption; and
  - (iii) Total outstanding audit fees in relation to the audit for FY2018 amounts to \$360,097.
- (b) The Company confirms that there were no disagreements with Ernst & Young LLP on accounting treatments within the last 12 months from the date of their resignation;
- (c) The Company confirms that it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders which has not been disclosed in the Circular;
- (d) The Company confirms that the specific reasons for the Proposed Change of Auditors are disclosed in paragraph 9.1 above. The Proposed Change of Auditors is neither due to the dismissal of Ernst & Young LLP nor Ernst & Young LLP declining to stand for re-election; and
- (e) The Company confirms that it complies with Rules 712 and 715 of the Catalist Rules in relation to the proposed appointment of FKT as Auditors.

### 10. CHANGES IN THE SHAREHOLDING STRUCTURE

- 10.1 The shareholding interests of the Directors and substantial shareholders as the Latest Practicable Date are as follows:

	As at the Latest Practicable Date					
	Direct Interest	%( <sup>1</sup> )	Deemed Interest	%( <sup>1</sup> )	Total Interest	%( <sup>1</sup> )
<b>Directors</b>						
Dr Foo Fatt Kah <sup>(2)</sup>	6,688,057	1.31	101,174,765	19.85	107,862,822	21.16
Foong Daw Ching	150,000	0.03	-		150,000	0.03
Lam Shiao Ning	100,000	0.02	-		100,000	0.02
Tse Man Kit Gilbert	-	-	-		-	-
<b>Substantial Shareholders</b>						
Luminor Capital Pte. Ltd. <sup>(3)</sup>	-	-	101,174,765	19.85	101,174,765	19.85
Luminor Pacific Fund 1 Ltd.	56,660,756	11.11	-		56,660,756	11.11
Luminor Pacific Fund 2 Ltd.	44,514,009	8.73	-		44,514,009	8.73
Kwan Chee Seng <sup>(4)</sup>	17,386,507	3.41	107,722,089	21.13	125,108,596	24.54
Kwan Yu Wen <sup>(5)</sup>	-	-	101,174,765	19.85	101,174,765	19.85
Thomas Winkler <sup>(6)</sup>	1,072,759	0.21	27,781,822	5.45	28,854,581	5.66

**Notes:**

- (1) Based on 509,785,570 Shares in the capital of the Company as at the Latest Practicable Date.
- (2) Dr Foo Fatt Kah is a director and shareholder of Luminor Capital Pte. Ltd., the fund manager of Luminor Funds which manages Luminor Funds on a discretionary basis. By virtue of Section 4 of the SFA, Dr Foo Fatt Kah is deemed interested in the Shares of the Company held by Luminor Funds.
- (3) By virtue of section 4 of the SFA, Luminor Capital Pte. Ltd., being the fund manager which manages Luminor Funds on a discretionary basis will be deemed interested in all the shares held by Luminor Funds.



## LETTER TO SHAREHOLDERS

- (4) Kwan Chee Seng, is a director and shareholder of Luminor Capital Pte. Ltd., the fund manager of Luminor Funds which manages Luminor Funds on a discretionary basis. By virtue of Section 4 of the SFA, Kwan Chee Seng is deemed interested in the Shares held by Luminor Funds. Starland Holdings Limited is a 83.17%-owned subsidiary of GRP Chongqing Land Pte. Ltd., a wholly-owned subsidiary of GRP Land Pte. Ltd. which is in turn wholly-owned by GRP Limited. Kwan Chee Seng has a shareholding interest of approximately 33.39% in GRP Limited as at the Latest Practicable Date. By virtue of Section 7 of the Companies Act, Kwan Chee Seng is deemed to be interested in all the Shares held by GRP Limited and Starland Holdings Limited, being 6,547,324 Shares.
- (5) Kwan Yu Wen holds 20% of the share capital of Luminor Capital Pte. Ltd., the fund manager of Luminor Funds which manages the Luminor Funds on a discretionary basis. By virtue of Section 4 of the SFA, Kwan Yu Wen is deemed interested in the Shares held by Luminor Funds.
- (6) Thomas Winkler is deemed to be interested in the 1,223,758 Shares held in the custodian nominee account and 423,360 Shares held by his spouse, Astrid Winkler and by virtue of Section 4 of the SFA and Section 7 of the Companies Act, Thomas Winkler is deemed to be interested in the Shares held by the following companies:
- (i) 17,535,420 ordinary shares held by Global Money Ventures AG;
  - (ii) 4,811,184 ordinary shares held by Next Generation Finance Management AG; and
  - (iii) 3,788,100 ordinary shares held by Baltische Bauentwicklungsgesellschaft mbH.

10.2 The shareholding interests of the Directors, substantial shareholders, GN and Mr Taniya following the conversion of all Notes and all accrued interests on their respective Maturity Dates on the assumption that all Notes are issued on 31 March 2020 are as follows:

	Direct Interest	%	Deemed Interest	%	Total Interest	%
<b>Directors</b>						
Dr Foo Fatt Kah	6,688,057	0.28	101,174,765	4.28	107,862,822	4.56
Foong Daw Ching	150,000	0.01	-	-	150,000	0.01
Lam Shiao Ning	100,000	0.00	-	-	100,000	0.00
Tse Man Kit Gilbert	-	-	-	-	-	-
<b>Substantial Shareholders</b>						
Luminor Capital Pte. Ltd.	-		101,174,765	4.28	101,174,765	4.28
Luminor Pacific Fund 1 Ltd.	56,660,756	2.39	-	-	56,660,756	2.39
Luminor Pacific Fund 2 Ltd.	44,514,009	1.88	-	-	44,514,009	1.88
Kwan Chee Seng	17,386,507	0.73	107,722,089	4.55	125,108,596	5.29
Kwan Yu Wen	-	-	101,174,765	4.28	101,174,765	4.28
Thomas Winkler	1,072,759	0.05	27,781,822	1.17	28,854,581	1.22
<b>Subscribers</b>						
GN (CN1)	185,875,933	7.86	-	-	185,875,933	7.86
Mr Taniya (CN2)	96,428,571	4.08	-	-	96,428,571	4.08
GN (CN3)	1,573,714,285	66.52	-	-	1,573,714,285	66.52

10.3 Save as disclosed in this Circular, none of the Directors and Substantial Shareholders has any interest, direct or indirect, in the Proposed Issue, other than through their respective shareholdings in the Company (if any).

### 11. ADVICE OF THE IFA IN RELATION TO THE PROPOSED WHITEWASH RESOLUTION

Pursuant to the conditions imposed by the SIC, Asian Corporate Advisors Pte. Ltd. has been appointed as the IFA to advise the Independent Directors in relation to the Proposed Whitewash Resolution.

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## LETTER TO SHAREHOLDERS

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A copy of the IFA Letter is set out in Appendix A to this Circular. **Shareholders are advised to read the IFA Letter carefully.**

The advice of the IFA to the Directors in relation to the Proposed Whitewash Resolution has been extracted from the IFA Letter and is reproduced below.

"In summary, having regard to our analysis and the consideration in this Letter (including its limitation and constraints stated above) and after having considered carefully the information available to us and based on the market, economic and other relevant conditions prevailing as at the Latest Practicable Date and subject to our terms of reference, we are of the view that the Proposed CN1 Issue and the Proposed CN3 Issue, being the subject of the Proposed Whitewash Resolution, are, **FAIR, REASONABLE and NOT PREJUDICIAL** to the interest of the Company and the Independent Shareholders.

For the purposes of evaluation of the Proposed CN1 Issue and the Proposed CN3 Issue, being the subject of the Proposed Whitewash Resolution, we have adopted the approach that the term "fair" and "reasonable" comprises two distinct concepts:

- (i) Whether issuance of conversion shares is "fair" relates to an opinion on the value of the conversion price. This is based strictly on a fundamental analysis and evaluation of the conversion price as set out in this Letter and based on information known to us and/or which is publicly available).
- (ii) Whether issuance of conversion shares is "reasonable", relates to, after taking into consideration the actual and potential financial impact of other circumstances surrounding the issuance of the conversion shares, which we consider relevant (being both quantitative and qualitative factors available and made known to us).

We consider the Proposed CN1 Issue and the Proposed CN3 Issue (which are the subject of the Proposed Whitewash Resolution) to be **FAIR** after factoring in, *inter-alia*, the following:-

- (a) As explained in Section 5.2 of this Letter, the Group's current weak financial performance (loss making since FY2017 with moribund core business where no revenue was recorded in 3Q2019 and uncertainties as to whether the Group will be able to generate revenue in the near term and the timing of it as well as the status of the License – please refer to Section 5.2 of this Letter) and financial position of the Group (in terms of net current liabilities and NL position as at 30 September 2019 with the Disclaimer of Opinion issued by the Independent Auditor relating to, *inter-alia*, going concern assumption) as well as the fact that the trading for the Shares has been suspended since 1 February 2019 with no certainty on the lifting of the suspension (subject to, *inter-alia*, the Group's ability to address the going concern and business viability issues).

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Company's announcements on the SGX-Net and the financial statements for the Group for FY2018 and 9M2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

- (b) The Conversion Price is favorable taking into account the Group's NL per Share and/or NTL per Share as at 30 September 2019.

Assuming completion of the issuance of 96,428,571 New Shares pursuant to the full conversion of CN2, the Group's Adjusted NL and/or NTL amounted to approximately S\$2.3 million or approximately S\$0.004 per Share. As the Group would still be in a

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## LETTER TO SHAREHOLDERS

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NTL position, the comparison and analysis of the Conversion Price to the Group's Adjusted NTL will not be meaningful. Notwithstanding, we note that the Conversion Price is favorable taking into account the Group's Adjusted NL and/or NTL per Share.

- (c) Whilst the Conversion Price represents substantial discounts from the historical market prices for the Shares, we note that the historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value in view of: (i) the low liquidity for the Shares (in terms of number of Shares traded on daily basis as well as number of Trading Days); and (ii) the fact that the Shares have been suspended since 1 February 2019 and there were changes in circumstances of the Group since the trading suspension to the Latest Practicable Date (*inter-alia*, matter pertaining to AML's CET1 ratio, Disposal of AML, the Disclaimer of Opinion on, *inter-alia*, going concern assumption, the Insolvencies, etc).
- (d) Fair comparison of the valuation of the Group as implied by the Conversion Price with the Selected Comparable Companies (as shown in Section 5.6 of this Letter) after taking into account: (i) the Group's weak financial performance (in terms of loss making position since FY2017 with moribund core business where no revenue was recorded in 3Q2019 and uncertainties as to whether the Group will be able to generate revenue in the near term and the timing of it as well as the status of the License) and weak financial position (in terms of net current liabilities and NL position as at 30 September 2019) as compared to the Selected Comparable Companies; (ii) the Disclaimer of Opinion issued by the Independent Auditor relating to, *inter-alia*, going concern assumption; and (iii) the fact that the trading for the Shares has been suspended since 1 February 2019 with no certainty on the lifting of the suspension (subject to, *inter-alia*, the Group's ability to address the going concern and business viability issues).
- (e) Fair comparison with the Selected RTO Cash Companies (as shown in Section 5.6 of this Letter) – the premium paid over the NTL of the Company of approximately S\$6.6 million is within the range, and slightly higher than both the median and the simple average of premium paid over the NTA/(NTL) of the Selected RTO Cash Companies. In addition, the number of existing Shares as a percentage of the enlarged Share capital assuming full conversion of all the Notes is approximately 21.6% and this is within the range, and higher than both the median and the simple average for the Selected RTO Cash Companies.

If the short term loans of approximately CHF1.30 million is removed, the Company would be in a NL position of approximately CHF0.9 million, or approximately S\$1.2 million (based on the applicable exchange rate as at 30 September 2019). The premium paid over the NTA/(NTL) for the Group would be approximately S\$4.8 million, which is still within the range of the Selected RTO Cash Companies. However, it would be below the median and simple average of the Selected RTO Cash Companies instead of being above the median and simple average. It is, however, still fairly comparable to the Selected RTO Cash Companies as described in earlier sections of this Letter.

- (f) Fair Comparison with the Selected Convertible Loans, as explained in Section 5.7 – despite the significant discount of approximately 85.4% as implied by the Conversion Price over the last transacted price for the Shares prior to the Trading Halt Date being worse off than any of the Selected Convertible Loans, CN1 and CN3 appear to be fairly comparable to the Selected Convertible Loans after taking into account (i) the interest rate for CN1 and CN3 which are within the range as compared to the Selected Convertible Loans; (ii) the Group's NTL position as at 30 September 2019 which is weaker than most of the companies under the Selected Convertible Loans as most of them had positive NTA (save for NauticAWT Limited and Addvalue

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## LETTER TO SHAREHOLDERS

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Technologies Ltd.); (iii) the Conversion Price is favorable taking into account the Group's NL per Share and/or NTL per Share as at 30 September 2019; and (iv) our view that any comparison of the Conversion Price to the historical trading performance of the Shares may not be meaningful given the Shares have been suspended since 1 February 2019 and there were changes in circumstances of the Group since the trading suspension to the Latest Practicable Date. There is also no certainty for the Company as to whether the suspension for trading of the Company's Shares can be uplifted. In addition, we note that none of the Selected Convertible Loans involves companies wherein its shares are suspended.

We also consider the Proposed CN1 Issue and the Proposed CN3 Issue, being the subject of the Proposed Whitewash Resolution, to be **REASONABLE and NOT PREJUDICIAL** to the interest of the Company and the Independent Shareholders, after factoring, *inter-alia*, the following:-

- (i) The potential favorable financial impact of the Proposed Issue on the Group's NTA per Share, LPS and financial position in term of the shareholders' equity, which we have viewed in the context that the approval of the Proposed Whitewash Resolution and the Proposed Issue will allow the Company to raise additional gross proceeds of up to approximately S\$8.1 million (as the proceeds for CN1 and CN2 have already been disbursed and utilised for general working capital) with favorable financial effects on the Group's NTL per Share, LPS and financial position in term of the shareholders' equity as outlined in the Circular as well as providing the Company with the necessary funding for repayment of loans and outstanding payments owing by the Group, general working capital and business expansion through investments, acquisitions and joint ventures.
- (ii) The rationale of the Proposed Issue as described in Section 6 of the Circular. The proceeds from the Proposed Issue is intended to be used for general working capital, repayment of loans and outstanding payments owing by the Group, business expansion through investments, acquisitions and joint ventures and payments for the costs and expenses relating to the notes. As stated in Section 6.6 of the Circular, after taking into consideration the present bank facilities available to the Group, the Directors are of the opinion that the working capital available to the Group is insufficient to meet its present requirements. However, after taking into consideration the present bank facilities and proceeds of the Proposed Issue, the Directors are of the opinion that the working capital available to the Group is sufficient to meet its present requirements.
- (iii) The Directors' representation and confirmation that:-
  - The sufficiency of the Group's working capital requirement for the next 12 month and the ability of the Group to continue as going concern will depend on, *inter-alia*, the successful completion of the Proposed Issue.
  - Whilst significant efforts have been made by the Directors and Management to source for alternative financing offer with better pricing or terms and conditions, as at the Latest Practicable Date, they are not aware of any alternative offers, which is comparable in nature, amounts, terms and conditions to the Proposed Issue.
  - The trading for the Shares has been suspended since 1 February 2019 and the lifting of the suspension is subject to, *inter-alia*, the Group's ability to address the going concern and business viability issues.

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## LETTER TO SHAREHOLDERS

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### Recommendation

Based on our assessment of the Proposed CN1 Issue and the Proposed CN3 Issue, being the subject of the Proposed Whitewash Resolution as set out above, we advise the Independent Directors to recommend that Independent Shareholders vote **in favour of** the Proposed Whitewash Resolution to be proposed at the EGM. We advise the Independent Directors to highlight to Independent Shareholders the matters as stated in our Letter, including, *inter-alia*, our limitation in analysis, evaluation, comments and opinion in this Letter. In addition, we advise Independent Directors to recommend to Independent Shareholders to exercise caution in their decision in voting in favour of or against the Proposed Whitewash Resolution.

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Company or the Group. The opinion set forth herein is based solely on publicly available information and information provided by the Directors and the Management and therefore does not reflect any projections or future financial performance of the Company after the completion of the Proposed Issue and is based on the economic and market conditions prevailing as of the date of this opinion. Our advice is solely confined to our views on the Proposed Whitewash Resolution.

### Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of Independent Shareholders:

- (1) Ordinary Resolution 1 relating to the Proposed CN1 Issue and the Proposed CN3 Issue and the Proposed Whitewash Resolution, are inter-conditional upon each other. Accordingly, in the event that the Proposed Whitewash Resolution is not approved by Independent Shareholders, the Proposed CN1 Issue and the Proposed CN3 Issue will not proceed.
- (2) Independent Shareholders should note the following:-
  - (a) By voting in favour of the Proposed Whitewash Resolution, Independent Shareholders should note that they are waiving their rights to receive a mandatory general offer under Rule 14 of the Takeover Code from GN for the Shares, which GN and any persons acting in concert with it would otherwise have been obliged to make at the highest price paid or agreed to be paid by them for the Shares in the six months preceding the Announcement Date.
  - (b) By voting in favour of the Proposed Whitewash Resolution, they may be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Proposed CN1 Issue and Proposed CN3 Issue.
  - (c) Upon conversion of the Notes to be issued under the Proposed Issue could result in GN holding Shares carrying more than 49% of the voting rights in the Company, and henceforth be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a general offer for the Company.
  - (d) The passing of the resolution to approve the Proposed CN1 Issue and the Proposed CN3 Issue is contingent upon the Proposed Whitewash Resolution being passed. In view of this, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed CN1 Issue and the Proposed CN3 Issue will not take place.

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## LETTER TO SHAREHOLDERS

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- (3) Our scope does not require us and we have not made any independent evaluation or business valuation of the Group (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities of the Group or contracts entered into or licenses owned by the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group. With respect to such valuations, we are not experts in the evaluation (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities including, *inter-alia*, the contracts or agreements that the Group has embarked upon or are about to embark upon or licenses owned by the Group and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or position or condition of the Company and the Group as reflected in the unaudited financial statements for the Company and the Group as at 30 September 2019 are true and fair.

The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Company's announcements on the SGX-Net and the financial statements for the Group for FY2018 and 9M2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

- (4) Our scope does not require us to express and we do not express, a view on the future growth prospects of the Company or the Group before and after the Proposed Transactions stipulated in the Circular or as represented to us or the Proposed CN1 Issue and the Proposed CN3 Issue or the sufficiency of the Group's working capital or the ability of the Group to continue as a going concern.

### **Specific Objectives**

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or particular or individual needs and constraints of any individual Independent Shareholder. As each Independent Shareholder or group of Independent Shareholders would have different investment objectives and profiles, we would advise the Recommending Directors to advise any individual Shareholder or group of Shareholders who may require specific advice in the context of investments or his or their specific investment objectives or portfolio should consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

## **12. DIRECTORS' RECOMMENDATIONS**

- 12.1 The Independent Directors have considered, amongst others, the rationale for the Proposed Issue, and concur with the advice of the IFA in relation to the Proposed Whitewash Resolution and believe that the Proposed Issue and the Proposed Whitewash Resolution are in the interests of all Shareholders. Accordingly, they recommend that the independent Shareholders vote in favour of the Ordinary Resolutions 1 to 3.
- 12.2 The Directors have considered, amongst others, the rationale for the Proposed Change of Auditors, and believe that the Proposed Change of Auditors is in the interests of all Shareholders. Accordingly, they recommend that the Shareholders vote in favour of the Ordinary Resolution 4.

## **13. ABSTENTION FROM VOTING**

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## LETTER TO SHAREHOLDERS

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Pursuant to the conditions by the SIC as set out in paragraph 7 above, GN, persons acting in concert with it (if any), and parties not independent of them (if any), will abstain from voting on the Proposed Whitewash Resolution. GN, persons acting in concert with it (if any), and parties not independent of them (if any) will also decline to accept appointment as proxies for any Shareholder to vote in respect of Ordinary Resolution 3 relating to the Proposed Whitewash Resolution, unless the Shareholder concerned has given specific instructions in his proxy form as to the manner in which his votes are to be cast in respect of the resolution.

### **14. EXTRAORDINARY GENERAL MEETING**

The EGM, notice of which is set out on pages 31 to 34 of this Circular, will be held at 20 Collyer Quay, #23-01, Singapore 049319 on 3 March 2020 at 9.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolutions set out in the notice of EGM.

### **15. ACTION TO BE TAKEN BY SHAREHOLDERS**

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find a Proxy Form attached to this Circular which they should complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at 20 Collyer Quay, #01-02, Singapore 049319, not less than 72 hours before the time fixed for the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM in place of his proxy if he subsequently decides to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance.

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

### **16. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Issue, Proposed Whitewash Resolution and Proposed Change of Auditors, 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. The Directors have not undertaken any independent verification of the information furnished by the Subscribers.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/ or reproduced in this Circular in its proper form and context.

### **17. CONSENT**

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

### **18. DOCUMENTS AVAILABLE FOR INSPECTION**

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## LETTER TO SHAREHOLDERS

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The following documents are available for inspection by Shareholders at the registered office of the Company at 20 Collyer Quay, #01-02, Singapore 049319, during normal business hours for a period of three months from the date of this Circular:

- (a) the constitution of the Company;
- (b) the annual report of Company for FY2018;
- (c) the CN Agreements and the Supplemental CN3 Agreement;
- (d) the IFA Letter set out in Appendix A to this Circular;
- (e) the consent letter from IFA referred to in paragraph 17 above;
- (f) the letter from Ernst & Young LLP dated 3 February 2020 setting out their resignation as Auditors set out in Appendix B to this Circular;
- (g) the letter of consent to act as Auditors from FKT dated 20 January 2020; and
- (h) the letter issued by Ernst & Young LLP to FKT dated 13 February 2020.

Yours faithfully  
For and on behalf of the Board of Directors

**FOO FATT KAH**  
Non-Executive Director



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### AYONDO LTD.

(Incorporated in the Republic of Singapore)  
(Company Registration Number 201728417D)

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“**EGM**”) of **AYONDO LTD.** (the “**Company**”) will be held at 20 Collyer Quay, #23-01, Singapore 049319 on 3 March 2020 at 9.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions as set out below as an ordinary resolutions:

*All capitalised terms used in this notice which are not otherwise defined shall have the same meanings as ascribed to them in the Company’s circular to its shareholders dated 17 February 2020.*

### AS ORDINARY RESOLUTIONS

#### **RESOLUTION 1: PROPOSED ISSUE OF (I) A CONVERTIBLE NOTE IN THE PRINCIPAL AMOUNT OF S\$1,122,620 AND (II) CONVERTIBLE NOTES UP TO THE PRINCIPAL AMOUNT OF S\$8,100,000 TO GOLDEN NUGGET JINZHUAN LIMITED**

That:

- (a) pursuant to Section 161 of the Companies Act (Cap. 50) of Singapore (“**Companies Act**”) and Rule 805(1) of the Catalist Rules of the SGX-ST (“**Catalist Rules**”), approval be and is hereby given to the directors of the Company (the “**Directors**”) or any of them to create and issue (i) a convertible note in the principal amount of S\$1,122,620 (“**CN1**”) and (ii) convertible notes up to the principal amount of S\$8,100,000 (“**CN3**”) to Golden Nugget Jinzhuan Limited (“**GN**”) subject to the terms and conditions under the CN1 Agreement and the CN3 Agreement, such CN1 and CN3 to be convertible at GN’s option into New Shares based on the conversion price of S\$0.007 per New Share (“**Conversion Price**”);
- (b) approval be and is given under Rule 803 of the Catalist Rules to the potential transfer of controlling interest which may take place upon the conversion of CN1 and CN3 by GN;
- (c) approval be and is hereby given to the Directors or any one of them to allot and issue:
  - (i) such number of New Shares as may be required or permitted to be allotted and issued to GN on the conversion of CN1 and CN3, subject to and in accordance with the CN1 Agreement and the CN3 Agreement, whereby such New Shares when issued shall rank *pari passu* in all respects with the then existing ordinary shares in the capital of the Company;
  - (ii) on the same basis as paragraph (c)(i) above, such further New Shares as may be required to be allotted and issued to GN on the conversion of any of CN1 and CN3 upon the adjustment of the Conversion Price in accordance with the CN1 Agreement and the CN3 Agreement;
- (d) the Directors or any of them be and are hereby authorised to take such steps, make such amendments to the CN1 Agreement and the CN3 Agreement (provided that the amendments are not material) and exercise such discretion as they or he may from time to time deem fit, advisable, desirable, expedient or necessary in connection with all or any of the above matters; and
- (e) the Directors or any of them be authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to the Proposed Issue and any of all matters set out in this Ordinary Resolution as they or he may think fit, and, to the extent that any of the foregoing have been done, that they be and are hereby approved, confirmed and ratified.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### **RESOLUTION 2: PROPOSED ISSUE OF A CONVERTIBLE NOTE IN THE PRINCIPAL AMOUNT OF S\$675,000 TO MAMORU TANIYA**

That:

- (a) pursuant to Section 161 of the Companies Act and Rule 805(1) of the Catalist Rules, approval be and is hereby given to the Directors or any of them to create and issue a convertible note in the principal amount of S\$675,000 (“CN2”) to Mamoru Taniya subject to the terms and conditions under the CN2 Agreement, such CN2 to be convertible at Mamoru Taniya’s option into New Shares based on the Conversion Price;
- (b) approval be and is hereby given to the Directors or any one of them to allot and issue:
  - (i) such number of New Shares as may be required or permitted to be allotted and issued to Mamoru Taniya on the conversion of CN2, subject to and in accordance with the CN2 Agreement, whereby such New Shares when issued shall rank *pari passu* in all respects with the then existing ordinary shares in the capital of the Company;
  - (ii) on the same basis as paragraph (b)(i) above, such further New Shares as may be required to be allotted and issued to Mamoru Taniya on the conversion of CN2 upon the adjustment of the Conversion Price in accordance with the CN2 Agreement;
- (c) the Directors or any of them be and are hereby authorised to take such steps, make such amendments to the CN2 Agreement (provided that the amendments are not material) and exercise such discretion as they or he may from time to time deem fit, advisable, desirable, expedient or necessary in connection with all or any of the above matters; and
- (d) the Directors or any of them be authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to the Proposed Issue and any of all matters set out in this Ordinary Resolution as they or he may think fit, and, to the extent that any of the foregoing have been done, that they be and are hereby approved, confirmed and ratified.

### **RESOLUTION 3: PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER OF THE RIGHTS OF THE INDEPENDENT SHAREHOLDERS OF THE COMPANY TO RECEIVE A MANDATORY GENERAL OFFER FROM GOLDEN NUGGET JINZHUAN LIMITED FOR THE REMAINING ISSUED AND PAID-UP SHARES OF THE COMPANY NOT OWNED OR CONTROLLED BY THEM**

THAT, contingent upon the passing of Ordinary Resolution 1, the Shareholders hereby (on a poll taken) unconditionally and irrevocably waive their rights to receive a mandatory general offer under Rule 14 of the Takeover Code from GN, in respect of all or any part of the ordinary shares held by such Shareholder, as a result of the conversion of the convertible notes pursuant to Proposed CN1 Issue and Proposed CN3 Issue.

### **RESOLUTION 4: PROPOSED CHANGE OF AUDITORS**

THAT:

- (a) the resignation of Ernst & Young LLP as the Auditors be and is hereby noted and that Foo Kon Tan LLP (“FKT”), having consented to act, be and are hereby appointed as the Auditors in place of Ernst & Young LLP, to hold office until the conclusion of the next annual general meeting of the Company at a fee and on such terms as may be agreed by the Directors with Foo Kon Tan LLP; and
- (b) the Directors and any one of them be and are hereby authorised and empowered to approve and complete and do all such acts and things (including without limitation to approve, modify,

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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ratify, sign, seal, execute and deliver all such documents as may be required) as they or he may consider expedient, desirable, necessary or in the interests of the Company to give effect to the Proposed Change of Auditors and/or this Ordinary Resolution.

By Order of the Board  
**AYONDO LTD.**

**FOO FATT KAH**  
Non-Executive Director  
17 February 2020

### **Explanatory Notes on Resolution 4:**

Disclosures Rule 712(3) of the Catalist Rules:

- (a) In relation to Rule 712(3)(a), Ernst & Young LLP has provided letter dated 13 February 2020 to FKT, indicating that their professional clearance is subject to ACRA's consent for their resignation. Such letter also indicated that:
  - (i) a disclaimer audit opinion was issued for the Company for FY2018 in relation to the appropriateness of the use of going concern assumption and information technology platform cost;
  - (ii) a disclaimer audit opinion was issued for ayondo Asia Pte Ltd for FY2018 in relation to the appropriateness of the use of going concern assumption; and
  - (iii) Total outstanding audit fees in relation to the audit for FY2018 amounts to S\$360,097.
- (b) The Company confirms that there were no disagreements with Ernst & Young LLP on accounting treatments within the last 12 months from the date of their resignation;
- (c) The Company confirms that it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders which has not been disclosed in the Circular;
- (d) The Company confirms that the specific reasons for the Proposed Change of Auditors are disclosed in paragraph 9.1 of the Circular. The Proposed Change of Auditors is neither due to the dismissal of Ernst & Young LLP nor Ernst & Young LLP declining to stand for re-election; and
- (e) The Company confirms that it complies with Rules 712 and 715 of the Catalist Rules in relation to the proposed appointment of FKT as Auditors.

### **Notes:**

- (1) (a) A shareholder who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the EGM. Where such shareholder appoints two proxies, the proportion of his shareholding to be represented by each proxy shall be specified in the instrument of proxy.
- (b) A shareholder who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder. Where such shareholder appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the instrument of proxy.

"relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

- (2) A proxy need not be a shareholder of the Company.
- (3) The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 20 Collyer Quay, #01-02, Singapore 049319 not less than 72 hours before the time appointed for holding the EGM.
- (4) The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (5) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time appointed for holding the EGM in order for the Depositor to be entitled to attend and vote at the EGM.

### **Personal Data Privacy:**

"Personal data" in this notice of EGM has the same meaning as "personal data" in the Personal Data Protection Act 2012, which includes the shareholder's name and its proxy's and/or representative's name, address and NRIC/Passport number. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM of the Company and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's and its proxy(ies)'s or representative(s)'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 of the Company (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 shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior express 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; (iii) undertakes that the shareholder will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty. The shareholder's personal data and its proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

Photographic, sound and/or video recordings of the EGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the EGM. Accordingly, the personal data of a shareholder of the Company (such as his/her name, his/her presence at the EGM and any questions he/she may raise or motions he/she proposes/seconds) may be recorded by the Company for such purpose.

## PROXY FORM

### AYONDO LTD.

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 201728417D)

### EXTRAORDINARY GENERAL MEETING PROXY FORM

#### IMPORTANT

1. Investors who hold shares under the Supplementary Retirement Scheme ("**SRS Investors**") may attend and vote at the EGM in person. SRS Investors who are unable to attend the EGM but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the EGM to act as their proxy, in which case, such SRS Investors shall be precluded from attending the EGM.
2. This instrument of proxy is not valid for use by the SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We\*, \_\_\_\_\_ (Name) (NRIC/Passport/Registration number \_\_\_\_\_)  
of \_\_\_\_\_ (Address) being a  
shareholder/shareholders\* of AYONDO LTD. (the "**Company**"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholding	
		Number of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholding	
		Number of Shares	%
Address			

or failing him, the Chairman of the Extraordinary General Meeting ("**EGM**") of the Company as my/our\* proxy/proxies\* to attend and vote for me/us\* on my/our\* behalf at the EGM of the Company to be held 20 Collyer Quay, #23-01, Singapore 049319 on 3 March 2020 at 9.00 a.m., and at any adjournment thereof.

I/We\* direct my/our\* proxy/proxies\* to vote for or against the resolution to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies\* will vote or abstain from voting at his/their\* discretion, as he/they\* will on any other matter arising at the EGM and at any adjournment thereof.

Ordinary Resolutions	Number of Votes For**	Number of Votes Against**
<b>Resolution 1:</b> To approve the Proposed CN1 Issue and Proposed CN3 Issue		
<b>Resolution 2:</b> To approve the Proposed CN2 Issue		
<b>Resolution 3:</b> To approve the Proposed Whitewash Resolution		
<b>Resolution 4:</b> To approve the Proposed Change of Auditors		

\* Delete accordingly

\*\* If you wish to exercise all your votes "For" or "Against" the resolution, please tick [✓] within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the resolution, please insert the relevant number of shares in the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2020

Total number of Shares in	Number of Shares
(a) Depository Register	
(b) Register of Members	

\_\_\_\_\_  
Signature(s) or Common Seal of Shareholder(s)

**IMPORTANT: PLEASE READ THE NOTES OVERLEAF**

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## PROXY FORM

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### Notes:

1. If the shareholder has shares entered against his name in the Depository Register, he should insert that number of shares. If the shareholder has shares registered in his name in the Register of Members, he should insert that number of shares. If the shareholder has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by the shareholder.
2. (a) A shareholder who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the EGM. Where such shareholder appoints more than one proxy, the proportion of his shareholding to be represented by each proxy shall be specified in this instrument of proxy. If the proportion of his shareholding is not specified, the first named proxy shall be deemed to represent 100% of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.  
  
(b) A shareholder who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder. Where such shareholder appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in this instrument of proxy.

“relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) of Singapore.

3. A proxy need not be a shareholder of the Company.
4. This instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 20 Collyer Quay, #01-02, Singapore 049319 not less than 72 hours before the time appointed for holding the EGM. The appointment of a proxy or proxies shall not preclude a shareholder from attending and voting in person at the EGM. If a shareholder attends the EGM in person, the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the EGM.
5. This instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.
6. Where this instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney or a notarially certified copy thereof (failing previous registration with the Company) must be lodged with this instrument of proxy, failing which this instrument of proxy may be treated as invalid.
7. A corporation which is a shareholder may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM in accordance with Section 179 of the Companies Act, (Chapter 50) of Singapore.
8. The Company shall be entitled to reject this 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 this instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a shareholder whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the shareholder, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

### Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the shareholder is deemed to have accepted and agreed to the personal data privacy terms set out in the notice of EGM of the Company dated 17 February 2020.

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**APPENDIX A**  
**LETTER FROM IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE**  
**PROPOSED WHITEWASH RESOLUTION**

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**LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE**  
**INDEPENDENT DIRECTORS OF AYONDO LTD.**

**ASIAN CORPORATE ADVISORS PTE. LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration No: 200310232R)

160 Robinson Road #21-05  
SBF Center  
Singapore 068914

The Independent Directors (as defined herein)  
ayondo Ltd.  
20 Collyer Quay  
#01-02  
Singapore 049319

17 February 2020

**PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER OF THE RIGHTS OF THE INDEPENDENT SHAREHOLDERS OF THE COMPANY TO RECEIVE A MANDATORY GENERAL OFFER FROM GOLDEN NUGGET JINZHUAN LIMITED (“GN”) FOR THE REMAINING ISSUED AND PAID-UP SHARES OF THE COMPANY NOT OWNED OR CONTROLLED BY THEM, AS A RESULT OF THE CONVERSION OF CONVERTIBLE NOTES PURSUANT TO THE PROPOSED ISSUE OF (I) A CONVERTIBLE NOTE IN THE PRINCIPAL AMOUNT OF S\$1,122,620 (THE “PROPOSED CN1 ISSUE”) AND (II) CONVERTIBLE NOTES OF UP TO THE PRINCIPAL AMOUNT OF S\$8,100,000 (THE “PROPOSED CN3 ISSUE”) TO GN**

*Unless otherwise defined or the context otherwise requires, all terms used herein shall have the same meaning as defined in the Circular (as defined below).*

## **1. INTRODUCTION**

Asian Corporate Advisors Pte. Ltd. (“**ACA**”) has been appointed as an independent financial adviser (“**IFA**”) to the directors (“**Directors**”) of ayondo Ltd. (“**ayondo**” or the “**Company**”), who as at 7 February 2020 (the “**Latest Practicable Date**”) are considered independent (the “**Independent Directors**”) for the purposes of making the recommendation to the Independent Shareholders (defined below) in respect of the Proposed Whitewash Resolution (defined below). We note from the Circular that the Independent Directors comprise Foo Fatt Kah, Foong Daw Ching and Lam Shiao Ning.

This letter (“**IFA Letter**” or “**Letter**”) has been prepared pursuant to Rule 14 and Appendix 1 of the Singapore Code on Take-overs and Mergers (“**Takeover Code**” or “**Code**”) as well as for the use by the Independent Directors for the purposes of making a recommendation to Shareholders in respect of the Proposed Whitewash Resolution (defined below).

This IFA Letter sets out, *inter-alia*, our views and evaluation of the proposed whitewash resolution (the “**Proposed Whitewash Resolution**”) proposed as Ordinary Resolution 3 in the notice of the Extraordinary General Meeting (“**EGM**”) of the Company as set out in the circular dated 17 February 2020 (“**Circular**”) to be issued to the registered holders (“**Shareholders**”) of the issued ordinary shares (“**Shares**”) in the capital of the Company, which if passed by the Shareholders other than GN (“**Independent Shareholders**”), would result in a waiver by the Independent Shareholders of their rights to receive a mandatory general offer (“**General Offer**”) from GN and its concert parties arising from or in connection with conversion of convertible notes pursuant to the Proposed CN1 Issue and the Proposed CN3 Issue. Likewise, it contains our recommendations to the Independent Directors in relation to the Proposed Whitewash Resolution. It is prepared for inclusion in the Circular in

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connection with, *inter-alia*, the Proposed Issue (as defined in the Circular) and the Proposed Whitewash Resolution to be issued by the Company to the Shareholders.

Unless otherwise defined or where the context otherwise requires, definitions used in the Circular shall apply throughout this Letter. Certain of the figures and computations as enumerated or set out in this Letter are based on approximations and its accuracy is subject to rounding.

### **1.1 Background**

The Company had on 30 June 2019 entered into a loan agreement with GN, under which GN granted various loans of an aggregate principal amount of S\$1,122,620 (the “**Loan**”) to the Company for a term of 12 months commencing on the respective dates of disbursement of the Loan amount. Pursuant to the CN1 Agreement (defined later), the parties agree to convert the entire principal amount of the Loan to CN1.

On 22 August 2019 (the “**Announcement Date**”), the Company announced that it had entered into the following agreements dated 22 August 2019:-

- (a) a convertible note agreement dated 22 August 2019 (the “**CN1 Agreement**”) with GN pursuant to which the Company agreed to issue, and GN agreed to subscribe for a convertible note of S\$1,122,620 in principal amount (“**CN1**”), which is convertible into the new ordinary shares in the capital of the Company (“**New Shares**”) at S\$0.007 per New Share (the “**Conversion Price**”), subject to terms and conditions as set out in the CN1 Agreement.
- (b) a convertible note agreement dated 22 August 2019 (“**CN2 Agreement**”) with Mr Mamoru Taniya (“**Mr Taniya**”) pursuant to which the Company agreed to issue, and Mr Taniya agreed to subscribe for S\$675,000 in principal amount of convertible notes (“**CN2**”), which is convertible into the New Shares at the Conversion Price, subject to terms and conditions as set out in the CN2 Agreement.
- (c) a convertible note agreement dated 22 August 2019 (“**CN3 Agreement**”) with GN pursuant to which the Company agreed to issue, and GN agreed to subscribe for convertible notes of up to S\$8.1 million in principal amount (“**CN3**”), which are convertible into the New Shares at the Conversion Price, subject to the terms and conditions as set out in the CN3 Agreement.

Further, as announced by the Company on 4 December 2019, the Company has entered into a supplemental agreement dated 4 December 2019 (“**Supplemental CN3 Agreement**”), pursuant to which the Company and GN agreed to vary, amend and modify the terms and conditions of the CN3 Agreement as follows:

- (i) to insert a new clause, under which GN shall notify the Company and, jointly with the Company, make such announcements as may be required pursuant to Note 2(d) of Section 2 to Appendix 1 of the Takeover Code on SGXNET upon the subscription of each subsequent tranche Note (defined in the Circular) and conversion of any CN3; and
- (ii) to amend the definition of “Maturity Date” to the date falling upon the earlier of (a) three years from the date of issue of the respective tranches of CN3, or (b) five years from the date of issue of the Tranche 1 CN3.

We note from Section 6 of the Circular that as at the Latest Practicable Date, the Company has received the advance payment of the subscription monies for CN1 of S\$1,122,620 and CN2 of S\$675,000, totalling S\$1,797,620 and proceeds from the Proposed CN1 Issue and the Proposed CN2 Issue have been fully applied to meet the Group’s general working capital requirements.

As set out in Section 7 of the Circular, as at the Latest Practicable Date, GN does not hold any Shares and does not hold any instruments convertible into rights to subscribe for and options in respect of Shares. GN has represented in the CN1 Agreement and the CN3 Agreement that it is not acting in concert with any party in respect of the Proposed CN1 Issue and the Proposed CN3 Issue.



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Assuming that all CN1, CN2 and CN3 (“Notes”) are issued on 31 March 2020 and fully converted on their respective maturity dates (based on their respective entire principal amounts including where applicable all interest accrued up to their respective maturity dates), the shareholding of GN in the Company will be 1,759,590,218 Shares, being approximately 74.38% of the enlarged Share capital of the Company comprising 2,365,804,359 Shares. Accordingly, GN may potentially acquire 30.0% or more voting rights of the Company as a result of acquiring New Shares upon conversion of CN1 and CN3 pursuant to the Proposed CN1 Issue and the Proposed CN3 Issue. In such an event, GN would incur an obligation to make a mandatory general offer for the Company under Rule 14 of the Takeover Code.

Shareholders should take note the issuance of the Notes under the CN Agreements (as defined in the Circular) are not inter-conditional.

## **1.2 The Proposed Whitewash Resolution**

Pursuant to Rule 14 of the Takeover Code, except with the consent from the Securities Industry Council (the “SIC”), where (a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company; or (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of 6 months additional shares carrying more than 1% of the voting rights, such person must extend offers immediately, on the basis set out in Rule 14 of the Takeover Code, to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares.

As at the Latest Practicable Date, GN does not hold any Shares and does not hold any instruments convertible into rights to subscribe for and options in respect of Shares. GN has represented in the CN1 Agreement and the CN3 Agreement that it is not acting in concert with any party in respect of the Proposed CN1 Issue and the Proposed CN3 Issue.

Assuming all Notes are issued and fully converted on their respective maturity dates, the shareholding of GN in the Company will be 1,759,590,218 Shares, being approximately 74.38% of the enlarged Share capital comprising 2,365,804,359 Shares. Accordingly, GN may potentially acquire 30.0% or more voting rights of the Company as a result of acquiring New Shares upon conversion of CN1 and CN3 pursuant to the Proposed CN1 Issue and the Proposed CN3 Issue. In such an event, GN would incur an obligation to make a mandatory general offer for the Company under Rule 14 of the Takeover Code.

GN had sought a Whitewash Waiver (as defined in the Circular) from the SIC and SIC had, on 4 December 2019, waived the requirement for GN to make a general offer for the Company if it increases its shareholding in the Company to 30.0% or more upon conversion of CN1 and CN3 pursuant to the Proposed CN1 Issue and the Proposed CN3 Issue, subject to the following conditions:

- (a) A majority of holders of voting rights of the Company present and voting at a general meeting to approve the Proposed Whitewash Resolution, before the issue of securities to GN under the Proposed CN1 Issue and the Proposed CN3 Issue, by way of poll to waive their rights to receive a mandatory general offer from GN;
- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) GN, persons acting in concert with it, as well as parties not independent of them, abstain from voting on the Proposed Whitewash Resolution;
- (d) GN and persons acting in concert with it did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of the Shares (other than subscriptions for,

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rights to subscribe for, instruments convertible into or options in respect of New Shares which have been disclosed in the Circular in relation to the Proposed Issue):

- (i) during the period between the Announcement Date and the date Shareholders' approval is obtained for the Proposed Whitewash Resolution; and
  - (ii) in the six months prior to the Announcement Date, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Proposed Issue;
- (e) the Company appoints an independent financial adviser to advise its independent Shareholders on the Proposed Whitewash Resolution;
- (f) the Company sets out clearly in the Circular:
- (i) details of the Proposed Issue;
  - (ii) the dilution effect to existing holders of voting rights upon the conversion of the Notes to be issued to GN;
  - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by GN and persons acting in concert with it as at the Latest Practicable Date of the Circular;
  - (iv) the number and percentage of voting rights to be issued to, or acquired by, GN as a result of the conversion of the Notes to be issued;
  - (v) a specific and prominent reference that the issue of New Shares upon conversion of the Notes to be issued under the Proposed Issue could result in GN holding Shares carrying over 49.0% of the voting rights of the Company based on its enlarged issued share capital, and the fact that GN will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a general offer for the Company;
  - (vi) a specific and prominent reference that the independent Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from GN at the highest price paid by GN and parties acting in concert with it for the Shares in the six months preceding the Announcement Date; and
  - (vii) a specific and prominent reference that the independent Shareholders, by voting for the Proposed Whitewash Resolution, could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the convertibles;
- (g) the Circular states that the Whitewash Waiver granted by the SIC is subject to the conditions stated in paragraphs (a) to (f) above;
- (h) GN obtaining the SIC's approval in advance for the sections of the Circular that refer to the Proposed Whitewash Resolution;
- (i) to rely on the Proposed Whitewash Resolution, the acquisition of the Notes by GN pursuant to the Proposed Issue must be completed within three months of the approval of the Proposed Whitewash Resolution. Further, the acquisition of the New Shares by GN upon the conversion of the Notes must be completed within five years of the respective dates of issue of the Notes; and
- (j) GN will comply or procure the relevant person(s) to comply with the disclosure requirements set out in Note 2 on Section 2 of Appendix 1 of the Takeover Code.

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As at 12 February 2020, all the above conditions imposed by the SIC (save and except for the condition requiring approval of the majority of voting rights of the Company present and voting at a general meeting for the Proposed Whitewash Resolution) have been satisfied, including obtaining the SIC's approval for the sections of the Circular that refer to the Proposed Whitewash Resolution.

Independent Shareholders are therefore asked to vote, on a poll, on the Proposed Whitewash Resolution as set out as Ordinary Resolution 3 in the Notice of EGM as set out in the Circular.

In connection with the Proposed Whitewash Resolution, GN has confirmed that it and its concert parties have not acquired any Shares in the Company in the six (6) months period prior to the announcement of the Proposed Issue, and will not acquire any Shares in the Company in the period between the Announcement Date and the date on which Shareholders' approval is obtained for the Proposed Whitewash Resolution.

**BY VOTING IN FAVOUR OF THE PROPOSED WHITEWASH RESOLUTION, INDEPENDENT SHAREHOLDERS SHOULD NOTE THAT THEY ARE WAIVING THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER UNDER RULE 14 OF THE TAKEOVER CODE FROM GN FOR THE SHARES, WHICH GN AND ANY PERSONS ACTING IN CONCERT WITH IT WOULD OTHERWISE HAVE BEEN OBLIGED TO MAKE AT THE HIGHEST PRICE PAID OR AGREED TO BE PAID BY THEM FOR THE SHARES IN THE SIX MONTHS PRECEDING THE ANNOUNCEMENT DATE.**

**INDEPENDENT SHAREHOLDERS SHOULD ALSO NOTE THAT BY VOTING IN FAVOUR OF THE PROPOSED WHITEWASH RESOLUTION, THEY MAY BE FOREGOING THE OPPORTUNITY TO RECEIVE A GENERAL OFFER FROM ANOTHER PERSON WHO MAY BE DISCOURAGED FROM MAKING A GENERAL OFFER IN VIEW OF THE POTENTIAL DILUTION EFFECT OF THE PROPOSED CN1 ISSUE AND PROPOSED CN3 ISSUE.**

**INDEPENDENT SHAREHOLDERS SHOULD NOTE THAT UPON CONVERSION OF THE NOTES TO BE ISSUED UNDER THE PROPOSED ISSUE COULD RESULT IN GN HOLDING SHARES CARRYING MORE THAN 49% OF THE VOTING RIGHTS IN THE COMPANY, AND HENCEFORTH BE FREE TO ACQUIRE FURTHER SHARES WITHOUT INCURRING ANY OBLIGATION UNDER RULE 14 OF THE TAKEOVER CODE TO MAKE A GENERAL OFFER FOR THE COMPANY.**

**SHAREHOLDERS SHOULD ALSO FURTHER TAKE NOTE THAT THE PASSING OF THE RESOLUTION TO APPROVE THE PROPOSED CN1 ISSUE AND THE PROPOSED CN3 ISSUE IS CONTINGENT UPON THE PROPOSED WHITEWASH RESOLUTION BEING PASSED. IN VIEW OF THIS, IN THE EVENT THAT THE PROPOSED WHITEWASH RESOLUTION IS NOT PASSED BY THE INDEPENDENT SHAREHOLDERS, THE PROPOSED ISSUE WILL NOT TAKE PLACE.**

## **2. TERMS OF REFERENCE**

ACA has been appointed to advise the Independent Directors with respect to the Proposed Whitewash Resolution. We were neither a party to the negotiations entered into by the Company in relation to the proposed transaction nor were we involved in the deliberation leading up to the decision on the part of the Directors to enter into the proposed transaction, and we do not, by this Letter or otherwise, advise or form any judgement on the merits of the Proposed Issue, the Proposed Whitewash Resolution in relation to Proposed CN1 Issue and the Proposed CN3 Issue (collectively, the "**Proposed Transactions**") or the possibilities or feasibilities of the completion of the Proposed Transactions other than to form an opinion, strictly and solely on the bases set out herein on whether the financial terms of the Proposed CN1 Issue and the Proposed CN3 Issue, being the subject of the Proposed Whitewash Resolution, are fair and reasonable, and not prejudicial to the interests of the Independent Shareholders when considered in the context of the issuance of the New Shares under the Proposed CN1 Issue and the Proposed CN3 Issue. Our scope does not include, *inter-alia*, determining the independence of the Directors for the purpose of making recommendation in respect of the Proposed Whitewash Resolution and advice or opinion pertaining to any other securities or convertible securities save for Shares.

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We have confined our evaluation strictly and solely on the financial terms of the Proposed CN1 Issue and the Proposed CN3 Issue, being the subject of the Proposed Whitewash Resolution, and have not taken into account the commercial/financial risks and/or merits (if any) of or the timing for the Proposed Transactions contemplated in the Circular or the future financial performance or position for the Company and its subsidiaries (the “**Group**”) subsequent to the Proposed Transactions or the possibility/probability that the Group can improve their profitability or such other proposed corporate actions or that the anticipated benefits from the Proposed CN1 Issue and the Proposed CN3 Issue can be realised (as the case may be). Such evaluation or comment remains the responsibility of the Directors and management (“**Management**”) of the Company although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in this Letter.

In the course of our evaluation, we have held discussions with Directors and Management, *inter-alia*, regarding their assessment of the rationale for the Proposed CN1 Issue and the Proposed CN3 Issue set out in the Circular and have examined publicly available information collated by us including the audited financial statements and unaudited financial statements as well as information including material information or developments pertaining to the Company and the Group (both written and verbal), provided to us by Directors and Management or where applicable professional advisers of the Company, including its consultants or advisers or solicitors or auditors. We have not independently verified such information but have made such enquiries and used our judgement as we deemed necessary on such information and have found no reason to doubt the reliability of the information. Accordingly, we cannot and do not expressly or impliedly represent or warrant, and do not accept any responsibility for, the accuracy or completeness or adequacy of such information or the manner it has been classified or presented or the basis of any valuations.

We have relied upon the assurance of the Directors and Management that all statements of fact, belief, opinion and intention made by the Directors and the Management in the Circular as well as their announcements for the financial results have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty, expressed and implied, is made and no responsibility is accepted by us concerning the accuracy or completeness or adequacy of such information or statements of facts or belief or opinion or intention.

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance or condition of the Group as may be reflected in the unaudited financial statements for the Group for financial period nine (9) months ended 30 September (“**9M**”) 2019 (“**9M2019**”). Accordingly, we have not commented on or assessed the expected future performance or prospects of the Company or the Group after the completion of the Proposed CN1 Issue, Proposed CN3 Issue and the proposed issue of CN2 (“**Proposed CN2 Issue**”) pursuant to the CN2 Agreement ( collectively, the “**Proposed Issue**”) stipulated in the Circular. We are not required under our scope and terms of reference nor are we able to discuss, comment, opine, or advise on the Group’s financial performance, position and conditions after 30 September 2019. Accordingly, we have not commented on or assessed the expected future performance or prospects of the Company or the Group after 30 September 2019 or the completion of the transactions stipulated in the Circular. Our evaluation and opinion and recommendation do not and cannot take into account future or prospective performance of the Company or the Group and neither are we responsible for it. Accordingly, estimates or analysis or evaluation of the merits of the Company or the Group or the Proposed Whitewash Resolution, if any, in this IFA Letter are necessarily limited, and we do not warrant or represent that it is complete or in entirety.

In the course of our evaluation, we also note that the independent auditors (the “**Independent Auditor**”) of the Company named in the annual report for the financial year ended 31 December 2018 (“**AR2018**”) have not expressed an opinion (“**Disclaimer of Opinion**”) for the financial year ended 31 December (“**FY**” or “**FYE**”) 2018 (“**FY2018**”) due to, *inter-alia*, the inability to obtain sufficient audit evidence in relation to the going concern assumption and the information technology (“**IT**”) platform costs as described in the Independent Auditor report for FY2018. The extract of the basis of the

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Independent Auditor's Disclaimer of Opinion are set out in Section 5.2 of this Letter and can be found on pages 71 and 72 of the AR2018.

Our opinion in this IFA Letter is based on economic, market, industry, monetary and other conditions (if applicable) in effect on, and the information provided to us, as of the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter-alia*, include general as well as company specific or industry specific conditions or sentiments or factors. Independent Directors (as well as Independent Shareholders of the Company who would be receiving the Circular and this IFA Letter enclosed with the Circular) should note that our evaluation is based solely on publicly available information, other information provided by the Company, Directors and Management as well as those disclosed in the Circular, and economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the relevant financial year end for the Company or the Group or developments both macro and company specific and that these factors do and will necessarily affect the evaluation of the Proposed Whitewash Resolution and our recommendation or opinion or views. Likewise, this Letter outlines some of the matters or bases or factors or assumptions which we have used in our assessment and is a summary. They are by no means exhaustive or a reproduction of all the matters or bases or factors or assumptions etc. which we have used in our assessment.

The Directors have jointly and severally accepted full responsibility, as set out in the Circular, for the truth, accuracy and completeness of the information and representations as provided by the Directors contained therein. The Directors have confirmed to ACA that all material information including but not limited to plans or prospects or proposals or rationale involving the Proposed Whitewash Resolution or the Proposed CN1 Issue and the Proposed CN3 Issue stipulated in the Circular or issue or changes to its capital structure, available to them and the Management in connection with the Proposed Whitewash Resolution or such other parties has been disclosed to ACA and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the expected future performance or future growth prospects or plans of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed by the Directors in the Circular to be untrue, inaccurate or incomplete in any respect or misleading. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.

Our scope does not require us and we have not made any independent evaluation or business valuation of the Group (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities of the Group or contracts entered into or licenses owned by the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group. With respect to such valuations, we are not experts in the evaluation (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities including, *inter-alia*, the contracts or agreements that the Group has embarked upon or are about to embark upon or licenses owned by the Group and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

The Directors are of the opinion that the values of the assets and liabilities (where applicable) as well as the financial performance or condition of the Company and the Group as reflected in their unaudited financial statements for 9M2019 and audited financial statements for FY2018 are true and fair. The Directors have also confirmed that to the best of its knowledge, nothing has come to their attention which may render the unaudited financial statements for 9M2019 and audited financial statements for FY2018 for the Group to be false or misleading in any material aspect. In addition, the Directors confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact, *inter-alia*, the valuation or appraisal of assets and liabilities including, *inter-alia*, the contracts or agreements that the Group has embarked upon or are about to embark upon or licenses owned by the Group, the omission of which would render those statements or information or our analysis or information presented in this Letter to

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be untrue, inaccurate, incomplete or misleading. Our views, opinion and recommendations are thus limited, and subject to these matters as well as others mentioned in the Letter.

The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Company's announcements on the SGX-Net, as well as the Group's unaudited financial statements for 9M2019 and audited financial statements for FY2018, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group before and after the Proposed Transactions stipulated in the Circular or as represented to us or the Proposed CN1 Issue and the Proposed CN3 Issue or the sufficiency of the Group's working capital or the ability of the Group to continue as a going concern. We are therefore not expressing any view herein as to the prices at which the New Shares or the Shares may trade upon completion or rejection of the Proposed Whitewash Resolution or the other transactions or resolutions stipulated in the Circular or the returns that the Independent Shareholders may have owning the Shares or voting for or voting against the Proposed Whitewash Resolution or resolutions stipulated in the Circular or on the future financial performance of the Company or the Group or the plans (if any) for each of them.

In rendering our opinion and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Independent Shareholder. As different Independent Shareholders would have different investment profiles and objectives, we would advise the Independent Directors to recommend that any individual Independent Shareholder who may require advice in the context of his specific investment portfolio, including his investment in the Company, consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Accordingly, any factor or assumption or basis as well as the relative emphasis on any matter set out in this IFA Letter or the Proposed Whitewash Resolution or the Company or the Group or the Shares or the New Shares which we use or may have used may differ from the relative emphasis accorded by any individual Independent Shareholder or Independent Director. As such Independent Directors are advised to highlight to Independent Shareholders as well as note for themselves that any reliance on our opinion or view or assessment, is subject to the contents of this IFA Letter in its entirety. In addition, ACA will not be responsible or required to provide an updated assessment or opinion or views of the Proposed Whitewash Resolution or its recommendation, following the date of the issue of this IFA Letter.

This Letter is addressed to the Independent Directors in connection with, and for the sole purposes of their evaluation of the financial terms of the Proposed CN1 Issue and the Proposed CN3 Issue, being the subject of the Proposed Whitewash Resolution. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor any other party, may reproduce, disseminate or quote from this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except that the Company and the Directors and the Shareholders may reproduce, disseminate or quote the IFA Letter for the sole purpose of the Proposed Whitewash Resolution and/or at the forthcoming EGM. In addition, any references to our Letter or opinion or views or recommendation, should not be made except with our prior consent in writing and even if made with our prior consent in writing, shall be subject to the contents of this Letter in its entirety, *inter-alia*, the matters, conditions, assumptions, limitations, factors and bases as well as our terms of reference for this Letter.

### **3. Information on the Subscribers**

The information on the subscribers ("**Subscribers**") for CN1 and CN3, and CN2 being GN and Mr Taniya respectively, are extracted from Section 2 of the Circular and set out in italics below. We recommend that Shareholders read this paragraph of the Circular carefully. All terms and expressions used in the extract below shall have the same meaning as those defined in the Circular, unless otherwise stated:-

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**“2 INFORMATION ON THE SUBSCRIBERS**

*The information in this section relating to the Subscribers is based on information provided by and/or representations made by the Subscribers. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below*

**2.1 GN**

*GN has entered into the CN1 Agreement and CN3 Agreement pursuant to the arrangements under a non-binding strategic alliance terms entered into between the Company and GN, further details of which are set out in the Company’s announcement dated 20 February 2019. GN will not be holding the New Shares on trust or as a nominee. There is no connection (including business relationships) between the Directors or the Substantial Shareholders of the Company and GN, its directors and substantial shareholders. As at the Latest Practicable Date, GN does not have any shareholding interests in the Company.*

*GN is a company incorporated in the British Virgin Islands. GN offers a cost-efficient social investing platform for Asian, European and other global contract-for-differences to facilitate investment-related business, via its network of social media influencers KOLs, followers of such KOLs, and third party service and product providers. As at the date of this Circular, there are 26 shareholders in GN comprising of 18 individual shareholders and 8 corporate shareholders. GN provides free content to its users via its platform. Users may also opt to obtain premium content provided by KOLs to their followers for a subscription fee, or premium services and contract-for-differences supported by other third parties. Since its inception in 2013, GN’s platform, iMaibo.net, has built a user base with over 3,500,000 registered users.*

**2.2 Mr Taniya**

*Mr Taniya is a citizen of Japan and he is currently the managing principal and co-chief executive officer for Asia-Pacific of Stormharbour Securities LP, an independent financial services firm. Mr Taniya is a shareholder of GN and was introduced to the Company by GN. There is no connection (including business relationships) between the Directors or the Substantial Shareholders and Mr Taniya. As at the Latest Practicable Date, Mr Taniya does not have any shareholding interests in the Company.*

**2.3** *GN and Mr Taniya have in the CN1 Agreement, the CN2 Agreement and the CN3 Agreement (as the case may be) respectively represented and warranted to the Company that:*

*(a) it/he has no connection with the Company, its Directors and the Substantial Shareholders (including any business relationship), and is not a person to whom the Company is prohibited from issuing Shares to, as provided for in Rule 812 of the Catalist Rules; and*

*(b) it is not acting in concert with any other person in relation to the Proposed Issue.”*

**4. The Proposed Issue**

The information on the Proposed Issue, as extracted from Sections 3, 4 and 5 of the Circular, are set out in italics below. We recommend that Shareholders read these sections of the Circular carefully. All terms and expressions used in the extract below shall have the same meaning as those defined in the Circular, unless otherwise stated:-

**“3 PROPOSED ISSUE OF CN1 AND PROPOSED ISSUE OF CN3 TO GN**

**3.1 CN1**

*CN1 will be in registered form and will not be listed. The CN1 constitutes the direct, unsubordinated, unconditional and unsecured obligations of the Company. The payment*

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*obligations of the Company under CN1 shall, save as mandated under law, rank at least equally with all of the Company's present and future direct, unsubordinated, unconditional and unsecured obligations, other than subordinated obligations and priorities created by law*

*The key terms and conditions of CN1 include:*

- (a) **Principal Amount:** *CN1 will be in the principal amount of S\$1,122,620.*
- (b) **Interest:** *CN1 shall bear simple interest at the rate of 8% per annum, accruing from the respective dates of disbursement of the Loan up to the date such CN1 is repaid or converted. The accrued interest on CN1 will be payable upon the CN1 Maturity Date (as defined below) or on the date of the conversion, redemption or repayment of CN1 (as the case may be).*
- (c) **Maturity Date:** *CN1 will mature on the date falling one year from the date of issue of CN1, or such date as GN may agree with the Company in writing (the "CN1 Maturity Date").*
- (d) **Conversion Price:** *The issue price for each New Share to be issued upon conversion of CN1 shall be S\$0.007 ("Conversion Price") which represents a discount of approximately 84.7% over the volume weighted average price of S\$0.0459 for trades done on the Shares on the SGX-ST on 29 January 2019, being the full market day on which the Shares were last traded prior to the suspension of trading of the Shares on the Catalist on 1 February 2019. The Conversion Price was arrived based on the negotiation of the Company and GN, taking into account the Group's current financial position.*
- (e) **Conversion Period:** *On the CN1 Maturity Date, CN1 with all accrued interest shall be convertible in whole or in part at the option of GN (or the transferee of such CN1) into such number of New Shares at the Conversion Price.*
- (f) **Issue of New Shares:** *Based on the Conversion Price and assuming the entire principal amount of CN1 is converted on the CN1 Maturity Date (not including any accrued interest on the Loan), an aggregate of 160,374,285 New Shares will be issued after disregarding fractional entitlements of GN to the New Shares. Based on the Conversion Price and assuming that (i) CN1 is issued on 31 March 2020, (ii) the entire principal amount of CN1 is converted on the CN1 Maturity Date including all interest accrued up to 30 March 2021, an aggregate of 185,875,933 New Shares will be issued after disregarding fractional entitlements of GN to the New Shares.*
- (g) **Transferability:** *CN1 shall be transferable in whole or in part.*
- (h) **Repayment of the Notes:** *If GN does not exercise its option to convert CN1 on the CN1 Maturity Date, the principal amount (and accrued interest on the Loan) of CN1 shall be repaid by the Company within 30 Business Days from the CN1 Maturity Date.*

### 3.2 **CN3**

*CN3 will be in registered form and will not be listed. CN3 constitutes the direct, unsubordinated, unconditional and unsecured obligations of the Company. The payment obligations of the Company under CN3 shall, save as mandated under law, rank at least equally with all of the Company's present and future direct, unsubordinated, unconditional and unsecured obligations, other than subordinated obligations and priorities created by law.*

*The key terms and conditions of CN3 include:*



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- (a) **Issue and Subscription:** Subject to the terms of the CN3 Agreement, the Company agrees to issue and GN agrees to subscribe for the CN3 of up to S\$8.1 million in principal amount in the following manner:
- (i) The first tranche of a principal amount of S\$675,000 ("**Tranche 1 CN3**") within five Business Days immediately after the last of the conditions precedent under the CN3 Agreement is fulfilled or waived by GN (if capable of being waived), or such other date as GN may agree with the Company in writing;
  - (ii) The Company has granted an option ("**CN3 Option**") to GN to subscribe for subsequent tranches of CN3 (each of a principal amount in the multiples of S\$135,000, and the aggregate principal amount of such subsequent tranches shall be no more than S\$7,425,000) from the Company at the principal amount to be agreed between GN and the Company at any time within three years from the issue of the Tranche 1 CN3; and
  - (iii) GN may (but shall not be obliged to) exercise the CN3 Option by submitting the Exercise Notice to the Company at any time in respect of that CN3 Option or such other date as the parties may agree in writing. Upon receipt of an Exercise Notice from GN in respect of any subsequent tranches, the Company shall be obliged to issue at the principal amount stated in the Exercise Notice within five Business Days following the date of the Exercise Notice or such other date as the parties may agree in writing, such date being the closing date of the relevant subsequent tranches.
- (b) **Interest:** CN3 shall bear simple interest at the maximum rate of 12% per annum, accruing from the date of issue of each relevant tranche up to the date such CN3 is repaid or converted. The accrued interest on CN3 will be payable upon the relevant tranches of CN3 Maturity Date (as defined below), or on the date of the conversion, redemption or repayment of such tranches of CN3 (as the case may be).
- (c) **Maturity Date:** Each tranche of CN3 will mature on the date falling upon the earlier of (a) three years from the date of issue of the respective tranches of CN3, or (b) five years from the date of issue of Tranche 1 CN3 (the "**CN3 Maturity Date**").
- (d) **Conversion Price:** The issue price for each New Share to be issued upon conversion of CN3 shall be the Conversion Price which represents a discount of approximately 84.7% over the volume weighted average price of S\$0.0459 for trades done on the Shares on the SGX-ST on 29 January 2019, being the full market day on which the Shares were last traded prior to the suspension of trading of the Shares on the Catalist on 1 February 2019. The Conversion Price was arrived based on the negotiation of the Company and GN, taking into account the Group's current financial position.
- (e) **Conversion Period:** Any outstanding CN3 and all accrued interest shall be convertible at the option of GN (or the transferee of such CN3) at any time from the issue of such tranches of CN3 up to one day prior to the relevant tranches of CN3 Maturity Date.
- (i) **Issue of New Shares:** Based on the Conversion Price and assuming the entire principal amount of CN3 is converted on the CN3 Maturity Date (not including accrued interest), an aggregate of 1,157,142,857 New Shares will be issued after disregarding fractional entitlements of GN to the New Shares. Based on the Conversion Price and assuming that (i) CN3 is issued on 31 March 2020, (ii) the entire principal amount of the CN3 is converted on the CN3 Maturity Date including all interest accrued up to 30 March 2023, an aggregate of 1,573,714,285 New Shares will be issued after disregarding fractional entitlements of GN to the New Shares.
- (f) **Transferability:** CN3 shall be transferable in whole but not in part.

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- (g) **Repayment of the Notes:** *If GN does not exercise its option to convert the CN3 on the CN3 Maturity Date, the principal amount (and accrued interest) of each tranche of CN3 shall be repaid by the Company within 30 Business Days after the relevant CN3 Maturity Date.*

**4 PROPOSED ISSUE OF CN2 TO MR TANIYA**

**4.1 CN2**

*CN2 will be in registered form and will not be listed. CN2 constitutes the direct, unsubordinated, unconditional and unsecured obligations of the Company. The payment obligations of the Company under CN2 shall, save as mandated under law, rank at least equally with all of the Company's present and future direct, unsubordinated, unconditional and unsecured obligations, other than subordinated obligations and priorities created by law.*

*The key terms and conditions of CN2 include:*

- (i) **Principal Amount:** *CN2 will be in the principal amount of S\$675,000.*
- (ii) **Interest:** *CN2 shall bear no interest.*
- (iii) **Maturity Date:** *CN2 will mature on the date falling three years from the date of issue of the CN2, or such date as Mr Taniya may agree with the Company in writing (the "**CN2 Maturity Date**").*
- (iv) **Conversion Price:** *The issue price for each New Share to be issued upon conversion of CN2 shall be the Conversion Price which represents a discount of approximately 84.7% over the volume weighted average price of S\$0.0459 for trades done on the Shares on the SGX-ST on 29 January 2019, being the full market day on which the Shares were last traded prior to the suspension of trading of the Shares on the Catalyst on 1 February 2019. The Conversion Price was arrived based on the negotiation of the Company and Mr Taniya, taking into account the Group's current financial position.*
- (v) **Conversion Period:** *CN2 may be converted, in whole or in part, at the option of Mr Taniya at any time from the issue of CN2 up to one day prior to the CN2 Maturity Date.*
- (vi) **Issue of New Shares:** *Based on the Conversion Price and assuming the entire principal amount of the CN2 is converted on the CN2 Maturity Date, an aggregate of 96,428,571 New Shares will be issued after disregarding fractional entitlements of Mr Taniya to the New Shares.*
- (vii) **Transferability:** *CN2 shall not be transferable.*
- (viii) **Repayment of the Notes:** *If Mr Taniya does not exercise its option to convert CN2 prior to the CN2 Maturity Date, unless such maturity date is extended by the parties, the principal amount of CN2 shall be repaid by the Company within 30 Business Days from the CN2 Maturity Date.*

**5 OTHER SALIENT TERMS OF THE NOTES**

**5.1 Adjustment**

*The Conversion Price and the number of New Shares to be issued are subject to certain anti-dilution adjustments under certain circumstances provided for in the CN Agreements, including, inter-alia:*

- (a) *an issuance of new Shares by way of capitalisation of profits or reserves;*

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- (b) *a sub-division, consolidation or re-classification of Shares, reorganisations or any other activities that alter the capital structure of the Company; or*
- (c) *a distribution of capital to Shareholders whether by way of a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets).*

*Any material alteration to the terms of the CN Agreements after the issue of the Notes to the advantage of GN and/or Mr Taniya and prejudicial to the Shareholders must be approved by the Shareholders in general meeting, except where the alterations are made pursuant to the terms of the CN Agreements.*

**5.2 New Shares**

*The New Shares shall be issued and credited as fully paid upon the conversion of the Notes and shall be issued unencumbered and free from any security interests, claims (including pre-emptive rights) or liens and will be freely transferable. The New Shares shall rank pari passu in all respects with all other then existing Shares, and shall carry the right to receive all dividends and other distributions declared after the date of conversion of the Notes, and all other rights pursuant to the constitution of the Company and all applicable laws.*

*Assuming that the Notes are issued on 31 March 2020 and fully converted on their respective Maturity Date, the aggregate maximum number of New Shares to be issued upon conversion of the Notes (and all accrued interests up to the respective Maturity Date) is 1,856,018,789 New Shares, representing approximately 364.08% of the existing share capital of 509,785,570 Shares and approximately 78.45% of the enlarged share capital of 2,365,804,359 Shares.*

**5.3 Conditions Precedent**

*The issuance of the Notes and the obligations of GN or Mr Taniya (as the case may be) to subscribe and pay for their respective Notes shall be conditional upon the following conditions having been fulfilled or otherwise waived in writing at the sole and absolute discretion of GN or Mr Taniya (as the case may be and if capable of being waived) on the respective dates of the issue of the Notes (each a "**Completion Date**"):*

**5.3.1** *all necessary consents and approvals from relevant third parties and regulatory bodies in Singapore and other jurisdictions (including but not limited to the SGX-ST and German Federal Financial Supervisory Authority (BaFin)) having been obtained in connection with:*

- (a) *the execution of the CN Agreements by the Company with GN and Mr Taniya (as the case may be); and*
- (b) *the issuance of the Notes by the Company and the issuance of the New Shares to GN and Mr Taniya (as the case may be);*

**5.3.2** *the approval of the Shareholders in a general meeting for:*

- (a) *the issuance of the Notes and issuance of New Shares at the Conversion Price;*
- (b) *the Proposed Whitewash Resolution; and*
- (c) *the transfer of controlling interest following the issuance of New Shares;*

**5.3.3** *the receipt of listing and quotation notice for the listing of and quotation for all the New Shares on the Catalist from the SGX-ST, such approval not being revoked, rescinded or cancelled prior to the relevant Completion Date;*

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- 5.3.4 *in the case of CN1 and CN3, the SIC having granted the Whitewash Waiver subject to any conditions that the SIC may impose which are reasonably acceptable to GN;*
- 5.3.5 *there not having been any circumstance immediately prior to or on the relevant Completion Date which will prohibit, restrict or materially delay the completion of the subscription and issue of the Notes;*
- 5.3.6 *no injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the issue of the Notes shall be in effect; and*
- 5.3.7 *the Company remaining listed on the Catalyst.*

**5.4 Failure to fulfil the Conditions Precedent**

*If any of the conditions precedent set forth in paragraph 5.3 is not satisfied or waived by GN or Mr Taniya (as the case may be), if capable of being waived, on or before the Long-Stop Date, GN or Mr Taniya (as the case may be) shall have the right to either: (i) fix a new date for the completion of the subscription and issue of the Notes; or (ii) terminate the CN Agreement as between GN or Mr Taniya (as the case may be) and the Company. If GN or Mr Taniya (as the case may be) opts to terminate the CN Agreement, the relevant CN Agreement shall ipso facto cease and the parties shall be released and discharged from their obligations under the respective CN Agreements except for (a) the liability of the Company for the payment of costs and expenses; (b) the confidentiality obligations of the Company; and (c) any antecedent breaches.*

*For the avoidance of doubt, the issuance of the Notes under the CN Agreements is not inter-conditional.*

**5.5 Repayment of the Principal Amount in the event of failure to fulfil the Conditions Precedent**

(a) CN1

*Upon the giving of a notice of termination by GN to the Company pursuant to paragraph 5.4 above, the outstanding principal amount and all accrued interest at the agreed rate pro-rated up to the date of full repayment by the Company will be immediately due and payable by the Company. GN and the Company agree that the Company shall have up to 30 Business Days from the receipt of the notice of termination to repay the outstanding principal amount and all accrued interest.*

(b) CN2

*If any of the conditions precedent set out in paragraph 5.3 is not satisfied or is not waived by Mr Taniya on or before the Long-Stop Date, and Mr Taniya decides to terminate the CN2 Agreement in accordance with paragraph 5.4, the Company agrees that it shall within 30 Business Days repay to Mr Taniya the principal amount of CN2.*

(c) CN3

*Upon the giving of a notice of termination by GN to the Company pursuant to paragraph 5.4 above, the outstanding principal amount including the payment for the Tranche 1 CN3 and any subsequent tranches and all accrued interest at the agreed rate for the period from the relevant date of the disbursement for the Tranche 1 CN3 and the subsequent tranches up to the date of full repayment by the Company will be immediately due and payable by the Company. GN and the Company agree that the*

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*Company shall have up to 30 Business Days from the receipt of the notice of termination to repay the outstanding principal amount and all accrued interest.*

**5.6 Events of Default**

**5.6.1** *The following are “Events of Default” and each an “Event of Default”:*

- (a) the Company ceases or will cease to be a company registered under the laws of Singapore or is liquidated or a petition is presented in any court giving jurisdiction over the Company or a resolution is passed for the winding up of the Company except for the purpose of reconstruction the terms of which have been approved in writing by the Subscribers or a receiver and/or manager is appointed in respect of the assets or undertaking of the Company or a judicial manager or equivalent officer is appointed in respect of the Company;*
- (b) the Company having convened a meeting of its creditors or is purported to have entered into any arrangement or composition for the benefit of its creditors;*
- (c) the delisting of the Shares from Catalist Board of the SGX-ST;*
- (d) a default by the Company of any of the terms and conditions of the CN Agreements, and any applicable law and/or regulations; or*
- (e) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Notes.*

**5.6.2** *If at any time and for any reason any Event of Default has occurred then and at any time thereafter, whether or not any Event of Default is still continuing, the Subscribers may by notice to the Company declare its respective outstanding Notes to be immediately due and payable and repay the whole of its respective Notes and all fees, charges and/or interest and/or default interest (where applicable) or any other sums agreed to be paid under its respective Notes which shall become due and payable without any demand or notice of any kind by the Subscribers to the Company and/or exercise all their rights, powers and remedies under its respective Notes in any order that they deem fit.”*

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**5. Evaluation of the Proposed Whitewash Resolution**

In assessing the financial terms of the Proposed CN1 Issue and the Proposed CN3 Issue, being the subject of the Proposed Whitewash Resolution, we have taken into account the following pertinent factors as well as others in this Letter, which we consider will have a significant bearing on our assessment:

- (i) Rationale for the Proposed Issue and use of proceeds;
- (ii) Financial performance, condition and position of the Group;
- (iii) The Group's net asset value ("**NAV**") and net tangible asset ("**NTA**") analysis;
- (iv) Market quotation and trading activity for the Shares;
- (v) Theoretical value of the Notes;
- (vi) Relative valuation analysis;
- (vii) Analysis of selected comparable transactions; and
- (viii) Other considerations.

These factors are discussed in detailed in the ensuing sections.

In our assessment of the Proposed CN1 Issue and the Proposed CN3 Issue, being the subject of the Proposed Whitewash Resolution, we have applied certain valuation ratios and a brief description of such valuation ratios are as follows:-

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- (i) **EV/EBITDA**                      “EV” or “Enterprise Value” is defined as the sum of a company’s market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents. “EBITDA” stands for earnings before interest, tax, depreciation and amortisation but after share of associates’ and joint ventures’ income but excluding exceptional items.
- The “EV/EBITDA” multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.
- (ii) **Price-to-Earnings (“PER”)**                      The PER is a widely used earnings-based valuation methodology that illustrates the ratio of the current market price of a company’s shares relative to its net earnings per share. Unlike the EV/EBITDA multiple, the PER is based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, the PER is affected by the capital structure of a company, tax position as well as its depreciation and goodwill policies.
- (iii) **Price-to-NTA (“P/NTA”)**                      The P/NTA ratio is the ratio of the relevant prices of the shares to the NTA value of the relevant companies. It is an asset-based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its tangible asset backing as measured in terms of its NTA value.
- The NTA of a company provides an estimate of its value assuming a hypothetical sale of all its tangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders. The NTA-based approach is widely used for valuing the shares of property-based companies as their tangible asset backings are perceived as providing support for the value of their shares.
- (iv) **Price-to-NAV (“P/NAV”)**                      The P/NAV ratio is the ratio of the relevant prices of the shares to the NAV of the relevant companies. It is an asset based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its tangible and intangible asset backing as measured in terms of its NAV value.
- The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its tangible and intangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders.

### **5.1 Rationale for the Proposed Issue and use of proceeds**

The rationale for the Proposed Issue and the intended use of proceeds, have been extracted from Section 6 of the Circular and is set out in italics below. We recommend that the Independent Directors advise Independent Shareholders to read this paragraph of the Circular carefully. All terms and expressions used in the extract below shall have the same meaning as those defined in the Circular, unless otherwise stated:

#### **“6. RATIONALE AND USE OF PROCEEDS**

- 6.1 *In view of the Group’s current financial position, it is continually considering fundraising options in order to improve its financial position. The Company is of the opinion that the Proposed Issue will be necessary to meet the Group’s working capital requirements and financial needs.*

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- 6.2 *As at the Latest Practicable Date, the Company has received the advance payment of the subscription monies for CN1 of S\$1,122,620 and CN2 of S\$675,000, totalling S\$1,797,620.*
- 6.3 *The proceeds from the Proposed CN1 Issue and Proposed CN2 Issue shall be used solely by the Company for working capital purposes. The proceeds from the Proposed CN1 Issue and Proposed CN2 Issue have been fully applied to meet the Group's general working capital requirements.*
- 6.4 *The Company intends to utilise the aggregate proceeds from the Proposed CN3 Issue of up to S\$8.1 million in the following proportions:*

<b>Use of Proceeds</b>	<b>Percentage Allocation</b>
	(%)
<i>Repayment of loans and outstanding payments owing by the Group</i>	30
<i>Payments for the costs and expenses relating to the Notes</i>	0.5
<i>General working capital</i>	39.5
<i>Business expansion through investments, acquisitions and joint ventures</i>	30

- 6.5 *The disbursement from and use of proceeds from the Proposed CN3 Issue of more than S\$50,000 shall require the prior approval from GN.*
- 6.6 *After taking into consideration the present bank facilities available to the Group, the Directors are of the opinion that the working capital available to the Group is insufficient to meet its present requirements. However, after taking into consideration the present bank facilities and proceeds of the Proposed Issue, the Directors are of the opinion that the working capital available to the Group is sufficient to meet its present requirements.*
- 6.7 *The Company will make periodic announcements on the utilisation of the proceeds of the Proposed Issue as and when such proceeds are materially disbursed, and provide a status report on the use of the proceeds raised in its interim and full-year financial results announcements issued under Rule 705 of the Catalist Rules and its annual report. Where the proceeds have been used for working capital purposes, the Company will disclose a breakdown with specific details on how the proceeds have been applied. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation."*

**5.2 Financial performance, condition and position of the Group**

The following are extracts from the audited consolidated financial statements of the Group for FY2017 and FY2018, and the unaudited financial statements of the Group for 9M2018 and 9M2019.



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**Summary of Income Statements**

Figures in CHF'000 <sup>(1)</sup>	Unaudited 9M2019	Unaudited 9M2018	Audited FY2018	Audited FY2017
<b>Continuing operations</b>				
Trading Revenue	-	15,975	18,570 <sup>(2)</sup>	20,755
Fees, rebates, client bonuses and betting duty tax	-	(8,393)	(10,274)	(10,820)
Net Operating income	-	7,582	8,296	9,935
Total operating expenses (net) <sup>(3)</sup>	(1,144)	(15,936)	(56,138)	(17,544)
Operating loss	(1,144)	(8,354)	(47,842)	(7,609)
Finance costs	(1)	(2,967)	(2,973)	(2,809)
(Loss)/Profit before tax	(1,145)	(11,321)	(50,813)	(10,417)
(Loss)/Profit after tax	(1,145)	(10,887)	(50,239)	(9,760)
<b>Discontinued operations</b>				
Profit/(Loss) from discontinued operations	53,980	-	-	-
Profit/(Loss) after tax attributable to equity holders of the Company	52,852	(10,872)	(50,218)	(9,750)

**Summary of Consolidated Statements of Financial Position**

Figures in CHF'000 <sup>(1)</sup>	Unaudited 9M2019	Audited FY2018	Audited FY2017
Non-current assets	-	78	36,596
Current assets	123	34,056	53,600
Non-current liabilities	-	99	797
Current liabilities	2,288	42,314	80,523
Total borrowings <sup>(4)</sup>	1,327	353	15,573
Shareholders' equity	(2,165)	(8,234)	8,899
Net current assets/(liabilities)	(2,165)	(8,258)	(26,923)
Gearing ratio(times)	N.M	N.M	1.7

**Summary of Statements of Cash Flows**

Figures in CHF'000 <sup>(1)</sup>	Unaudited 9M2019	Unaudited 9M2018	Audited FY2018	Audited FY2017
Net cash used in operating activities	(8,921)	(6,878)	(5,953)	(4,362)
Net cash generated/(used in) investing activities	6,241	(1,283)	(1,365)	(1,968)
Net cash generated from financing activities	1,327	8,151	8,006	3,388
Net (decrease)/increase in cash and cash equivalents	(1,353)	(10)	688	(2,942)
Cash and cash equivalents as at end of financial period / year	123	846	1,532	882

**Notes:**

(1) Figures and computation presented in this section are subject to rounding.

(2) Trading revenue for FY2018 is on a net basis (after deducting client bonuses).

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- (3) *Total operating expenses (net) comprise other income, staff expense, marketing expenses, initial public offering/reverse-takeover expenses (“IPO/RTO expenses”), impairment of assets and other operating expenses, and administrative expenses.*
- (4) *Total borrowings include short-term loans, loans from related parties, loan from a Director, convertible bonds and bank overdraft.*

The Group’s business

The Group was a financial technology group that provided social trading services and brokerage services to retail and institutional customers which offers innovative trading and investment solutions for retail and institutional customers. Its past reportable business segments were as follows:-

- (a) Social Trading segment (“**Social**”) allows traders to share and follow other traders’ trading and investment strategies automatically, proportionally and on a real time basis.
- (b) Self-Directed Trading segment (“**Self-Directed**”) offers CFD and spread bet trading over a wide range of markets including Forex, Commodities, Treasuries, Cryptocurrencies and Shares.
- (c) Casual Trading segment (“**Casual**”) aim to educate and empower customers and prospects.

We note from the results announcement for 9M2019 the following:-

- 1) The financial performance of the Group in 2018 was negatively impacted by various factors, including (i) regulatory changes relating to product intervention imposed by the European and UK regulators in 2018, (ii) unfavorable trading conditions in the Group’s core CFD due mainly to low market volatility and (iii) the Group’s reduced marketing expenditure. These factors have continued to impact on performance in 2019.
- 2) In 2019, the Group disposed its key operating subsidiary, ayondo Markets Ltd (“**AML**”) to BUX following the Extraordinary General Meeting on 3 June 2019 (the “**Disposal of AML**” or “**Disposal**”). The rationale for the disposal was set out in the circular to shareholders dated 19 May 2019. On 14 August 2019, the Company announced that the managing director of indirect subsidiary, ayondo GmbH (“**AYG**”) has filed for insolvency of AYG (“**AYG Insolvency**”) and a preliminary administrator has been appointed. On 22 August 2019, the Company announced that consequent to the AYG Insolvency, ayondo Holding AG (“**AHAG**”) was advised to commence insolvency proceedings given its over-indebtedness resulting from the write-off of AYG in its accounts. As such, an application has been filed with the competent court in Zug, Switzerland to commence insolvency proceedings over the assets of AHAG (“**AHAG Insolvency**”). Collectively, the AYG Insolvency and the AHAG Insolvency will be termed as the “**Insolvencies**”. As announced on 16 January 2020, the liquidation proceedings for AYG has been completed and accordingly, AYG has been liquidated and ceased to be a subsidiary of the Group.
- 3) On 22 August 2019, the Company had obtained approval from SGX for an extension of time to release its financial results for three months period ended 30 September 2019 (“**3Q2019**”) by 14 December 2019. The grounds for seeking the extension were due to the departure of several key management personnel and the entire finance team pursuant to the sale of AML. The interim CEO with the assistance of outsourced service providers, have prepared the following results based on available information given the insolvency proceedings of the Group’s remaining subsidiaries. Following from the AHAG Insolvency, the Group no longer controls AHAG and hence has deconsolidated AHAG from the Group in 3Q2019. Going forward, the Group will only consist of the Company.
- 4) As at 30 September 2019, the Company is in a net working capital and liability position of CHF2.2 million. The unaudited financial results announcement for 3Q2019 has been prepared on a going concern basis. The validity of the going concern basis on which the unaudited financial statements for 3Q2019 are prepared, is subject to the successful completion and issuance of the Notes. The Company has been suspended from trading since 1 February 2019.

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The Directors have represented and confirmed that

- (a) the Company has on 22 July 2019 entered into a license agreement (the “**Licensing Agreement**”) with AYG (being the holder of the intellectual property in relation to its social trading product, WeTrade) and AHAG (being the holder of the “WeTrade” trademark in Singapore), whereby AYG and AHAG shall license to the Company in-perpetuity the right to access and use the WeTrade IP (the “**License**”, including the right to sub-license such right to its subsidiaries) in return for a revenue share or any new business generated by the Company’s use of the licensed IP rights. In consideration for the license, the Company shall pay AYG a 10% share of all net revenues arising from its use of the IP, whilst AHAG acknowledge and agrees that it will not receive any revenue share;
- (b) With the Disposal of AML, we note from the Company’s circular dated 19 May 2019 pertaining to, *inter-alia*, the Disposal of AML (“**Disposal Circular**”) that the Group will primarily focus on its social trading business, while continuing to develop B2B business with existing and new Asia based partners. The Group intends to strengthen its financial base and the current European B2C-Social Trading business with fresh funding from or procured by Golden Nugget Jinzhuang Limited (“**iMaibo**”).

As announced on 20 February 2019, the Group had entered into a non-binding strategic alliance terms with iMaibo, which offers a cost-efficient social investing platform for Asian, European and other global CFDs to facilitate investment-related business, via its network of social media influencers and key opinion leaders (“**KOLs**”), followers of such KOLs, and third-party service and product providers. Together with iMaibo, the Company intends to relaunch its business focused primarily in Asia and social trading and to combine the elements of KOLs and the Group’s social trading technology to create new social trading market place with other strategic partners in the region.

Following, *inter-alia*, the Disposal of AML as well as the liquidation of AYG and deconsolidation of AHAG (following the Insolvencies), companies within the Group only comprise the Company and the Group did not record any revenue for 3Q2019. In addition, the Directors have confirmed that, *inter-alia*, there is no certainty pertaining to (a) the Group’s ability to generate revenue in the near term and the timing of it; (b) status of the License in view of the liquidation of AYG and deconsolidation of AHAG (following the Insolvencies); (c) as stated in the Disposal Circular, the Disposal of AML is expected to significantly change the risk profile of the Group as the remaining business is small and will not be a viable business suitable for listing and that the trading of the Company’s shares will remain suspended until the Company is able to address the going concern and business viability issues; and (d) the injection of new funds from the proceeds of the Proposed Issue and/or the steps taken or to be taken by the Company subsequent to the Proposed Issue to improve its financial position and performance and/or to lift the suspension of the trading of the Shares will be successful or would result in an enhancement of Shareholders’ value.

We also wish to highlight that the Company may be deemed as “cash company” pursuant to Rule 1017 of the Catalist Rules considering the fact that the Group’s assets as at 30 September 2019 consist wholly of cash and cash equivalent and no revenue was recorded for 3Q2019.

As such, the evaluation and analysis of the Group’s historical financial performance, position and condition prior to 3Q2019 may be irrelevant but have been set out below for illustrative purposes only.

Review of the Group’s financial performance and position

Unaudited 9M2019 vs 9M2018

Following the Disposal of AML and the Insolvencies and deconsolidation of AYG and AHAG, the Group has minimal or no operating activities. No revenue was registered for 3Q2019.

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The Group recorded no revenue for 9M2019 (9M2018: CHF16.0 million). The Group's total operating expenses (net after forex gain of approximately CHF0.4 million) amounted to approximately CHF1.1 million for 9M2019 comprising mainly impairment or related party balances of approximately CHF0.9 million, administrative expenses of approximately CHF0.6 million and staff expenses of approximately CHF50 thousand. The impairment of related party balance was expensed and paid by the Company on behalf of one of the subsidiaries of AHAG's Group which was deemed not recoverable due to the commencement of insolvency proceedings. For 9M2019, the Group recorded one-off gain on the Disposal of AML and deconsolidation of AYG and AHAG of approximately CHF7.2 million and CHF49.8 million respectively. In addition, the Group also booked loss after tax from discontinued operations of approximately CHF3.0 million. The Group recorded profit after tax attributable to equity holders of the Company of approximately CHF52.9 million for 9M2019.

FY2018 vs FY2017

(i) Stable revenue with declining net operating income margin

The Group's trading revenue remained flat at approximately CHF20.8 million in FY2018 and in FY2017. However upon adoption of IFRS 15, using modified retrospective method, client bonuses of approximately CHF2.2 million has been reclassified as a reduction in trading revenue in FY2018. Accordingly net trading revenue declined from approximately CHF20.8 million in FY2017 to approximately CHF18.6 million in FY2018.

The number of active clients decreased from 51,606 in FY2017 to 47,298 in FY2018. The Group's average revenue per client increased by 9%. The number of Self-Directed clients increased by 21% year-on-year though the average revenue per client fell by 19% whilst Social clients decreased by 51% though average revenue per client increased by 21%. Introduced clients decreased by 45% while average revenue per client increased by 18%. The decline in trading revenue and active clients reflects the constraints on marketing as funds were not available to even maintain 2017 levels of marketing and certainly not to increase them. Casual revenue increased by 35% driven by higher average per client despite number of active clients remaining flat. This is attributable to far better performance by its white label partner, BUX as a business and in particular a stable and significant marketing spent by BUX.

With the reclassification of client bonuses in FY2018, fees, rebates, client bonuses and betting duty tax decreased by approximately 5.0%, from CHF10.8 million in FY2017 to approximately CHF10.3 million in FY2018. This was predominantly due to the approximately 35.0% increase in casual clients who have a higher level of partner rebates paid to them than other clients, coupled with the adoption of IFRS 15 using the modified retrospective method in FY2018 which was accounted for in FY2018 as a reduction in trading revenue. Accordingly, with the reclassification, in FY2018 both trading revenue and fees, client bonuses and betting duty tax declined by the same amount

Net operating income decreased from approximately CHF9.9 million in FY2017 to approximately CHF8.3 million in FY2018, with the corresponding net operating income margin declining from approximately 47.9% in FY2017 to approximately 39.9% in FY2018.

(ii) Total operating expenses and finance costs

The Group's total operating expenses (comprises other income, staff expenses, marketing expenses, IPO/RTO expenses, impairment of assets, other operating expenses and administrative expenses) increased from approximately CHF17.5 million in FY2017 to approximately CHF56.1 million in FY2018.

The increase in total operating expenses in FY2018 was attributable to:-

- (i) the presence of expenses related to the impairment of assets in FY2018 which amounted to approximately CHF37.1 million, arising mainly from impairment of goodwill arising from acquisition of shares in subsidiaries, and capitalised software development costs amounting to approximately CHF33.4 million and approximately CHF3.5 million respectively;

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- (ii) higher other operating expenses of approximately CHF4.7 million. Other operating expenses accounted for approximately 48.7% and 26.3% of the Group's trading revenue in FY2018 and FY2017 respectively. The increase is due mainly to, inter-alia, changes in legal, regulatory, consultancy and other professional fees, premise costs, IT costs, depreciation of property, plant and equipment, amortization of intangibles, net foreign exchange loss, and other administrative expenses. Other administrative expenses increased by approximately CHF1.43 million in FY2018, largely due to cost of issuing adjustment shares for Convertible Bond post-IPO; and
- (iii) decline in other income of approximately CHF0.1 million in FY2018.

The increase in total operating expenses was also partially offset by lower staff expenses, marketing expenses and non-recurring IPO costs.

The impairment of goodwill arising from acquisition of shares in subsidiaries of approximately CHF33.4 million arose due to the approved disposal of the UK entity Sycap(UK) Group which was acquired in April 2014. Subsequent to shareholders approval, the disposal was completed on 5 June 2019. The disposal was a consequence of the Group's immediate remedy to raise capital to address the shortfall in Common Equity Tier 1 ("**CET1**") ratio. On 14 February 2019, the Group had announced there was a lack of clarity on AML's calculation of CET1 ratio, as KPMG whom was engaged to assess the appropriateness of the Group's accounting, had mentioned that if the Group were to adopt a different accounting policy, it would have a negative impact on AML's CET1 ratio.

Accordingly, the Group incurred operating loss of approximately CHF47.8 million and CHF7.6 million in FY2018 and FY2017, respectively.

The Group's finance costs increased from approximately CHF2.8 million in FY2017 to CHF3.0 million in FY2018. The increase is due mainly to the acceleration of the finance costs associated with the conversion of the convertible bonds into the company shares during the IPO, partially offset by a decrease in finance costs on loans from related parties due to the conversion of certain related party loans to redeemable convertible loans on 1 October 2017.

Further, we note that the AML's business carries high operating costs and is heavily regulated. Measures, *inter-alia*, such as limiting leverage of CFD products, introducing negative balance protection, closing customer positions if their funds fall to 50%, were effective from 1 August 2018, which greatly reduced the notional trade size executed by clients therefore afflicting the Group's financial performance. AML faces regulatory capital breach and requires immediate funding to comply with the CET1 ratio requirement (as further elaborated in Section 6 of the Disposal Circular). The Group is not able to fund these costs in the immediate term due to its current financial position (as can be seen from the announcement of the FY2018 Results released on 2 May 2019). We note that as stated in Disposal Circular, the Disposal will significantly reduce the Group's cost base and regulatory capital requirements. The Disposal will also remove volatility to earnings caused by reliance on brokerage income and exposure to market risk and allow the Group to focus on developing its social trading products, and further develop its strategy of increasing market share in Asia, in collaboration with the purchaser and other strategic B2B partners. In this connection, both the purchaser and the Group will enter into mutually beneficial commercial arrangements.

(iii) Loss making in both FY2018 and FY2017

The financial performance of the Group in FY2018, in particular, during the second half of 2018, was negatively impacted by various factors, including (i) regulatory changes relating to product intervention imposed by the European and UK regulators (including ESMA) in 2018, (ii) unfavorable trading conditions in the Group's core CFD markets, particularly during the second quarter period ended 30 June 2018 ("**2Q2018**") and the third quarter period ended 30 September 2018 ("**3Q2018**"), and (iii) the Group's reduced marketing expenditure. Some of these factors and their effects were not anticipated prior to the IPO and were not taken into account at that time. The Group was facing and continues to face working capital deficiency due to continued losses.

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The Group had observed that following the IPO in March 2018, there was a declining implied volatility in the CFD markets since April 2018, particularly between January 2019 and March 2019. When the volatility improved in certain months during the last quarter of 2018, the Group was not able to capitalise on this volatility due to a tighter regulatory capital position as a result of the Group's declining cash situation. In connection with the Group's declining cash situation, the marketing spent was reduced significantly as part of the Group's cost-cutting efforts which had an adverse impact on client acquisition. Lower marketing expenditure meant that the Group could not replace trading clients following large drawdowns.

While the Group has been loss making since FY2017, its financial performance worsened substantially in FY2018. The Group recorded losses after tax attributable to the owners of the Company of approximately CHF9.8 million and CHF50.2 million in FY2017 and FY2018, respectively.

As explained in the earlier paragraphs, the Group's trading revenue remained flat but total operating expenses increased by approximately CHF38.6 million to CHF56.1 million in FY2018, mainly attributable to the impairment of assets.

#### (iv) Assets and liabilities

As mentioned in the earlier sections, the Group has minimal operating activities following the Disposal of AML and deconsolidation of AHAG and AYG, hence, the Group's assets consist solely of cash and cash equivalents of approximately CHF0.1 million as at 30 September 2019.

As at 31 December 2018 (which is prior to the Disposal of AML and deconsolidation of AHAG and AYG), the Group's total assets amounted to approximately CHF34.1 million, compared to CHF90.2 million as at 31 December 2017. Total assets as at 31 December 2018 comprised non-current assets of approximately CHF78.0 thousand and current assets of approximately CHF34.1 million.

Non-current assets as at 31 December 2018 comprised of property, plant and equipment ("**PPE**") of approximately CHF59.0 thousand and intangible assets of approximately CHF19.0 thousand. Non-current assets was approximately CHF36.6 million as at 31 December 2017. The substantial decline in non-current assets as at FY2018 is due to the decline in value of intangible assets from approximately CHF36.5 million as at 31 December 2017 to approximately CHF19.0 thousand as at 31 December 2018.

Current assets as at 31 December 2018 comprised mainly of trade and other receivables of approximately CHF32.1 million and cash and cash equivalents of approximately CHF1.6 million. Trade and other receivables declined from approximately CHF51.6 million as at 31 December 2017 to approximately CHF32.1 million as at 31 December 2018 due to a decrease in segregated client funds in view of the lower levels of activity for FY2018. Derivative instruments decreased from approximately CHF0.2 million as at 31 December 2017 to almost negligible as at 31 December 2018 arising from a decrease in unrealised gain position on futures to hedge client market exposure. Investment securities (comprising unquoted equity securities) declined from approximately CHF0.9 million as at 31 December 2017 to nil as at 31 December 2018 due to effects on adoption of IFRS 9, which resulted in a decline of approximately CHF0.3 million in FY2018 (wherein the Group measures its investment securities at fair value through profit and loss account), impairment loss of approximately CHF0.2 million and disposal of the said security in FY2018.

On the liabilities side, the Group recorded total liabilities of approximately CHF42.4 million as at 31 December 2018 comprised current liabilities of approximately CHF42.3 million and non-current liabilities of approximately CHF99.0 thousand.

The Group's current liabilities as at 31 December 2018 consisted mainly of trade and other payables of approximately CHF40.0 million and derivative financial instruments of approximately CHF1.9 million. Trade and other payables as at 31 December 2018 comprised mainly client fund liabilities (being liabilities for retail and professional clients), derivative instruments, and accruals of approximately CHF34.5 million, CHF1.9 million and CHF3.0 million respectively. The Group's non-current liabilities as at 31 December 2018 consist solely of employee benefit liabilities.

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As at 30 September 2019, the Group's total liabilities of approximately CHF2.3 million consist solely of current liabilities (comprising short-term loans of approximately CHF1.3 million, trade and other payables of approximately CHF1.0 million and unsecured and interest bearing loan from a Director of approximately CHF31.0 thousand). The short-term loans were advances provided by GN and Mr Taniya, which subsequently will be converted into CN1 and CN2, respectively.

It should be noted that the Group has been in net current liabilities position during the period reviewed being FY2017 to 9M2019. As at 30 September 2019, the Group's net current liabilities amounted to approximately CHF2.2 million.

(v) Capital base and debt burden

We set out below summarised extracts of the financial position relating to the capital base and debt burden of the Group for 9M2019, FY2018 and FY2017 :-

Figures in CHF'000 <sup>(1)</sup>	Unaudited 9M2019	Audited FY2018	Audited FY2017
Shareholders' equity <sup>(2)</sup>	(2,165)	(8,234)	8,899
Current liabilities	2,288	42,314	80,523
Non-current liabilities	-	99	797
Total Liabilities	2,288	42,413	81,320
Cash and cash equivalents	123	1,594	929
Total borrowings <sup>(3)</sup>	1,327	353	15,573
Total borrowings <sup>(4)</sup> (net of cash)	1,204	(1,241)	14,644
Gearing ratio <sup>(5)</sup> (times)	n.m.	n.m.	1.7
Net gearing ratio <sup>(6)</sup> (times)	n.m.	n.m.	1.6
Total liabilities/Shareholders' equity (times)	n.m.	n.m.	9.1

**Notes:**

- (1) All discrepancies in the figures included herein between the listed and total amounts thereof are due to rounding.
- (2) Shareholders' equity is defined as the shares capital, other capital reserve, Share options reserve, foreign currency translation reserve, and accumulated losses of the Group before minority interest.
- (3) Total borrowings include short-term loans, loans from related parties, loan from a Director, convertible bonds and bank overdraft.
- (4) Total borrowings (net of cash) is defined as total borrowings net of cash and cash equivalents.
- (5) Gearing ratio is defined as the ratio of total borrowings to shareholders' equity while leverage ratio is defined as the ratio of total liabilities to Shareholders' equity.
- (6) Net gearing ratio is defined as the ratio of total borrowings net of cash and bank balances to shareholders' equity.

We wish to highlight that the shareholders' equity of the Group was approximately CHF8.9 million as at 31 December 2017 before turning into a deficit of approximately CHF8.2 million and CHF2.2 million as at 31 December 2018 and 30 September 2019 respectively. The deterioration of the Group's shareholders' equity was due mainly to the continued losses recorded by the Group.

Total borrowings had declined from approximately CHF15.6 million as at 31 December 2017 to approximately CHF0.4 million as at 31 December 2018 before increasing to approximately CHF1.3 million as at 30 September 2019.

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(vi) Cash flow generated from operating activities

The Group's net cash flow used in operating activities for FY2017, FY2018 and 9M2019 amounted to approximately CHF4.4 million, CHF6.0 million, and CHF8.9 million respectively. During the period reviewed, we note that the Group's net cash flow from operating activities is negative.

The Directors confirmed that, to the best of their knowledge, as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Group's audited financial statements for FY2018 and unaudited financial statements for 9M2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

**Going concern basis for the Group's financial statements for 3Q2019**

We note that the Group's unaudited financial statements for 3Q2019 has been prepared on a going concern basis and the validity of the going concern basis on which the unaudited financial statements for 3Q2019 are prepared, is subject to the successful completion and issuance of the Notes.

**Basis for Disclaimer of Opinion for FY2018**

We note that the Independent Auditor's Report dated 24 May 2019 ("**Independent Auditor's Report**") on the Group's and Company's financial statements for FY2018 contained the Auditor's basis for not expressing an opinion. The following paragraphs as set out in italics below are extracted from the Independent Auditor's Report (page 71 and 72 of the AR2018) of the audited financial statements of the Group for FY2018. We recommend that Independent Directors advise Shareholders to read those sections of the AR2018 carefully:-

***"Disclaimer of Opinion***

*We were engaged to audit the financial statements of ayondo Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.*

*We do not express an opinion on the accompanying financial statements for the Group and the balance sheet and the statement of changes in equity of the Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.*

***Basis for Disclaimer of Opinion***

1) *Going concern assumption*

*The Group's current liabilities and total liabilities exceeded its current assets and total assets by CHF8,258,000 and CHF8,279,000 respectively as at 31 December 2018. As at that date the Group's client funds liabilities amounted to CHF34,529,000 (Note 16) and the Group's segregated client fund asset, cash and bank balances and amount due from brokers amounted to CHF32,255,000 (Note 12 and 14). For the financial year ended 31 December 2018, the Group incurred a net loss of CHF50,239,000 and had an operating cash outflow of CHF5,953,000. Additionally, the Company's current liabilities and total liabilities exceeded its current assets and total assets by CHF2,892,000 and CHF 2,892,000 respectively as at 31 December 2018.*

*As disclosed in Note 2.4 to the financial statements, the directors have prepared these financial statements on a going concern basis as they are of the view that the Group will be able to successfully dispose its 99.91% owned indirect UK subsidiary and complete its restructuring exercise and fund-raising plans. However, we are unable to obtain sufficient appropriate*



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*evidence to conclude whether the use of the going concern assumption to prepare these financial statements is appropriate as the outcome of the disposal of the indirect UK subsidiary, restructuring exercise and fund-raising plans is subject to fulfilling certain conditions precedent and approvals, and is inherently uncertain.*

*If the going concern assumption is not appropriate and the financial statements were presented on a realization basis, the carrying value of assets and liabilities may be materially different from that currently recorded in the balance sheet. If the Group and Company were unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be released other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition the Group and Company may have to reclassify its non-current assets as current assets and non-current liabilities as current liabilities. No such adjustment have been made to these financial statements.*

2) Information technology (“IT”) platform costs

*As disclosed in Notes 8 and 15 to the financial statements, the Group engaged an external IT consultancy company to provide both research and development services. CHF832,000 incurred by the external IT consultancy has been capitalized as the IT development cost while the remaining CHF448,000 has been recorded as research expense in the income statement. We are unable to ascertain the appropriateness of the split between research expense and development cost. The Group has recorded amortization charge of CHF71,000 on the capitalized intangible assets and the remaining CHF761,000 has been fully impaired as at 31 December 2018.*

*Due to limited information available to us, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriateness of CHF832,000, capitalized as intangible assets and consequently the amortization charge of CHF71,000, impairment expense of CHF761,000 as well as research expense of CHF448,000 recorded during the year. Accordingly, we are unable to ascertain the appropriateness of the classification and presentation of these items in profit or loss and cash flow statements.”*

### **5.3 The Group’s NAV and NTA analysis**

#### **NAV and NTA Analysis**

The NAV based approach in valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and minorities’ interests. The NAV based approach is meaningful as it shows the extent to which the value of each share is backed by both tangible and intangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NAV based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (including any intangible assets but not limited to land use rights, goodwill, trademarks and brand names) over a reasonable period of time at the aggregate value of the assets used in the computation of the NAV, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders. However, the NAV approach does not take into account the hypothetical sale of assets in a non-orderly or over a short period of time. It does not illustrate the values of which assets may actually be realized or disposed of.

The NTA based approach in valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities and intangible assets of the company. The NTA based approach is meaningful as it shows the extent to which the value of each share is backed by tangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NTA based approach in valuing a company may provide an estimate of the value of a company or group

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assuming the hypothetical sale of all its assets over a reasonable period of time at the aggregate value of the assets used in the computation of the NTA, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders. However, the NTA based approach does not take into account the presence of any intangible assets including but not limited to land use rights, goodwill, trademarks and brand names nor does it take into account the hypothetical sale of assets in a non-orderly or over a short period of time. It does not illustrate the values of which assets may actually be realized or disposed of.

In assessing the Conversion Price for the Proposed CN1 Issue and the Proposed CN3 Issue, in relation to the NAV and NTA per Share of the Group as at 30 September 2019, we have reviewed the unaudited statements of financial position of the Group as at 30 September 2019 to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach. Save as disclosed in the unaudited statements of financial position of the Group as at 30 September 2019, the Company's announcements on the SGX-Net and in the Circular as well as in this IFA letter, the Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in such unaudited statements of financial position of the Group as at 30 September 2019 in accordance with Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Group as at Latest Practicable Date.

The Directors have also confirmed that as at the Latest Practicable Date, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group as at 30 September 2019. In addition, the Directors are of the opinion that save as disclosed in the Circular and in this IFA letter, the values of the assets, and liabilities as well as financial performance or condition of the Group as disclosed and reflected in the statements of financial position of the Group as at 30 September 2019 are true and fair. Lastly, the Directors confirmed that to the best of their knowledge or belief that such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete in any respect or misleading.

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<b>Unaudited Consolidated Statement of Group's Financial Position as at 30 September 2019<sup>(1)</sup></b>	<b>CHF\$'000</b>
<b><u>Current assets</u></b>	
Cash and cash equivalents	123
	<b>123</b>
<b><u>Current liabilities</u></b>	
Short-term loans	1,296
Trade and other payables	961
Loan from a director	31
Total current liabilities	<b>2,288</b>
Total liabilities	<b>2,288</b>
Net Liabilities ("NL") and/or Net Tangible Liabilities ("NTL") as at 30 September 2019	(2,165)
NL and/or NTL as at 30 September 2019 (S\$'000) <sup>(2)</sup>	(3,007)
<b>NL and/or NTL per Share (CHF)<sup>(3)</sup></b>	<b>(0.0042)</b>
<b>NL and/or NTL per Share (S\$)<sup>(2)(3)</sup></b>	<b>(0.0059)</b>
<b>Conversion Price (S\$)</b>	<b>0.0070</b>
<b>Premium/(discount) of Conversion Price over NL and/or NTL per Share (%)</b>	<b>N.M</b>

**Notes:**

- (1) The figures above are based on the Group's unaudited financial statements for 9M2019. The figures and computations above are subject to rounding.
- (2) Converted into S\$ based on the exchange rate CHF1: S\$1.3889 (as at 30 September 2019).
- (3) The figures are computed based on the Company's issued Share capital of 509,785,570 Shares as at the Latest Practicable Date.

As highlighted earlier, following, *inter-alia*, the Disposal of AML as well as the liquidation of AYG and deconsolidation of AHAG (following the Insolvencies), companies within the Group only comprise the Company as at 30 September 2019.

From the table above, we note the following:-

- (i) the Group's assets comprised only of cash and cash equivalent of approximately CHF123 thousand as at 30 September 2019.
- (ii) The Group's current liabilities as at 30 September 2019 comprises mainly of short term loans of approximately CHF1.3 million (which are advances provided by GN and a third party investor procured by GN, being Mr Taniya, and these advances are the subject of the CN1 Agreement and the CN2 Agreement), trade and other payables of approximately CHF1.0 million, and unsecured and interest bearing loan from a Director of approximately CHF31 thousand.
- (iii) The Group's unaudited NL and NTL attributable to the equity holders of the Company as at 30 September 2019 amounted to approximately CHF2.2 million. Hence, the comparison and analysis of the Conversion Price and the Group's NL and/or NTL per Share are not meaningful. Notwithstanding, we note that the Conversion Price is favorable taking into account the Group's NL per Share and/or NTL per Share as at 30 September 2019.

**Adjusted NAV and/or Adjusted NTA**

As stated in the Circular, as at the Latest Practicable Date, the Company has already received the proceeds pursuant to advances from GN and Mr Taniya which would on approval from Shareholders be "consolidated" as advances under CN1 and CN2 pursuant to the CN1 Agreement and CN2

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Agreement respectively. For illustrative purpose only, we have adjusted the Group's NL and/or NTL with the impact of the issuance of the New Shares arising solely from the full conversion of CN2.

<b>Adjusted NL and/or NTL<sup>(1)</sup></b>	<b>S\$'000</b>
NL and/or NTL as at 30 September 2019 <sup>(2)</sup>	(3,007)
Add: Issuance of New Shares assuming full conversion of CN2 <sup>(3)</sup>	675
<b>Group's adjusted NL and/or NTL ("Adjusted NL and/or NTL")</b>	<b>(2,332)</b>
<b>Adjusted NL/NTL per Share (S\$)<sup>(4)</sup></b>	<b>(0.004)</b>
<b>Conversion Price (S\$)</b>	<b>0.007</b>
<b>Premium/(discount) of Conversion Price over Adjusted NL and/or NTL per Share(%)</b>	<b>N.M</b>

**Notes:**

- (1) *The figures and computations above are subject to rounding.*
- (2) *Converted into S\$ based on the exchange rate CHF1: S\$1.3889 (as at 30 September 2019).*
- (3) *The figures are provided and confirmed by the Directors (assuming completion of the issuance of 96,428,571 New Shares pursuant to the full conversion of CN2).*
- (4) *Based on the enlarged Share capital of 606,214,141 Shares.*

From the table above, we note that assuming completion of the issuance of 96,428,571 New Shares pursuant to the full conversion of CN2, at the Conversion Price the Group's Adjusted NL and/or NTL amounted to approximately S\$2.3 million or approximately S\$0.004 per Share. As the Group would still be in a NL/NTL position, the comparison and analysis of the Conversion Price to the Group's Adjusted NL and/or Adjusted NTL will not be meaningful. Notwithstanding, we note that the Conversion Price for both CN1 and CN3 is favorable after taking into account the Group's Adjusted NL and/or Adjusted NTL per Share assuming the full conversion of CN2.

In summary, the Conversion Price appears to be favorable after considering: (a) the Group's unaudited NL and/or NTL position as at 30 September 2019 as well as the Adjusted NL and/or NTL after taking into account the full conversion of CN2; (b) the Group's weak historical financial performance (in terms of loss making position since FY2017 with moribund core business where no revenue was recorded in 3Q2019 and uncertainties as to whether the Group will be able to generate revenue in the near term and the timing of it as well as the status of the License) and financial position (in terms of net current liabilities and NL position as at 30 September 2019; (c) the Disclaimer of Opinion issued by the Independent Auditor relating to, *inter-alia*, going concern assumption; and (d) the fact that the trading for the Shares has been suspended since 1 February 2019 with no certainty on the lifting of the suspension (subject to, *inter-alia*, the Group's ability to address the going concern and business viability issues).

In our evaluation of the Conversion Price, we have considered whether:

- (i) there are any material events that may have an impact on the unaudited balance sheet of the Group from 30 September 2019 to the Latest Practicable Date to determine whether adjustments need to be made to the NL and/or NTL per Share as at 30 September 2019. In this respect, the Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, save as disclosed in the unaudited financial statements of the Group as at 30 September 2019, the announcements released by the Company on SGX-NET and the Circular and in this IFA Letter, there have been no known material events since 30 September 2019 to the Latest Practicable Date that have or will have a material impact to the unaudited statement of financial position of the Group as at 30 September 2019. It is further noted that the Group's financial statements for 9M2019 has been prepared on a going concern basis, the validity of which depends on the successful completion and issuance of the Notes; and

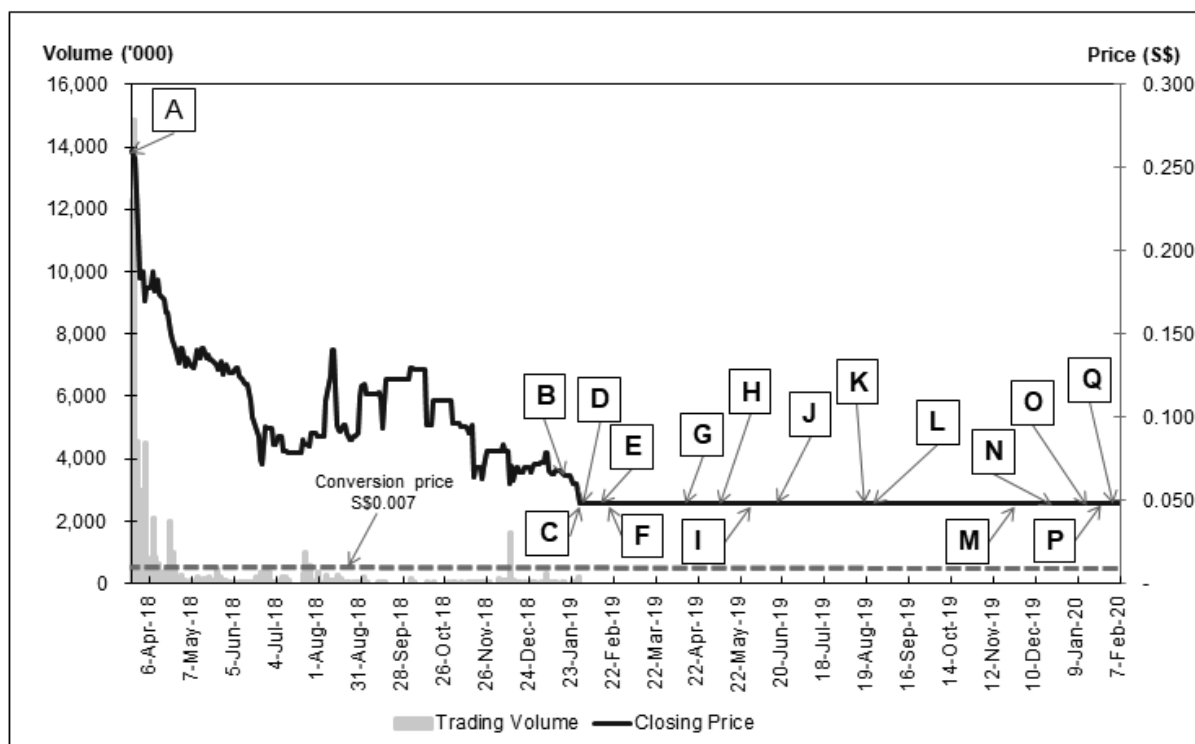
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- (i) there are any tangible assets which should be valued at an amount that is materially different from that which is recorded in the unaudited statement of financial position of the Group as at 30 September 2019. The Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, the Group's assets consist wholly of cash and cash equivalents.

While the NAV and/or NTA per Share is a relevant basis for comparison, the Independent Shareholders should note that it is not necessarily a realisable value as the market value of the Group's assets and any potential tax liabilities arising from the sale of the Group's assets, where applicable, may vary depending on prevailing market and economic conditions as at the time of such sale or disposal.

**5.4 Market quotation and trading activities for the Shares**

The historical price and volume charts for the Shares (based on the closing prices together with the number of Shares traded on a daily basis) for the period commencing from the 26 March 2018, being the date that the Company was listed on the Catalist Board of the SGX-ST ("IPO Date") to the Latest Practicable Date is set out below. We note that the trading of the Shares was halted on 30 January 2019 ("Trading Halt Date") and subsequently suspended with effect from 1 February 2019 to the Latest Practicable Date.



Source: Bloomberg

**Notes:**

- A. IPO Date
- B. Resignation of Robert Paul Lempka (Executive Director and CEO) and Appointment of Richard Mark Street (Interim CEO)
- C. Trading Halt for the Shares
- D. Suspension of the Shares
- E. Announcement on KPMG's view, inter-alia, AML's CET1 ratio and entering into a non-binding heads of terms with BUX Holdings B.V. for the Disposal of AML
- F. Announcement on Non-Binding Strategic Alliance Terms with iMaibo

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- G. *Issuance of Notice of Compliance by SGX-ST setting out, inter-alia, the requirements for the Disposal of AML*
- H. *Sale and Purchase Agreement in relation to the Disposal of AML*
- I. *Disclaimer of Opinion by the external auditor, inter-alia, going concern assumption and information technology platform costs*
- J. *Completion of the Disposal of AML*
- K. *Announcement on insolvency application for AYG*
- L. *Announcement on the Proposed Issue and insolvency application for AHAG*
- M. *Supplemental CN3 Agreement and receipt of Whitewash Waiver from the SIC*
- N. *Resignation of Thomas Winkler (Chairman and Non Executive Director)*
- O. *Completion of liquidation of AYG*
- P. *Application to the SGX-ST for extension of time to submit the resumption of trading proposal and proposed change of auditors*
- Q. *Notice of compliance issued by the SGX RegCo, inter-alia, to perform quarterly reporting*

For the period commencing from 26 March 2018, being the IPO Date and ending on the Market Day immediately preceding the Trading Halt Date (both dates inclusive), we note that the Shares were traded on 137 Market Days out of a total 213 Market Days (or approximately 64.3%) and the closing prices for the Shares during the said periods were always above the Conversion Price. It is noted that there have been various material events and developments announced subsequent to the suspension of the Shares (*inter-alia*, matters pertaining to AML's CET1 ratio, Disposal of AML, the Disclaimer of Opinion on, *inter-alia*, going concern assumption, the Insolvencies, etc) and these material events may likely lead to a decline in the trading prices for the Shares, had trading for the Shares not been suspended. Hence, the last closing price for the Shares immediately preceding the Trading Halt Date may not be relevant and reflective of events after the suspension. It is noted that the offer price for the Shares during the IPO was S\$0.26 ("**IPO Price**") and the prices for the Shares have fallen 81.5% from the IPO Price to S\$0.048 on the Market Day immediately preceding the Trading Halt Date.

As a general market comparison and observation, the FTSE Straits Times Catalist Index ("**Catalist Index**") decreased by approximately 32.2% for the period commencing from the IPO Date and ending on 29 January 2019, being the Market Day immediately preceding Trading Halt Date. For the same period commencing from the IPO Date and ending on the Market Day immediately preceding the Trading Halt Date, the prices for the Shares decreased by approximately 81.5%. We observed that the Shares appeared to have underperformed the Catalist Index for the period commencing immediately after the IPO Date till the Market Day immediately preceding Trading Halt Date.

The above chart and the analysis below is presented for illustrative purposes only, and they are by no means representative of the future trading performance or prices of the Shares.

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	VWAP per Share (S\$) <sup>(1)</sup>	Discount of the Conversion Price from the VWAP per Share (%)	Lowest transacted price (S\$)	Highest transacted price (S\$)	Average daily trading volume <sup>(2)</sup>	Average daily trading volume as % of free- float (%)
<b>For the period prior to the Trading Halt Date</b>						
Since IPO	0.202	(96.5)	0.045	0.275	308,275	0.401 <sup>(3)</sup>
Last 6 months	0.082	(91.5)	0.045	0.150	45,380	0.029 <sup>(4)</sup>
Last 3 months	0.069	(89.9)	0.045	0.110	58,057	0.017 <sup>(5)</sup>
Last 1 month	0.063	(88.9)	0.045	0.079	42,824	0.013 <sup>(6)</sup>
Last transacted price on 29 January 2019 (being the Last Trading Day prior to the Trading Halt Date) <sup>(7)</sup>	0.048	(85.4)	0.045	0.056	188,800	0.056 <sup>(6)</sup>

Source: Bloomberg

**Notes:**

- (1) The VWAP had been weighted based on the average prices of the Shares and traded volumes for the relevant trading days for each of the periods.
- (2) The average daily trading volume of the Shares is calculated based on the total number of Shares traded during the period divided by the number of Market Days during that period.
- (3) Free float is derived for the period commencing from the IPO Date to the Trading Halt Date as follows. Free float refers to approximately 73,199,854 Shares or approximately 14.56% of the issued Shares held by Shareholders, other than the Directors, associate of Directors, Substantial Shareholders, Pre-IPO Investors subjected to 3 months moratorium, Others Shareholders subjected to 3 months moratorium and UOBKH, from IPO Date to 25 June 2018, being 3 months commencing from the Company's date of admission to Catalyst; Free float refers to approximately 75,748,512 Shares or approximately 15.07% of the issued Shares held by Shareholders, other than the Directors, associate of Directors, Substantial Shareholders, Pre-IPO Investors subjected to 6 months moratorium, and Others Shareholders subjected to 6 months moratorium, from 26 June 2018, being the day immediately after 3 months from IPO Date to 27 June 2018, being the date that one of the Directors increased his shareholding by 149,000 shares via market transaction ("T1 Date"); Free float refers to approximately 75,599,512 Shares or approximately 15.04% of the issued Shares held by Shareholders, other than the Directors, associate of Directors, Substantial Shareholders, Pre-IPO Investors subjected to 6 months moratorium, and Others Shareholders subjected to 6 months moratorium, from 28 June 2018, being the day immediately after T1 Date to 29 June 2019, being the date that two of the Directors increased their shareholding by 252,000 shares via market transaction ("T2 Date"); Free float refers to approximately 75,347,512 Shares or approximately 14.99% of the issued Shares held by Shareholders, other than the Directors, associate of Directors, Substantial Shareholders, Pre-IPO Investors subjected to 6 months moratorium, and Others Shareholders subjected to 6 months moratorium, from the day immediately after T2 Date to 25 September 2018, being 6 months commencing from the Company's date of admission to Catalyst; Free float refers to approximately 329,672,735 Shares or approximately 65.58% of the issued Shares held by Shareholders, other than the Directors, associate of Directors, Substantial Shareholders, Pre-IPO Investors subjected to 12 months moratorium, and Other Shareholders subjected to 12 months moratorium, from 26 September 2018, being the day immediately after 6 months from IPO Date to 3 October 2018, being the date that the issuance of 7,119,360 shares for the acquisition of 1.83% of ayondo Holding AG ("T3 Date"); Free float refers to approximately 336,792,095 Shares or approximately 66.07% of the issued Shares held by Shareholders, other than the Directors, associate of Directors, Substantial Shareholders, Pre-IPO Investors subjected to 12 months moratorium, and Other Shareholders subjected to 12 months moratorium, from the day immediately after T3 Date till 29 January 2019, being the last trading last market day immediately preceding Trading Halt Date.
- (4) Free float is derived for the 6 months period prior to the Trading Halt Date as follows. Free float refers to approximately 75,347,512 Shares or approximately 14.99% of the issued Shares held by Shareholders, other than the Directors, associate of Directors, Substantial Shareholders, Pre-IPO Investors subjected to 6 months moratorium, and Others Shareholders subjected to 6 months moratorium, from 30 July 2018, being 6 months prior to the Trading Halt Date to 25 September 2018, being 6 months commencing from the Company's date of admission to Catalyst; Free float refers to approximately 329,672,735 Shares or approximately 65.58% of the issued Shares held by Shareholders, other than the Directors, associate of Directors, Substantial Shareholders, Pre-IPO Investors subjected to 12 months moratorium, and Other Shareholders subjected to 12 months moratorium from 26 September 2018, being the day immediately after 6 months from IPO Date to T3 Date; Free float refers to approximately 336,792,095 Shares or approximately 66.07% of the issued Shares held by Shareholders, other than the Directors, associate of Directors, Substantial Shareholders, Pre-IPO Investors subjected to 12 months moratorium, and Other Shareholders subjected to 12 months moratorium, from the day immediately after T3 Date till 29 January 2019, being the last trading last market day immediately preceding Trading Halt Date.

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- (5) *Free float refers to approximately 336,792,095 Shares or approximately 66.07% of the issued Shares held by Shareholders, other than the Directors, associate of Directors, Substantial Shareholders, Pre-IPO Investors subjected to 12 months moratorium, and Other Shareholders subjected to 12 months moratorium, from 30 October 2018, being 3 months prior to the Trading Halt Date till 29 January 2019, being the last trading last market day immediately preceding Trading Halt Date.*
- (6) *Free float refers to approximately 336,792,095 Shares or approximately 66.07% of the issued Shares held by Shareholders, other than the Directors, associate of Directors, Substantial Shareholders, Pre-IPO Investors subjected to 12 months moratorium, and Other Shareholders subjected to 12 months moratorium, from 30 December 2018, being 1 month prior to the Trading Halt Date till 29 January 2019, being the last trading last market day immediately preceding Trading Halt Date.*
- (7) *This represents the last transacted price instead of VWAP for the Shares on 29 January 2019, being the last transacted price for the Shares on the Last Trading Day immediately preceding Trading Halt Date.*
- (8) *Not applicable as the Shares have been halted on 30 January 2019 and suspended since 1 February 2019 till the Latest Practicable Date.*
- (9) *This represents the last transacted price instead of VWAP for the Shares on 29 January 2019, being the last transacted price for the Shares on the Last Trading Day prior to the Latest Practicable Date.*
- (10) *Free float refers to approximately 342,145,099 Shares or approximately 67.12% of the issued Shares held by Shareholders, other than the Directors, associate of Directors, Substantial Shareholders, Pre-IPO Investors subjected to 24 months moratorium, and Other Shareholders subjected to 24 months moratorium.*

Based on a general observation of the chart above and after taking into account the summary of the transacted prices for the Shares, we note that the Conversion Price:

- (i) represents a substantial discount of approximately 85.4% from the last transacted price of S\$0.048 per Share for the Shares on the SGX-ST on 29 January 2019, being the Last Trading Day immediately preceding the Trading Halt Date;
- (ii) represents a substantial discount of approximately 96.5%, 91.5%, 89.9%, and 88.9% from the VWAP for the Shares for the period since IPO, and 6-month, 3-month and 1-month periods prior to the Trading Halt Date respectively; and
- (iii) represents a substantial discount of approximately 97.3% from the IPO Price.

Independent Shareholders should note that any comparison of the Conversion Price to the historical trading performance of the Shares may not be meaningful given the Shares have been suspended since 1 February 2019 and there were changes in circumstances of the Group since the trading suspension to the Latest Practicable Date (*inter-alia*, matter pertaining to AML's CET1 ratio, Disposal of AML, the Disclaimer of Opinion on, *inter-alia*, going concern assumption, the Insolvencies, etc). These events may have led to a decline in the prices for the Shares had trading for the Shares not been suspended.

For illustrative purpose only, based on the number of Shares traded on a daily basis during the period commencing from 26 March 2018, being the IPO Date and ending on the Latest Practicable Date, we note that:

- (i) From 26 March 2018 to 29 January 2019, being the Last Trading Day immediately preceding the Trading Halt Date (both dates inclusive), Shares were traded on 137 Trading Days (approximately 64.3%) out of the total 213 Market Days during the period, with the total number of Shares traded being approximately 65.7 million Shares and an average daily trading volume (based on a total of 213 Market Days) of approximately 308,275 Shares, which represents approximately 0.06% of the issued Shares as at the Latest Practicable Date or approximately 0.401% of the issued Shares held by Shareholders other than Directors, associates of Directors (as defined under the Catalist Rules), Substantial Shareholders, Pre-IPO investors subjected to 12 months moratorium, and such other Shareholders subjected to 12 months moratorium.
- (ii) From 30 January 2019 to 7 February 2020, being the Latest Practicable Date (both dates inclusive), no Shares were traded during the period as the Shares were suspended shortly after the Trading Halt Date.



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We note that trading for the Shares is erratic and that the daily average number of Shares traded from the IPO Date to the last market day immediately preceding the Trading Halt Date is relatively low as compared to the number of issued Shares held by Shareholders other than, *inter-alia*, Directors, associates of Directors, Substantial Shareholders, pre-IPO investors subjected to 24 months moratorium, and such other shareholders subjected to 24 months moratorium as at the Latest Practicable Date. The trading activities for the Shares appear to be relatively active in the context of number of Market Days wherein Shares were traded, as Shares were traded on 137 Trading Days out of the total 213 Market Days since IPO date to the last market day immediately preceding the Trading Halt Date. It is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller.

We note that as at the Latest Practicable Date, Shares of the Company are tightly held with approximately 91.1% of the issued Shares being held by the top twenty (20) Shareholders. As at the Latest Practicable Date, the number of Shareholders is 810, which is comparable to the number of Shareholders as at the IPO. It should be noted that certain Shareholders were still subject to moratorium when the suspension of the Shares was effected.

In addition, we note that for the 6-months period after the IPO Date (being the period commencing from the IPO Date till 25 September 2018), the total number of Shares traded was approximately 61.8 million Shares. The said period has an average daily trading volume (based on a total of 126 Market Days) of approximately 490,373 Shares. The average volume of Shares traded on a daily basis had in general declined significantly thereafter to as low as 42,824 Shares for the 1-month period prior to the Trading Halt Date. We observed that the Shares are not frequently traded then. Since the IPO Date till the last market day immediately preceding the Trading Halt Date, Shares were traded for 137 Market Days. For these 137 Market Days, we note that approximately 94.1% of the total number of Shares traded occurred for the period commencing from the IPO Date till 25 September 2018, being 6 months commencing from the Company's date of admission to Catalist.

Independent Directors should note that there is no assurance that the prices and average volume of Shares traded on a daily basis will be maintained or that the transacted prices for the Shares or the average volume of Shares traded on a daily basis after completion of the Proposed Issue will be at the same levels prevailing during the period commencing from the IPO Date and ending on the Latest Practicable Date or that the suspension of the Shares will be lifted or that the proposed issuance of CN1 and CN3 will result in the conversion of CN1 and CN3.

**Independent Directors should also note that past trading performance for the Shares may not be relied upon as an indication of the fair value of the Company's securities.**

#### **5.5 Theoretical value of the Notes**

We note that pursuant to the CN1 Agreement and the CN3 Agreement, GN has the right to convert:-

- (i) CN1 (principal and accrued interest) wholly or partially into New Shares at the Conversion Price only on the maturity date of CN1; and
- (ii) CN3 (principal and accrued interest) wholly or partially into New Shares at the Conversion Price any time, from the date of issue of such tranches of CN3 up to one day prior to the relevant tranches of CN3 maturity date. For the purposes of our calculation, we have assumed that all the tranches of CN3 and Tranche 1 CN3 are issued all at once on the same date as the date of issuance of Tranche 1 CN3.

The right of GN to convert the CN1 and CN3 into New Shares is similar to equity options and is referred as the "**CN1 Conversion Option**" and "**CN3 Conversion Option**" respectively. Collectively, they will be known as "**Conversion Options**".

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<b>Last transacted price based on</b>	<b>Closing price per Share (S\$)</b>	<b>Premium/ discount of the Conversion Price over/from the closing price (%)</b>	<b>Value of the Conversion Options</b>	<b>Intrinsic value per Conversion Option (S\$)</b>
As at 29 January 2019 (being the Last Trading Day prior to suspension on 1 February 2019)	0.048	(85.4)%	In-the-money	0.041

**Note:**

(1) The intrinsic value ("**Intrinsic Value**") is the difference between the last transacted price for the Shares (prior to suspension and as at Latest Practicable Date) and the Conversion Price.

We note that the Conversion Price of S\$0.007 represents a discount of approximately 85.4% from the last transacted price for the Shares of S\$0.048 on the SGX-ST on 29 January 2019 (being the last Trading Day prior to the suspension) which implies that the Conversion Options would have been in the money. It is noted that there have been various material events and developments announced subsequent to the suspension of the Shares (*inter-alia*, matters pertaining to AML's CET1 ratio, Disposal of AML, the Disclaimer of Opinion on, *inter-alia*, going concern assumption, the Insolvencies, etc), and these material events may likely led to a decline in the prices for the Shares had trading for the Shares not been suspended. If the Shares were not suspended, the market prices for the Shares may potentially be trading at a lower price and hence, the Intrinsic Value per Conversion Option may be lower than S\$0.041.

We also note that the Intrinsic Value per Conversion Option of S\$0.041 is at a significant premium over the Group's unaudited NL and/or NTL as at 30 September 2019 of approximately S\$0.0059 per Share.

The Conversion Options (similar to options) has a theoretical market value (being the hypothetical value or "fair value" of the Conversion Option computed based on models such as Black-Scholes or Binomial model based on several assumptions (as described in the following sections)) which is dependent on, *inter-alia*, the exercise or conversion price vis-à-vis the current price of the underlying Shares, the length of the exercise or conversion period, the price volatility of the underlying Shares and the risk-free interest rate. We have considered the valuation of the Conversion Options using the theoretical value of the Conversion Option based on the Black-Scholes model and the Binomial model, which is a common methodology used in the calculation of options. Notwithstanding the theoretical market value, we note that the Conversion Options are to be issued to GN at no cost.

Our key assumptions used for computing, *inter-alia*, the theoretical market value of the Conversion Options are as follow:

- (i) Grant date: The Latest Practicable Date
- (ii) Volatility estimation: Using historical prices of the Shares for the period commencing from the IPO Date to 29 January 2019 (being the Last Trading Day prior to suspension on 1 February 2019);
- (iii) Risk-free rate: 1-year yield for the benchmark Singapore Government Securities Treasury Bonds for CN1 and the 3-year yield for the benchmark Singapore Government Securities Treasury Bonds for CN3;
- (iv) Time to expiration: Approximately one (1) year for CN1 and three (3) years for CN3;
- (v) Interest: 8% per annum and 12% per annum for CN1 and CN3, respectively;
- (vi) The aggregate principal amount of CN3 issued all at once would be approximately S\$8.1 million; and

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(vii) No dividend.

<b>Conversion Options</b>	<b>Theoretical market value<sup>(1)</sup> (S\$)</b>	<b>Total consideration (based on the theoretical market value) (S\$ million)</b>	<b>Market capitalisation<sup>(2)</sup> (S\$ million)</b>	<b>Total consideration as percentage of market capitalisation (%)</b>
CN1 Conversion Option	0.0415	7.7	24.5	31.5
CN3 Conversion Option	0.0438	68.9	24.5	281.7

**Note:**

- (1) The theoretical market value of the Conversion Options will be calculated based on the last transacted price of S\$0.048 on 29 January 2019, being the Last Trading Day prior to suspension on 1 February 2019.
- (2) Market capitalisation is calculated based on 509,785,570 Shares excluding treasury Shares and last traded price of S\$0.048 on 29 January 2019.

Based on the above key assumptions, the theoretical market values for CN1 Conversion Option and CN3 Conversion Option is approximately S\$0.0415 and S\$0.0438, respectively. The total consideration for the grant of CN1 Conversion Option and CN3 Conversion Option is approximately S\$7.7 million and S\$68.9 million, respectively (or approximately 31.5% and 281.7% respectively of the Company's market capitalisation of approximately S\$24.5 million as at the Last Trading Day).

<b>Conversion Options</b>	<b>Total consideration (based on the theoretical market value) (S\$ million)</b>	<b>Principal amount and accrued interest of CN<sup>(1)</sup> (S\$ million)</b>	<b>Total consideration as a percentage of principal amount and interest of CN (%)</b>
CN1 Conversion Option	7.7	1.3	592.9
CN3 Conversion Option	68.9	11.0	625.7

**Note:**

- (1) Principal amount and accrued interest of CN1 and CN2 are calculated based on 185,875,933 and 1,573,714,285 New Shares issued respectively multiplied by Conversion Price of S\$0.007.

<b>Conversion Options</b>	<b>Aggregate intrinsic value (S\$ million)</b>	<b>Principal amount and accrued interest of CN<sup>(1)</sup> (S\$ million)</b>
CN1 Conversion Option	7.6	1.3
CN3 Conversion Option	64.5	11.0

We note that the Conversion Options will be issued free pursuant to the Convertible Note Agreement notwithstanding the theoretical value inherent in the Conversion Options.

We note that as the Conversion Options are deeply in the money, the aggregate theoretical value for CN1 Conversion Options and CN3 Conversion Options are more than the principal amounts of CN1 and CN3. In fact the aggregate intrinsic value for CN1 Conversion Options and CN3 Conversion Options ("**Aggregate Intrinsic Value**") of approximately S\$7.6 million and S\$64.5 million respectively

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are greater than the principal amounts of CN1 and CN3 of S\$1.1 million and S\$8.1 million respectively.

We note that the Aggregate Intrinsic Value of the Conversion Options are larger than the principal amounts of CN1 and CN3 plus their respective accrued interest of approximately S\$1.3 million and S\$11.0 million respectively.

This arises as the Conversion Options are deeply in the money due to the low Conversion Price and reasons explained above and in earlier sections of this IFA Letter.

Assuming the principal amount and all the accrued interest for CN1 and CN3 are converted in whole, the number of New Shares issued for CN1 and CN3 respectively are 185,875,933 and 1,573,714,285 respectively. For illustrative purpose only, assuming if CN1 and/or CN3 was to be converted on the Announcement Date, the theoretical value of each Convertible Option would be approximately S\$0.041, equal to the Intrinsic Value. We note that the theoretical values and Intrinsic Value for each Conversion Option is significantly higher than the Conversion Price.

For illustrative purpose only, we have considered and computed the internal rate of return (“IRR”) for CN1 and CN3. The IRR is the rate of return which equates the present value of cash inflows with present value of cash outflows from the project, or results in net present value for all cash flows of zero. It is used to evaluate the attractiveness of a project or investment. As the Intrinsic Value for the each of CN1 Conversion Option and CN2 Conversion Option is larger than the principal amount and all the accrued interest for each of CN1 and CN3, the IRR will not be meaningful.

Independent Directors should note that this may be, *inter-alia*, attributable to the fact that prior to suspension of trading, trading for the Shares has been infrequent with low volumes of Shares traded, the fact that the CN1 Agreement and the CN3 Agreement were executed subsequent to the suspension of trading of the Shares on the SGX-ST, approval of Shareholders for the Disposal of AML and the Insolvencies, and at a point in time when the Group will have little or no business activity subsequent to the Disposal and the Insolvencies. In addition, the Group based on its 9M2019 financial results, is in a weak financial position with NTL and poor financial performance. In fact we note Directors’ confirmations that its ability to continue as a going concern is likely dependent, *inter-alia*, on the funding provided by CN1, CN2 and CN3. As at the Latest Practicable Date, the Company has fully utilized the proceeds from CN1 and CN2 for working capital purposes.

In particular, we note that as the Shares were suspended prior to the Announcement and that computations for the Intrinsic Value and theoretical value for the Conversion Options assumes that the last traded share price was S\$0.048, there is no assurance that above computations have taken into account the value of the Shares, had there been no suspension.

Independent Directors should note that the estimation of the theoretical market values of the Conversion Option as set out in this section is dependent on various assumptions, including but not limited to the date of grant, convertible price, exercise period and risk free rate. Thus, the estimation of the theoretical market value of the Conversion Option as set out in this section is necessarily limited and serves only as an illustrative guide.

## **5.6 Relative valuation analysis**

In evaluating the Conversion Price, we have considered the financial performance, financial positions and valuation statistics of selected comparable companies (the “**Selected Comparable Companies**”) that may, in our view, be broadly comparable to the past core businesses of the Group, being fintech and in particular social trading and offering brokerage services. We note that following, *inter-alia*, the Disposal of AML as well as the liquidation of AYG and deconsolidation of AHAG (following the Insolvencies), companies within the Group comprise only the Company and the Group did not record any revenue in 3Q2019. However, as stated in the previous section, the Directors have represented and confirmed that the Company has the License with the right to use, and unrestricted access to, all of the IP rights associated with the WeTrade IP together with the right to sub-license these rights to the Company’s subsidiaries.

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The Selected Comparable Companies have been identified after a search was carried out on various stock exchanges and evaluation of the companies operating in the same industry as the Group. We have also identified other fintech companies such as Futu Holdings Limited, Interactive Brokers Group, INC. and IG Group Holdings PLC. However, they were excluded in view of the fact that their market capitalisation are significantly higher than the market capitalisation of the Company. We have had discussions with the Directors and Management about the suitability and reasonableness of these Selected Comparable Companies acting as a basis for comparison with the core businesses of the Group. Independent Directors should note that no two companies can be totally comparable.

Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. Notwithstanding our use of these companies for peer analysis, the Selected Comparable Companies may or may not have similar business or operations or similar assets or geographical markets as the Group, and their accounting policies with respect to the values for which the assets or the revenue or cost are recorded or the relevant financial period compared may differ from the Group. In addition, the trading of the shares of the Selected Comparable Companies may differ from that for the Shares and these may be caused by any actual perceived or fundamentally determined risk premiums.

We advise Independent Directors to note that there may not be any company listed on any relevant stock exchange that is directly comparable to the Group in terms of size, diversity of business activities and products/services, branding, geographical spread, track record, prospects, end-customers, supply and/or value chain, core competence, resources, revenue drivers and models, operating and financial leverage, risk profile, quality of earnings and accounting, listing status and such other relevant criteria. We wish to highlight that it may be difficult to place reliance on the comparison of valuation statistics for the Selected Comparable Companies as the markets and businesses of the Selected Comparable Companies, its capital structures, growth rates, operating and financial leverage, taxation and accounting policies as well as the liquidity of these shares and the demand/supply conditions for these shares and that of the Group may differ. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Group as at the Latest Practicable Date.

We also wish to highlight that the NAV or NTA based approach for valuing a company is dependent on factors that may differ for each of the Selected Comparable Companies including, *inter-alia*, factors where applicable such as accounting or depreciation policies and the classification of assets as a tangible or intangible asset. As such, the comparison of the consolidated NAV or NTA of the Group with those of the Selected Comparable Companies is necessarily limited and such comparison is made for illustrative purposes only. In addition, as all the ratios and tools used invariably uses the price of the shares, they may or may not take into account any relative or perceived or actual risk premium or demand and supply conditions for those shares which may or may not have been fundamentally justified. In addition, as these are tools or ratios that are based on historical financial performance or position, they may or may not reflect the anticipated financial performance and the mix of their activities or their relative contributions in terms of assets, financial performance may differ.

Independent Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter-alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity and the market capitalisation or the relative sentiments of the market for the shares.

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Selected Comparable Companies	Market Capitalisation (S\$ million)	Principal Activities
<p>Naga Group AG  <b>("Naga Group")</b></p> <p><i>Listed on Frankfurt Stock Exchange  <b>("FWB")</b></i></p>	38.0	<p>The company is an innovative fintech group engaged in the trading of financial securities, cryptocurrencies and virtual goods. It focuses on trading transactions (commissions, SWOP and market making) mainly on forex, indices, stocks, ETFs and CFDs generated on an easy-to-use social trading environment. The interactive interface allows the copying of one single trade or an entire strategy of a professional trader. The company also has revenue streams from consulting and license support activities.</p>
<p>TradeGo FinTech Limited  <b>("TradeGo")</b></p> <p><i>Listed on Hong Kong Stock Exchange  <b>("HKSE")</b></i></p>	41.4	<p>The company is engaged in the provision of integrated securities trading platform services for Hong Kong brokerage firms and their clients. Its main services consist of front office trading system services, market data services and value added services. Services delivered through self-developed securities trading platform software, such as TradeGo and TradeGo Pro.</p>

*Source: Bloomberg, HKSE, Frankfurt Stock Exchange and the respective company's website.*

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The following tabulates the salient ratios for comparative financial performance and position for the Selected Comparable Companies:-

<b>Selected Comparable Companies</b>	<b>LTM ROE (%)<sup>(1)</sup></b>	<b>LTM net profit margin (%)<sup>(2)</sup></b>	<b>LTM asset turnover (times)<sup>(3)</sup></b>	<b>Total liabilities<sup>(4)</sup>/ shareholders' equity<sup>(5)</sup> (times)</b>	<b>Total borrowings<sup>(6)</sup>/ shareholders' equity<sup>(5)</sup> (times)</b>
Naga Group	n.m. <sup>(7)</sup>	n.m. <sup>(7)</sup>	0.01	0.04	0.001
TradeGo	n.m. <sup>(8)</sup>	n.m. <sup>(8)</sup>	0.62	0.37	0.09
<b>Maximum</b>	<b>n.m.</b>	<b>n.m.</b>	<b>0.62</b>	<b>0.37</b>	<b>0.09</b>
<b>Minimum</b>	<b>n.m.</b>	<b>n.m.</b>	<b>0.01</b>	<b>0.04</b>	<b>0.001</b>
<b>Median</b>	<b>n.m.</b>	<b>n.m.</b>	<b>0.32</b>	<b>0.20</b>	<b>0.04</b>
<b>Simple Average</b>	<b>n.m.</b>	<b>n.m.</b>	<b>0.32</b>	<b>0.20</b>	<b>0.04</b>
<b>The Group</b>	<b>n.m.<sup>(9)</sup></b>	<b>n.m.<sup>(9)</sup></b>	<b>39.24</b>	<b>n.m.<sup>(10)</sup></b>	<b>n.m.<sup>(10)</sup></b>

**Source:** The latest annual reports and the announced unaudited financial statements of the respective companies.

**Notes:**

- (1) The last twelve months ("LTM") return on equity ("ROE") is based on the ratio of the most recent twelve months consolidated net profits after tax attributable to the equity holders to the consolidated shareholders equity (excluding minority interest) of the respective companies.
- (2) LTM net profit margin is the ratio of the most recent twelve months consolidated net profits after tax attributable to shareholders to the most recent twelve months total consolidated revenue of the respective companies.
- (3) LTM asset turnover is the ratio of the most recent twelve months total consolidated revenue to the total consolidated assets of the respective companies.
- (4) Total liabilities include, inter-alia, all the liabilities of the respective companies but exclude contingent liabilities, if any.
- (5) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies.
- (6) Total borrowings include, inter-alia, all bank loans and borrowings as well as hire purchase obligations and interest bearing debts, where applicable.
- (7) Naga Group incurred a loss after tax for the LTM ended 30 June 2019. Hence, its' LTM ROE and LTM net profit margin are negative and not meaningful.
- (8) TradeGo incurred a loss after tax for the LTM ended 30 September 2019. Hence, its' LTM ROE and LTM net profit margin are negative and not meaningful.
- (9) We have disregarded the losses from the discontinued operations and the one-off gain on the Disposal of AML and deconsolidation of AYG and AHAG. The Group recorded loss after tax from continuing operations for LTM ended 30 September 2019. Hence, the Group's LTM ROE and LTM net profit margin ratios are negative and not meaningful.
- (10) The Group's shareholders' equity was in deficit as at 30 September 2019. Hence, the Group's total liabilities to shareholders' equity and total borrowings to shareholders' equity are negative and not meaningful.
- (11) Figures and computation presented in this section are subjected to rounding. Please note that as there are only two comparable companies the median and simple average would be similar.

For illustrative purposes only, we note the following:-

- (i) The Group's LTM ROE and LTM net profit margin (based on continuing operations) are negative and not meaningful as the Group recorded loss after tax from continuing operations for the LTM ended 30 September 2019. We have disregarded the losses from the discontinued operations and the one-off gain on the Disposal of AML and deconsolidation of AYG and AHAG.

Likewise, the Selected Comparable Companies have all recorded losses during the period reviewed.

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- (ii) The Group's LTM asset turnover ratio was approximately 39.2 times, which is significantly higher than any of the Selected Comparable Companies. However, the Group's LTM asset turnover ratio should be assessed in conjunction with: (a) minimum asset base of the Group as at 30 September 2019 comprising solely of cash and cash equivalents of approximately CHF123 thousand, which was attributable to, *inter-alia*, the Disposal of AML, the deconsolidation of AYG and AHAG, and the impairment of assets during FY2018 and 9M2019; and (b) following, *inter-alia*, completion of the Disposal of AML as well as the liquidation of AYG and deconsolidation of AHAG (following the Insolvencies), the Group (which comprise only the Company) did not generate any revenue in 3Q2019. As confirmed by the Directors, there is no certainty as to whether the Group will be able to generate revenue in the near term and the timing of it.
- (iii) The Group recorded a deficit in its shareholders' equity of approximately CHF2.2 million as at 30 September 2019. Hence, the Group's ratio of total liabilities to shareholders' equity and total borrowings to shareholders' equity are negative and not meaningful. The simple average of the ratio of total liabilities to shareholders' equity and total borrowings to shareholders' equity for the Selected Comparable Companies are 0.2 times and 0.04 times respectively.

The following valuation statistics for the Selected Comparable Companies are based on their respective closing prices as at the Latest Practicable Date, while those for the Group are based on the Conversion Price. We note that the trading for the Shares has been suspended since 1 February 2019 and that the last transacted price for the Shares immediately preceding the suspension was S\$0.048, which was significantly higher than the Conversion Price. In addition, it is noted that there have been various material events and developments announced subsequent to the suspension of the Shares (*inter-alia*, matters pertaining to AML's CET1 ratio, Disposal of AML, the Disclaimer of Opinion on, *inter-alia*, going concern assumption, the Insolvencies, etc) and these material events may likely lead to a decline in the trading prices for the Shares had trading for the Shares not been suspended. Hence, the last traded price for the Shares immediately preceding the suspension may not be relevant and reflective of events after the suspension.

All the valuation statistics of the Selected Comparable Companies are computed on a historical basis using financial data and information obtained from their latest publicly available unaudited financial statements or audited financial statements from their annual reports or result announcements.

The following table tabulates the comparative valuation statistics for the Selected Comparable Companies and the Group and should be evaluated in the context of their relative financial performance and position.



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Selected Comparable Companies	Market capitalisation (\$ million)	LTM EV/EBITDA <sup>(1)</sup> (times)	LTM PER <sup>(2)</sup> (times)	P/NAV <sup>(3)</sup> (times)	P/NTA <sup>(4)</sup> (times)	LTM P/Revenue (times)	LTM EV/Revenue (times)
Naga Group	38.0	n.m. <sup>(5)</sup>	n.m. <sup>(5)</sup>	0.2	6.2	14.1	13.5
TradeGo	41.4	93.8	n.m. <sup>(6)</sup>	4.6	6.0	5.4	4.5
<b>Maximum</b>	<b>41.4</b>	<b>93.8</b>	<b>n.m.</b>	<b>4.6</b>	<b>6.2</b>	<b>14.1</b>	<b>13.5</b>
<b>Minimum</b>	<b>38.0</b>	<b>93.8</b>	<b>n.m.</b>	<b>0.2</b>	<b>6.0</b>	<b>5.4</b>	<b>4.5</b>
<b>Median</b>	<b>39.7</b>	<b>93.8</b>	<b>n.m.</b>	<b>2.4</b>	<b>6.1</b>	<b>9.8</b>	<b>9.0</b>
<b>Simple Average</b>	<b>39.7</b>	<b>93.8</b>	<b>n.m.</b>	<b>2.4</b>	<b>6.1</b>	<b>9.8</b>	<b>9.0</b>
<b>The Group (as implied by the Conversion Price)</b>	<b>3.6</b>	<b>n.m.<sup>(7)</sup></b>	<b>n.m.<sup>(7)</sup></b>	<b>n.m.<sup>(8)</sup></b>	<b>n.m.<sup>(8)</sup></b>	<b>0.5</b>	<b>0.8</b>

Source: The latest annual reports and the announced unaudited financial statements of the respective companies.

**Notes:**

- (1) The LTM EV/EBITDA for the Selected Comparable Companies is based on the most recent twelve months EBITDA as reported by the respective companies.
- (2) The LTM PERs for the Selected Comparable Companies are based on the most recent twelve months earnings after tax attributable to shareholders as reported by the respective companies.
- (3) The P/NAV ratios for the Selected Comparable Companies are based on their respective NAV values as set out in their latest available announced audited or unaudited financial statements.
- (4) The P/NTA ratios for the Selected Comparable Companies are based on their respective NTA values as set out in their latest available announced audited or unaudited financial statements.
- (5) Naga Group recorded negative EBITDA and loss after tax for LTM ended 30 June 2019. Hence, Naga Group's LTM EV/EBITDA and LTM PER are negative and not meaningful.
- (6) TradeGo recorded a loss after tax for LTM ended 30 September 2019. Hence TradeGo's LTM PER is negative and not meaningful.
- (7) For the Group, the computations for LTM EV/EBITDA and LTM PER are based on market capitalisation as implied by the Conversion Price for the Conversion Shares. The Group's LTM PER and LTM EV/EBITDA are not meaningful as the Group incurred loss after tax from continuing operations and registered negative EBITDA for the LTM ended 30 September 2019. Please see earlier sections on the analysis.
- (8) As at 30 September 2019, the Group was in net liabilities and/or net tangible liabilities position. Hence, the Group's P/NAV and P/NTA are negative and not meaningful.
- (9) Figures and computation presented in this section are subjected to rounding.

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For illustrative purposes only, we note:

- (i) The market capitalisation of the Group as implied by the Conversion Price is significantly lower than the market capitalisation of the Selected Comparable Companies. We note that in general, the trading statistics for companies with higher market capitalisation may be different than those with lower market capitalisation and this may be attributable to the relative liquidity in terms of number or value of shares traded as well as relative interest in the shares of companies with larger market capitalisation.
- (ii) The Group incurred loss after tax from continuing operations and registered negative EBITDA for the LTM ended 30 September 2019. As such, the Group's LTM PER and LTM EV/EBITDA are not meaningful. This is in line with the Selected Comparable Companies (save for TradeGo for LTM EV/EBITDA).
- (iii) The Group was in NL and NTL position as at 30 September 2019, hence the valuation of the Group as implied by the Conversion Price and in terms of P/NAV and P/NTA is negative and not meaningful. For illustrative purpose only, Naga Group was traded at P/NAV and P/NTA of approximately 0.2 times and 6.2 times respectively. Meanwhile, TradeGo was traded at P/NAV and P/NTA of approximately 4.6 times and 6.0 times respectively.
- (iv) The Group's valuation as implied by the Conversion Price and in terms of P/Revenue and EV/Revenue are lower and less favorable than any of the Selected Comparable Companies. However, this should be assessed in conjunction with the fact that following, *inter-alia*, completion of the Disposal of AML and the Insolvencies of AYG and AHAG, the Group (which comprises the Company) did not generate any revenue in 3Q2019. As confirmed by the Directors, there is no certainty as to whether the Group will be able to generate revenue in the near term and the timing of it.

In summary, the Conversion Price appears to have valued the Company favourably taking into account: (a) the Group's weak financial performance (in terms of loss making position since FY2017 with moribund core business where no revenue was recorded in 3Q2019 and uncertainties as to whether the Group will be able to generate revenue in the near term and the timing of it as well as the status of the License), and financial position (in terms of net current liabilities and NL position as at 30 September 2019) as compared to the Selected Comparable Companies; (b) the Disclaimer of Opinion issued by the Independent Auditor relating to, *inter-alia*, going concern assumption; and (c) the fact that the trading for the Shares has been suspended since 1 February 2019 with no certainty on the lifting of the suspension (subject to, *inter-alia*, the Group's ability to address the going concern and business viability issues). On 31 January 2020, the Company announced that it has made an application, through the Company's sponsor, to the SGX-ST for an extension of time of three (3) months under Rule 1304(1) of the Catalist Rules to submit a proposal with a view to resuming trading in the Company's securities by 30 April 2020 (from the deadline of 31 January 2020)

We also wish to highlight that the NAV and NTA based approach of valuing a company is dependent on factors that may differ for each Selected Comparable Companies including, *inter-alia*, factors such as depreciation policies. As such, the comparison of the NAV and NTA of the Group with those of the Selected Comparable Companies is necessarily limited and such comparison is made for illustrative purposes only. In addition, as all the ratios and tools used invariably uses the price of the shares, they may or may not take into account any relative or perceived or actual risk premiums or demand and supply conditions for those shares which may or may not have been fundamentally justified. In addition, as these are tools or ratios that are based on historical financial performance or position, they may or may not reflect the anticipated financial performance and the mix of its activities or the relative contributions in terms of assets, financial performance may differ.

Independent Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter-alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity of the shares and the market capitalisation or the relative sentiments of the market for the shares

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Comparison with valuation of cash company

As highlighted in Section 5.2 of this Letter, the Company may be deemed as “cash company” pursuant to Rule 1017 of the Catalist Rules considering the fact that the Group’s assets as at 30 September 2019 consist wholly of cash and cash equivalent and no revenue was recorded for 3Q2019.

As such, in our assessment of the reasonableness of the Conversion Price, we have considered the typical premiums paid for Catalist-listed cash companies in the reverse takeover (“**RTO**”) transactions which were announced during the period commencing January 2016 and completed prior to the Latest Practicable Date (the “**Selected RTO Cash Companies**”) and the respective dilution effect.

Independent Shareholders should note that as most of the transactions for these Selected RTO Cash Companies (save for TSH Corporation Limited) were announced prior to 2018, any such references or observation made herein is necessarily limited. In addition as the RTO transactions listed may involve an acquisition of assets/liabilities, and/or businesses or business undertakings, comparisons with the Company or the Proposed CN1 Issue and Proposed CN3 Issue may be limited. In contrast, the Proposed CN1 Issue and the Proposed CN3 Issue involve “conversion” of advances in cash made to the Group or subscription of notes via cash (as the case may be).

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Selected RTO Cash Companies	Target Companies	Announcement date	No. of shares prior to RTO	Pre-consolidation issue price (\$)	Market capitalisation based on			No. of shares prior to RTO/enlarged shares after RTO (%)
					existing no of shares and issue price (\$ million) (a)	NTA(NTL) of cash company (\$ million) (b)	Premium over NTA(NTL) (\$ million) (a-b)	
SHC Capital Asia Limited	Memories Group	20-Jan-16	305,982,583	0.038 <sup>(1)</sup>	11.5	5.2	6.3	10.9% <sup>(2)</sup>
China Bearing (Singapore) Ltd.	FE Resources Pte. Ltd.	01-Nov-16	276,000,000	0.073 <sup>(3)</sup>	20.0	11.1	9.0	21.7% <sup>(4)</sup>
Lereno Bio-Chem Ltd.	Knit Textile and Apparel Pte. Ltd.	29-Sep-17	73,631,858	0.010 <sup>(5)</sup>	0.7	(5.8)	6.6	2.2% <sup>(6)</sup>
TSH Corporation Limited	SLOSHEDI Pte. Ltd.	31-Aug-18	240,443,565	0.030 <sup>(7)</sup>	7.2	4.8	2.4	27.1% <sup>(8)</sup>
<b>Maximum</b>								
<b>Minimum</b>								
<b>Median</b>								
<b>Simple Average</b>								
<b>The Group</b>		<b>22-Aug-19</b>	<b>509,785,570</b>	<b>0.0070</b>	<b>3.6</b>	<b>(3.0)</b>	<b>6.6</b>	<b>21.5%<sup>(9)</sup></b>

Source: Circulars and announcements of the respective Selected RTO Cash Companies.

**Notes:**

- (1) Based on the issue price on a pre-share consideration basis of S\$0.263 and proposed share consolidation of every 7 pre-consolidated shares into 1 consolidated share
- (2) Share capital after RTO comprises 264,997,065 consideration shares, 43,711,798 consolidated shares, and 93,000,000 placement shares
- (3) Based on the issue price on a pre-share consideration basis of S\$0.725 and proposed share consolidation of every 10 pre-consolidated shares into 1 consolidated share
- (4) Share capital after RTO comprises 95,793,103 consideration shares, 27,600,000 consolidated shares, 2,772,414 arranger shares and 937,931 ZICO shares
- (5) Based on the issue price on a pre-share consideration basis of S\$0.200 and proposed share consolidation of every 20 pre-consolidated shares into 1 consolidated share
- (6) Share capital after RTO comprises 132,000,000 consideration shares, 3,681,593 consolidated shares, 24,000,000 settlement shares and 10,000,000 transaction costs shares
- (7) Based on the issue price on a pre-share consideration basis of S\$0.600 and proposed share consolidation of every 20 pre-consolidated shares into 1 consolidated share
- (8) Share capital after RTO comprises 32,333,333 consideration shares and 12,022,158 consolidated shares
- (9) Enlarged Share capital comprising 509,785,570 existing Shares and 1,856,018,789 New Shares (assuming full conversion of all the Notes)

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For illustrative purpose only, we note from the above table that the number of existing Shares as a percentage of the enlarged Share capital assuming full conversion of all the Notes is approximately 21.5% and this is within the range, and higher than both the median and the simple average for the Selected RTO Cash Companies.

In addition, the premium paid over the NTL of the Company of approximately S\$6.6 million is within the range, and higher than both the median and the simple average of premiums paid over the NTA/(NTL) of the Selected RTO Cash Companies.

We wish to highlight that the level of premium (if any) an acquirer would normally pay for acquiring a listed company through a reverse takeover varies in different circumstances depending on, *inter-alia*, changes in capital structure prior to the RTO, the attractiveness of the underlying business or assets to be acquired by the listed company, the possibility of a significant appraisal of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of listed company's shares, the presence of competing bids for the target company, the extent of control the acquirer already has in the target company or the extent of control the existing substantial or controlling shareholders have on the listed company, relative or perceived motivation to sell/buy and current market expectation as well as general economic and business risks. In addition as the Proposed CN1 Issue and the Proposed CN3 Issue involves "conversion" of advances in cash made to the Group or subscription of notes via cash (as the case may be), as compared to the RTO Cash Companies transactions listed, it is not uncommon for expectations in a fully cash deal wherein there is no certainty of uplifting of suspension for a lower premium above NTL as compared to transactions which involves, *inter-alia*, issuance of shares for acquisition of businesses or assets/liabilities or which are not wholly via cash.

We wish to highlight that the Selected RTO Cash Companies listed above may not be exhaustive and are not directly comparable to the Company in terms of size, market capitalisation, asset base, track record, accounting policy, and other relevant criteria. Each of the Selected RTO Cash Companies must be judged on its own commercial and financial merits. Furthermore, the Selected RTO Cash Companies is by no means exhaustive and information relating to them was compiled from public available information. Therefore, any comparison with the Selected RTO Cash Companies is for illustrative purpose only and merely serves as a guide to illustrate the relative premium paid over the NTA/NTL of Catalist-listed cash companies in RTO transactions. Conclusions drawn from the comparisons made may not necessarily reflect any perceived market valuation for the Company.

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**5.7 Analysis of selected comparable transactions**

In assessing the financial terms of the Proposed CN1 Issue and the Proposed CN3 Issue, being the subject of the Proposed Whitewash Resolution, we have assessed and selected recent convertible loans granted to companies listed on the SGX-ST ("**Selected Convertible Loans**").

In making the comparison herein, we wish to highlight that the figures used in our assessment have been extracted where available and/or applicable from the relevant announcements, circulars and other publicly available sources. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information.

The Independent Shareholders should note that certain circumstances and terms relating to the Selected Convertible Loans are unique and might not be identical to the Proposed CN1 Issue and the Proposed CN3 Issue, and are dependent on various factors such as, *inter-alia*, the financial performance and profile of the companies, the volatility and trading liquidity of the shares of the companies, and the market sentiments prevailing at the time of such Selected Convertible Loans.

The selected companies which are included in the Selected Convertible Loans might be different from the Company in terms of the business activities, scale of operations, types of products and/or services, geographical markets, track record, future prospects, asset base, risk and credit profile, customer base and other relevant criteria. As such, any comparison made with respect to the Selected Convertible Loans is necessary limited and intended to serve for illustrative purpose only.

For the purpose of our assessment and for illustration, we have summarised the key terms of these Selected Convertible Loans including, *inter-alia*, the principal amounts, interest rates, conversion price, premium/(discount) to market price prior to the announcement, and conversion price/NTA.

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**Selected Convertible Loans**

<b>Selected Convertible Loans</b>	<b>Date of announcement</b>	<b>Principal amount (\$ million)</b>	<b>Tenure (years)</b>	<b>Coupon/ Interest per annum (%)</b>	<b>Premium/(Discount) of conversion price over/ from last traded price prior to announcement<sup>(1)</sup> (%)</b>	<b>Conversion price/NTA<sup>(2)</sup></b>	<b>Latest full year results prior to announcement</b>	<b>Shareholders' equity prior to announcement</b>
Mercurius Capital Investment Limited	17-Mar-17	1.0	1.0	8.0	108.3	1,000.0	Loss	Positive
Addvalue Technologies Ltd.	29-Apr-17	7.1	4.0	5.0	10.0	20.4	Loss	Positive
Hatten Land Limited	22-Sep-17	27.0 <sup>(3)</sup>	2.0	7.0	77.7	6.6	Profit	Positive
Capital World Limited	8-Feb-18	18.0	1.0 (with option to extend for another year)	10.0	(1.2)	2.8	Profit	Positive
Aspen (Group) Holdings Limited	20-May-18	14.8 <sup>(4)</sup>	1.5	6.5	59.1	3.5	Profit	Positive
NauticAWT Limited	7-Aug-18	3.1 <sup>(5)</sup>	3.0	14.0	58.8	n.m.	Loss	Positive
Clearbridge Health Limited	31-Jan-19	1.5	3.0	7.0	78.3	5.4	Loss	Positive
Mercurius Capital Investment Limited	30-Mar-19	0.5	0.5	8.0	33.3	400.0	Loss	Positive
Yongnam Holdings Limited	22-May-19	15.0	2.0	7.0	5.9	0.4	Loss	Positive
Addvalue Technologies Ltd.	30-Jun-19	3.5	2.0	8.0	4.5	n.m.	Loss	Positive
Capital World Limited	3-Oct-19	5.5	1.0	15.0	1.1	0.3	Loss	Positive
Mercurius Capital Investment Limited	15-Dec-19	1.8	1.0	10.0	100.8	0.2	Loss	Positive
Mercurius Capital Investment Limited	23-Dec-19	1.0	1.0	10.0	111.4	0.2	Loss	Positive
Mercurius Capital Investment Limited	3-Jan-20	0.8	1.0	10.0	108.3	0.2	Loss	Positive

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Selected Convertible Loans	Date of announcement	Principal amount (S\$ million)	Tenure (years)	Coupon/Interest per annum (%)	Premium/(Discount) of conversion price over/ from last traded price prior to announcement <sup>(1)</sup> (%)	Conversion price/NTA <sup>(2)</sup>	Latest full year results prior to announcement	Shareholders' equity prior to announcement
Maximum		27.0	4.0	15.0	111.4	1,000.0		
Minimum		0.5	0.5	5.0	(1.2)	0.2		
Median		3.3	1.5	8.0	58.9	3.2		
Simple Average		7.2	1.8	9.0	54.0	120.0		

CN1	22-Aug-19	1.12	1.0	8.0	(85.4)	n.m. <sup>(6)</sup>	Loss	Negative <sup>(6)</sup>
CN3	22-Aug-19	8.1	3.0	12.0	(85.4)	n.m. <sup>(6)</sup>	Loss	Negative <sup>(6)</sup>

Source: Company's announcements and circulars

**Notes:**

- (1) The premium/(discount) to market price prior to announcement are computed based on the respective companies announcements and share prices.
- (2) Conversion price to NTA ratio are computed based on the latest announced audited or unaudited financial statement of the respective companies before the respective date of announcement.
- (3) Based on the principal amount of US\$20,000,000 and converted into S\$ based on the relevant exchange rate as at the date of the announcement.
- (4) Based on the principal amount of US\$11,000,000 and converted into S\$ based on the relevant exchange rate as disclosed in the announcement.
- (5) Based on the principal amount of US\$2,320,000 and converted into S\$ based on the relevant exchange rate as disclosed in the announcement.
- (6) The Group was in NTL and NL position of approximately CHF2.2 million as at 30 September 2019



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For illustrative purpose only, we note from the above that:-

- (i) We note that the principal amounts for each of CN1 and CN3 (as well as the aggregate principal amounts for both CN1 and CN3) are still within the range for the Selected Convertible Loans. Whilst the principal amount of CN1 is lower than the simple average and the median for the Selected Convertible Loans, the principal amount of CN3 is higher than the median and simple average for the Selected Convertible Loans.
- (ii) We note that the interest rate for CN1 is 8.0% per annum while the interest rate for CN3 is 12.0% per annum. Both interest rates are within the range of the Selected Convertible Loans which are between 5.0% to 15.0%. In addition, the interest rate for CN1 is in line with the median interest rate, whilst the interest rate for CN3 is higher than the median interest rate for the Selected Convertible Loans.
- (iii) Save for the convertible loan announced on 8 February 2018 by Capital World Limited, the rest of the conversion price for all the other Selected Convertible Loans are at premiums over the last transacted price for the underlying shares. The Conversion Price for CN1 and CN3 represents a discount of approximately 85.4% from the last transacted price for the Shares prior to the Trading Halt Date, which is worse off than any of the Selected Convertible Loans. However, we are of the view that any comparison of the Conversion Price to the historical trading performance of the Shares may not be meaningful given that the Shares have been suspended since 1 February 2019 and there may have been changes in the circumstances of the Group since the trading suspension to the Latest Practicable Date (*inter-alia*, matters pertaining to AML's CET1 ratio, the Disposal of AML, the Disclaimer of Opinion on, *inter-alia*, going concern assumption, the Insolvencies, etc), which may likely lead to a decline in the trading prices for the Shares had trading for the Shares not been suspended.
- (iv) The Group was in NTL position as at 30 September 2019, hence the Conversion Price to NTA multiple for the Group is not meaningful. For illustrative purpose only, the ratio of conversion price to NTA for the Selected Convertible Loans ranges from 0.2 times to 1,000.0 times. It is further noted that eleven (11) out of fourteen (14) transactions under the Selected Convertible Loans involves companies which were at the relevant time loss making but all of the underlying companies had positive NTA (save for NauticAWT Limited and Addvalue Technologies Ltd. for the 2019 transaction). We note that there are a number of "repeat" borrowers for the Selected Convertible Loans.

In summary, the Proposed CN1 Issue and the Proposed CN3 Issue appear to be fairly comparable to the Selected Convertible Loans after taking into account (a) the interest rate payable for CN1 and CN3, which are within the range as compared to the Selected Convertible Loans; (b) the Group's NTL position as at 30 September 2019 which is weaker than most of the companies under the Selected Convertible Loans as most of them had positive NTA (save for NauticAWT Limited and Addvalue Technologies Ltd. for the 2019 transaction); (c) the Conversion Price being more favorable after taking into account the Group's NL per Share and/or NTL per Share as at 30 September 2019; and (d) our view that any comparison of the Conversion Price to the historical trading performance of the Shares may not be meaningful given that the Shares have been suspended since 1 February 2019 and there were changes in circumstances for the Group since the trading suspension to the Latest Practicable Date. There is also for the Company no certainty as to whether the suspension for trading of the Company's Shares can be uplifted. In addition, we note that none of the Selected Convertible Loans involves companies wherein its shares are suspended.

Independent Shareholders should note that the above comparison serves as illustrative purpose only as we have not evaluated and assessed factors such as the industries of the companies under the Selected Convertible Loans, the credit quality or credit worthiness of the companies under the Selected Convertible Loans, the tenure of such convertible loan as well as the then prevailing economic and market conditions when the Selected Convertible Loans were announced.

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**6. OTHER CONSIDERATIONS**

**6.1 No alternative financing offers to the Proposed Issue**

The Directors have confirmed that whilst significant efforts have been made by the Directors and Management to source for alternative financing offers with better pricing, as at the Latest Practicable Date, they are not aware of any alternative financing offers, which is comparable in nature, amounts terms and conditions to the Proposed Issue.

We also understand from Directors that they had considered other fund raising alternatives, including but not limited to other strategic investors/partners, placement to third party investor(s), rights issue and obtaining external borrowings from financial institutions or lenders, before eventually deciding to proceed with the Proposed Issue. It was highlighted in the Disposal Circular that the Company had sought funding options including private placement to a third party investor and a rights issue but these were unsuccessful.

The Directors note that the Group's currently weak financial performance (in terms of its loss making position since FY2017 with moribund core business where no revenue was recorded in 3Q2019 and uncertainties as to whether the Group will be able to generate revenue in the near term and the timing of it) and financial position (in terms of net current liabilities and NL position as at 30 September 2019) as well as the Disclaimer of Opinion issued by the Independent Auditor relating to, *inter-alia*, going concern assumption makes it difficult to seek any meaningful amounts of external borrowing from financial institutions or funds from investor or existing Shareholders or in the case of a convertible security or loan, without a significant discount to the last traded Share price prior to suspension. In addition there is no certainty as to whether the suspension for trading of the Company's Shares can be uplifted.

As stated in the Company's results announcement for 9M2019, the validity of the going concern assumption is subject to the successful completion and issuance of the Notes,

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**6.2 Dilution Impact**

It is important to note that upon conversion (in full or partial) of the Notes and issuance of the New Shares, the shareholdings of existing Shareholders will be affected. In evaluating the dilution impact of the issuance of the New Shares arising from the conversion of the Notes on the existing Shareholders, we have considered the following impact on shareholding assuming full conversion of all the Notes:-

	As at the Latest Practicable Date <sup>(1)</sup> (Before the Proposed Issue)				Immediately after full conversion of all Notes <sup>(2)</sup>				
	Direct Interest	%	Deemed Interest	Total Interest	Direct Interest	%	Deemed Interest	Total Interest	%
<b>Directors</b>									
Dr Foo Fatt Kah <sup>(3)</sup>	6,688,057	1.31	101,174,765	107,862,822	6,688,057	0.28	101,174,765	107,862,822	4.56
Foong Daw Ching	150,000	0.03	-	150,000	150,000	0.01	-	150,000	0.01
Lam Shiao Ning	100,000	0.02	-	100,000	100,000	0.00	-	100,000	0.00
Tse Man Kit Gilbert	-	-	-	-	-	-	-	-	-
<b>Substantial Shareholders</b>									
Thomas Winkler <sup>(4)</sup>	1,072,759	0.21	27,781,822	28,854,581	1,072,759	0.05	27,781,822	28,854,581	1.22
Luminor Capital Pte. Ltd. <sup>(5)</sup>	-	-	101,174,765	101,174,765	-	-	101,174,765	101,174,765	4.28
Luminor Pacific Fund 1 Ltd.	56,660,756	11.11	-	56,660,756	56,660,756	2.39	-	56,660,756	2.39
Luminor Pacific Fund 2 Ltd.	44,514,009	8.73	-	44,514,009	44,514,009	1.88	-	44,514,009	1.88
Kwan Chee Seng <sup>(6)</sup>	17,386,507	3.41	107,722,089	125,108,596	17,386,507	0.73	107,722,089	125,108,596	5.29
Kwan Yu Wen <sup>(7)</sup>	-	-	101,174,765	101,174,765	-	-	101,174,765	101,174,765	4.28
<b>Subscribers</b>									
GN	-	-	-	-	1,759,590,218	74.38	-	1,759,590,218	74.38
Mr Taniya	-	-	-	-	96,428,571	4.08	-	96,428,571	4.08
Other Existing Public Shareholders <sup>(8)</sup>	348,884,336	68.44	-	-	348,884,336	14.75	-	-	-
<b>Total</b>	<b>509,785,570</b>	<b>100.00</b>			<b>2,365,804,359</b>	<b>100.00</b>			

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**Notes:**

- (1) *Based on the Existing Share Capital of 509,785,570 Shares.*
- (2) *Based on the Enlarged Share Capital of 2,365,804,359 Shares, after the Conversion of all the Notes into New Shares.*
- (3) *Dr Foo Fatt Kah is a director and shareholder of Luminor Capital Pte. Ltd., the fund manager of Luminor Funds which manages Luminor Funds on a discretionary basis. By virtue of Section 4 of the SFA, Dr Foo Fatt Kah is deemed interested in the Shares of the Company held by Luminor Funds.*
- (4) *Thomas Winkler is deemed to be interested in the 1,223,758 Shares held in the custodian nominee account and 423,360 Shares held by his spouse, Astrid Winkler and by virtue of Section 4 of the SFA and Section 7 of the Companies Act, Thomas Winkler is deemed to be interested in the Shares held by the following companies:*
  - (i) *17,535,420 ordinary shares held by Global Money Ventures AG;*
  - (ii) *4,811,184 ordinary shares held by Next Generation Finance Management AG; and*
  - (iii) *3,788,100 ordinary shares held by Baltische Bauentwicklungsgesellschaft mbH.*
- (5) *By virtue of section 4 of the SFA, Luminor Capital Pte. Ltd., being the fund manager which manages Luminor Funds on a discretionary basis will be deemed interested in all the shares held by Luminor Funds.*
- (6) *Kwan Chee Seng, is a director and shareholder of Luminor Capital Pte. Ltd., the fund manager of Luminor Funds which manages Luminor Funds on a discretionary basis. By virtue of Section 4 of the SFA, Kwan Chee Seng is deemed interested in the Shares held by Luminor Funds. Starland Holdings Limited is a 83.17%-owned subsidiary of GRP Chongqing Land Pte. Ltd., a wholly-owned subsidiary of GRP Land Pte. Ltd. which is in turn wholly-owned by GRP Limited. Kwan Chee Seng has a shareholding interest of approximately 33.39% in GRP Limited as at the Latest Practicable Date. By virtue of Section 7 of the Companies Act, Kwan Chee Seng is deemed to be interested in all the Shares held by GRP Limited and Starland Holdings Limited, being 6,547,324 Shares.*
- (7) *Kwan Yu Wen holds 20% of the share capital of Luminor Capital Pte. Ltd, the fund manager of Luminor Funds which manages the Luminor Funds on a discretionary basis. By virtue of Section 4 of the SFA, Kwan Yu Wen is deemed interested in the Shares held by Luminor Funds.*
- (8) *“Other Existing Public Shareholders” refers to Shareholders other than (a) Directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company or its subsidiaries; and (b) associates of the persons in sub-paragraph (a) above.*

Based on the above illustration, we note that following issuance of 1,856,018,789 New Shares pursuant to full conversion of all the Notes, the number of Shares in issue will increase from 509,785,570 Shares to 2,365,804,359 Shares. We note from the Circular that as at the Latest Practicable Date, the Subscribers do not hold any Shares in the Company and the shareholding of GN and Mr Taniya will be approximately 74.38% and 4.08% respectively immediately after issuance of 1,856,018,789 New Shares pursuant to full conversion of all the Notes. Existing Public Shareholders (as defined below) will collectively suffer a reduction of approximately 78.45% of their percentage shareholding interests in the Company following the issuance of 1,856,018,789 New Shares and their collective voting rights in the Company would hence be correspondingly reduced. As the percentage of the shareholding held by the existing Shareholders other than the existing Directors and Substantial Shareholders (“**Existing Public Shareholders**”) will decline from approximately 68.44% to 14.75% after the issuance of 1,856,018,789 New Shares pursuant to full conversion of all the Notes, the collective interest of the Existing Public Shareholders to vote on certain matters will be significantly affected.

Independent Shareholders should also note that the shareholding of GN may exceed 75% and thereby it may gain super-majority control in the following events:-

- (i) Immediately after issuance of 1,759,590,218 New Shares pursuant to the full conversion of CN1 and CN3 (and no conversion of CN2), the shareholding of GN will be approximately 77.54%.
- (ii) Immediately after issuance of 1,573,714,285 New Shares pursuant to the full conversion of CN3 (and no conversion of CN1 and CN2), the shareholding of GN will be approximately 75.53%.

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Shareholders should note that the passing of the Ordinary Resolution 1 relating to the Proposed Issue CN1 Issue and the Proposed CN3 Issue and the issue and allotment of the new Shares upon conversion of CN1 and CN3 is contingent upon the Proposed Whitewash Resolution being passed. In view of this, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Issue will not take place.

Independent Shareholders should note that by voting for the Proposed Whitewash Resolution, they will be waiving their rights to receive a mandatory general offer for their Shares from GN at the highest price paid by GN for the Shares in the six (6) months preceding the commencement of the offer which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code.

Independent Shareholders should note that upon conversion of the Notes to be issued under the Proposed Issue could result in GN holding Shares carrying more than 49% of the voting rights in the Company, and henceforth be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a general offer for the Company

### **6.3 Financial effects of the Proposed Issue**

The pro forma financial effects of the Proposed Issue and its underlying assumptions can be found in Section 8 of the Circular. We recommend that the Independent Directors advise the Independent Shareholders to read those pages of the Circular carefully.

For illustrative purpose only, we note from Section 8 of the Circular that the Group's NTL per Share would improve from approximately CHF0.0163 as at 31 December 2018 to approximately CHF0.0006 (after conversion of the Notes in full and issuance of all New Shares). Likewise, the Group's loss per Share would improve and reduce from approximately CHF0.0985 for FY2018 to approximately CHF0.0246 (after conversion of the Notes in full and issuance of all New Shares).

We understand from the Management that whilst the Proposed Issue and the issuance of the New Shares will cause the Group's loss attributable to equity holders of the Company to increase from CHF50.2million for FY2018 to CHF51.0 million after taking into account expenses relating to the Proposed Issue and the issuance of the New Shares, there would be improvement in the Group's loss per Share in view of the dilution effect arising from the conversion of all Notes and issuance of the New Shares.

In addition we note that the validity of the going concern basis on which the unaudited 9M2019 results as announced were prepared, is subject to the successful completion and issuance of the Notes. Furthermore, such financing from the Proposed Issue, would be required or has already been disbursed or applied in the case for the Proposed CN1 Issue and the Proposed CN2 Issue (pursuant to advances made by GN and Mr Taniya) for the Group's working capital purposes.

We understand from the Directors and the Management that the above computation on the Group's LPS have not taken into account the expected return from the deployment of the net proceeds from the Proposed Issue (which the Company intends to use for, *inter-alia*, business expansion through investments, acquisitions and joint ventures).

The Group's financial position would improve as its equity attributable to owners of the Company of negative CHF8.2 million as at the end of FY2018 would improve to negative CHF1.1 million (after conversion of the Notes in full and issuance of all New Shares).

We note that in general the financial effects for the Proposed Issue is favorable after taking into account the fact that it will improve both the Group's loss and NTL per Share, albeit that the shareholders' equity may still be negative after taking into account, *inter-alia*, the Group's weak financial performance and position as well as the requirements for cash to meet its obligations when due and the use of proceeds for the Proposed Issue as stipulated in the Circular.

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**6.4 No assurance of profitability or resumption of trading or prices for the Shares**

We would like to highlight that there is no assurance that the injection of new funds from the proceeds of the Proposed Issue and/or the steps taken or to be taken by the Company subsequent to the Proposed Issue to improve its financial position and performance will, *inter-alia*, be successful or would allow the Group to operate as a going concern or result in an enhancement of Shareholders' value.

We note that the Group has been in the loss-making position during the period reviewed (being FY2017 to 9M2019 and has not recorded any revenue for 3Q2019 (as a result of the Disposal of AML and deconsolidation of AYG and AHAG).

The Directors have represented and confirmed that there is no certainty pertaining to (a) the Group's ability to generate revenue in the near term and the timing of it; (b) status of the License in view of the liquidation of AYG and deconsolidation of AHAG (following the Insolvencies); (c) the resumption of share trading – As stated in the Disposal Circular, the Disposal of AML is expected to significantly change the risk profile of the Group as the remaining business is small and will not be a viable business suitable for listing and that the trading of the Company's shares will remain suspended until the Company is able to address the going concern and business viability issues; and (d) the injection of new funds from the proceeds of the Proposed Issue and/or the steps taken or to be taken by the Company subsequent to the Proposed Issue to improve its financial position and performance will be successful or would result in an enhancement of Shareholders' value.

On 31 January 2020, the Company announced that it has made an application, through the Company's sponsor, to the SGX-ST for an extension of time of three (3) months under Rule 1304(1) of the Catalist Rules to submit a proposal with a view to resuming trading in the Company's securities by 30 April 2020 (from the deadline of 31 January 2020) (the "**Extension**"). The Company is applying for the Extension as more time is required to identify suitable targets for injection into the Company, following which a resumption proposal can be submitted.

**6.5 Inter-conditionality of the Proposed CN1 Issue and Proposed CN3 Issue and the Proposed Whitewash Resolution**

Shareholders should note that Ordinary Resolution 1 relating to the Proposed CN1 Issue and the Proposed CN3 Issue and the Proposed Whitewash Resolution, are inter-conditional upon each other. Accordingly, in the event that the Proposed Whitewash Resolution is not approved by the Independent Shareholders, the Proposed CN1 Issue and the Proposed CN3 Issue will not proceed.

**6.6 Irrevocable Undertakings**

We note that as part of the terms of the CN1 and CN3 agreement, the Company has undertaken that it shall procure irrevocable undertakings from shareholders of no less than 50% or more of the Shares to vote in favour of the Proposed CN1 Issue and Proposed CN3 Issue. However, we understand from the Directors that the Company is unable to obtain such irrevocable undertakings.

**6.7 Implication of GN's controlling interest in the Company**

Shareholders should note that after passing of all the ordinary resolution(s) for the Proposed Issue and the Proposed Whitewash Resolution during the EGM, GN's interest in the Company may increase from nil to approximately 74.38% assuming that all Notes are issued and fully converted on their respective maturity dates. In such event, GN and its concert parties (if any) will be in a position to exercise statutory control (shareholding exceeding 50% upon issuance of the New Shares).

As shown in Section 6.2 of this IFA Letter, GN's shareholding interest in the Company after issuance and conversion of all Notes is about 75%, and accordingly GN may through subsequent actions increase its percentage interest to exceed 75% and thereby it may gain super-majority control, In addition in the event that both CN1 and CN3 are all fully converted or only CN3 is fully converted GN's interest will increase to above 75% (super-majority).

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Statutory control will put GN and its concert parties (if any) in a position to be able to pass all ordinary resolutions on matters in which GN and its concert parties (if any) do not have an interest in and which are tabled for Shareholders' approval at general meetings to be convened by the Company, whilst super majority control will facilitate GN and its concert parties' abilities to pass all ordinary and special resolutions on matters for which GN and its concert parties (if any) do not have an interest in and which are tabled for Shareholders' approval at general meetings to be convened by the Company. These resolutions may or may not, *inter-alia*, involve issuance of Shares for cash or otherwise or result in a very substantial acquisition or reverse take-over.

### **6.8 Comparison with IPO undertaken by the Company**

The Company was listed on the Catalist on 26 March 2018. Since its listing, the Company has not engaged in any equity fund-raising activities. We note the following.

- (a) The Company had on 15 March 2018 entered into an Invitation for 80,770,000 invitation shares, comprising 8,900,000 Offer Shares and 71,870,000 Placement Shares ("**Invitation Shares**") ("**Invitation**"). Each Invitation Share was placed out at S\$0.260 or approximately 18.4 CHF cents based on the exchange rate of CHF1.00: S\$1.4135 ("**Invitation Price**") with an aggregate gross consideration of approximately S\$21.0 million. As illustrated on page 65 of the IPO prospectus dated 15 March 2018 ("**IPO Prospectus**"), the Invitation Price represents (i) a premium of approximately 170.6% to the NAV per share based on the unaudited pro forma consolidated financial information of the Group as at 30 September 2017 before adjusting for the net proceeds from the issue of the Invitation Shares and based on pre-invitation share capital of 419,347,552 Shares ("**Pre-IPO NAV per Share**") of 6.8 CHF cents, (ii) a premium of approximately 124.4% to the NAV per share based on the unaudited pro forma consolidated financial information of the Group as at 30 September 2017 after adjusting for the net proceeds from the issue of the Invitation Shares and based on post-invitation share capital of 502,666,210 Shares ("**Post-IPO NAV per Share**") of 8.2 CHF cents. Net IPO proceeds of approximately S\$18.5 million were raised from the IPO ("**Net IPO Proceeds**"). As announced on 14 August 2018, due to the lacklustre financial performance of the Group, the Company has re-allocated its Net IPO Proceeds of approximately S\$5.45 million for business expansion purposes to general working capital purposes and all the IPO Net Proceeds have been fully utilised as at 14 August 2018.
- (b) As part of the restructuring exercise as stated in the Company's IPO Prospectus, the Company would acquire approximately 1.8% of the shares in AHAG from certain shareholders ("**Affected German Shareholders**") within one month after the expiry of the moratorium of six months from the date of admission of the Company to the Catalist in consideration for the issue of 7,065,360 new ordinary shares in the company to the Affected German Shareholders ("**AGS Shares**"). Further we note that one of the remaining shareholders of AHAG had agreed to sell his 100 shares, on the same terms and conditions as the acquisition by the Company from the Affected German Shareholders for 54,000 new ordinary shares in the Company ("**Consideration Shares**"). On 3 October 2018, the Company received the listing and quotation notice for 7,119,360 new ordinary shares in the Company, comprising the AGS Shares and Consideration Shares. Following the allotment and issuance of these new Shares, the total number of issued and paid-up shares in the capital of the Company has increased from 502,666,210 to 509,785,570 ordinary shares in the capital of the Company.
- (c) As shown in the Company's IPO Prospectus on page 65, as the Company recorded (i) negative historical EPS based on the unaudited pro forma consolidated financial information for FY2016 based on Company's pre-invitation share capital of 419,347,552 Shares of approximately 2.1 CHF cents ("**Pre-Invitation EPS**"); and (ii) negative Pre-Invitation EPS assuming the service agreements as described in the IPO Prospectus had been in place from the beginning of FY2016 of approximately 2.1 CHF cents. Hence, the PERs for the Company are not meaningful (based on the Invitation Price and historical EPS of the Group for FY2016). Likewise, we note that the LTM PER for the period ending 30 September 2019 is not meaningful as the Company registered net losses attributable to owners of the Company for LTM 30 September 2019.

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We tabulate below the comparison between the Invitation and the Proposed CN1 Issue and the Proposed CN3 Issue.

<b>Transactions</b>	<b>Invitation Price/ Conversion Price (S\$)</b>	<b>Market Capitalisation (S\$ million)</b>	<b>P/NAV (times)</b>	<b>Net Proceeds (S\$ million)</b>	<b>Dilution effect (%)</b>
Invitation <sup>(1)</sup>	0.260 <sup>(1)</sup>	130.7 <sup>(3)</sup>	2.7 <sup>(5)</sup> /2.2 <sup>(6)</sup>	18.5 <sup>(8)</sup>	16.1 <sup>(10)</sup>
Proposed CN1 Issue and Proposed CN3 Issue <sup>(2)</sup>	0.007 <sup>(2)</sup>	3.6 <sup>(4)</sup>	n.m. <sup>(7)</sup>	9.2 <sup>(9)</sup>	74.4 <sup>(11)</sup>

**Notes:**

- (1) The Invitation was on 15 March 2018
- (2) The Proposed CN1 Issue and the Proposed CN3 Issue was announced on 22 August 2019. Both CN1 and CN3 have the same Conversion Price of S\$0.007
- (3) The market capitalisation of the Group is calculated based on the Invitation Price of S\$0.260 and 502,666,210 Shares.
- (4) The market capitalisation of the Group is calculated based on the Conversion Price of S\$0.007 and 509,785,570 Shares
- (5) The P/NAV is computed based on the Invitation Price of S\$0.260 or approximately 18.4 CHF cents and Pre-IPO NAV per Share of 6.8 CHF cent as stated in the Company's IPO Prospectus
- (6) The P/NAV is computed based on the Invitation Price of S\$0.260 or approximately 18.4 CHF cents and Post-IPO NAV per Share of 8.2 CHF cent as stated in the Company's IPO Prospectus
- (7) The P/NAV is not meaningful as the Company is in a Net Liabilities position of approximately S\$0.0059/Share as at 30 September 2019.
- (8) Net proceeds is computed after eliminating expenses of approximately S\$2.55 million from the gross proceeds from the Invitation of approximately S\$21 million.
- (9) Net proceeds for the Proposed CN1 Issue and the Proposed CN3 Issue is the sum of the principal amount of CN1 of S\$1,122,620 and principal amount of CN3 of S\$8,100,000. We have assumed GN will subscribe for the full amount of CN3.
- (10) The dilution effect is calculated based on the number of Invitation Shares and the post invitation share capital of 502,666,210 Shares.
- (11) The dilution effect is calculated based on the number of New Shares issued upon Conversion of CN1 and CN3 and the sum of the total number of New Shares upon Conversion of all the Notes and the issued Share capital as at the Latest Practicable Date.

For illustrative purposes only, we note the following:-

- (i) In nominal terms, the Conversion Price of S\$0.007 is substantially lower than the Invitation Price of S\$0.260. The market capitalization of the Group based on the Invitation Price and post-Invitation Share capital of 502,666,210 Shares is approximately S\$130.7 million as compared to the market capitalization of the Group based on the Conversion Price and Share capital of 509,785,570 Shares is approximately S\$3.6 million. The depressed valuation of the Company can be attributable, *inter-alia*, to the consecutive years of losses incurred, suspension of trading since 1 February 2019, the impairment of assets which arose due to the disposal which occurred to raise funds to meet CET1 ratio requirements and the insolvencies of subsidiaries. Following the deconsolidation of the subsidiaries, the Group does not have any more operating business. At best it holds a License as mentioned in the earlier sections.



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- (ii) The valuation of the Group for the Invitation in terms of P/NAV (as implied by the Invitation Price) of approximately 2.7 and 2.2 times for pre IPO and post IPO respectively, are higher than the valuation of the Group for the Proposed CN1 Issue and the Proposed CN3 Issue in terms of P/NAV (as implied by the Conversion Price and NAV per Share as at 30 September 2019). As at 30 September 2019, the Group was in a NL position of approximately S\$2.2 million. As mentioned in earlier Sections, we note that, *inter-alia*, this is largely attributable to the impairment of assets due to the Disposal of AML which was completed on 6 June 2019. Given the Company's NL position as at 30 September 2019, we note that the Conversion Price is more favorable than the Invitation Price.
- (iii) The net proceeds raised from the Invitation was approximately S\$18.5 million based on Invitation Price and Invitation Shares as compared to the total proceeds to be raised from CN1 and CN3 of approximately S\$9.2 million. Despite raising a smaller amount of proceeds from CN1 and CN3, the dilution effect from the issuance and conversion of CN1 and CN3, may under certain circumstances, be approximately 74.4% as compared to 16.1% for the Invitation. This is due to the significant discount of the Conversion Price as compared to the Invitation Price.

The significant discount of the Conversion Price from the last transacted price prior to the suspension should be assessed in conjunction with the fact that the Shares have been suspended since 1 February 2019 and there were changes in circumstances for the Group since the trading suspension to the Latest Practicable Date (*inter-alia*, matters pertaining to AML's CET1 ratio, Disposal of AML, the Disclaimer of Opinion on, *inter-alia*, going concern assumption, the Insolvencies, etc). These material events may likely lead to a decline in the trading prices for the Shares had trading for the Shares not been suspended.

The above comparison is limited and has to be assessed in the context of the fact that the economic or company specific or general market conditions for Shares or the prices for which Shares were traded at the time of admission to the Catalist may have been different from those currently prevailing for the Proposed CN1 Issue and the Proposed CN3 Issue, and the Group's financial performance and position for 9M2019, which had in general deteriorated significantly since its listing on or about 28 March 2018, and the suspension of trading since 1 February 2019. Hence, the comparisons between CN1 and CN3 with the Invitation above is necessarily limited and meant for illustrative purpose.

## **6.9 Material Litigation**

We note from the Company's announcement dated 17 April 2019 that the Company received a statutory demand ("**Statutory Demand**") from its former executive director and CEO, Mr Robert Lempka ("**Mr Lempka**"), demanding for the Company's payment of an outstanding sum of S\$165,800 in relation to his resignation from the Company. The said Statutory Demand alleged that the Company had refused and/or failed to respond to a letter of demand ("**Letter**") dated 9 April 2019, which was appended to the Statutory Demand. The Company had clarified that it had not received the Letter prior to the Statutory Demand and was not aware of the Letter.

On 26 April 2019, a writ of summons and a statement of claim in the State Courts of Singapore ("**Summons and Claim**") was served to the Company, alleging a repudiatory breach of the termination agreement entered into between the Company and Mr Lempka ("**Termination Agreement**") by refusing and/or failing to make payment of the full sum required to be paid to Mr Robert Lempka under the Termination Agreement. The Directors have represented and confirmed that this Summons and Claim has been discontinued in September 2019.

On 14 August 2019, the Company announced that the managing director of indirect subsidiary, AYG has filed for insolvency of AYG and a preliminary administrator has been appointed. On 22 August 2019, the Company announced that consequent to the AYG Insolvency, AHAG was advised to commence insolvency proceedings given its over-indebtedness resulting from the write-off of AYG in its accounts. As such, an application has been filed with the competent court in Zug, Switzerland to commence insolvency proceedings over the assets of AHAG. As announced on 16 January 2020, the

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liquidation proceedings for AYG have been completed and accordingly, AYG has been liquidated and ceased to be a subsidiary of the Group.

Save for the above, the Directors are not aware of any material litigation, claims or proceedings pending or threatened against, or made by, the Company or any of its subsidiaries or any facts likely to give rise to any such material litigation, claims or proceedings, which might materially and adversely affect the financial position of the Group, taken as a whole.

**6.10 Changes to the Board of Directors and Key Executives**

We note from the announcements made by the Company that there were numerous changes to the Board of Directors and the key executives of the Company notwithstanding the fact that the Company was only listed on 26 March 2018. We have tabulated the changes to the Board and key executives below.

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<b>Names</b>	<b>Position</b>	<b>Tenure since IPO or date of appointment, whichever is later</b>	<b>Reasons for cessation (where applicable)</b>
<b>Directors</b>			
Thomas Winkler <sup>(1)</sup>	Non-Executive Director & Chairman	22-23 months	He is of the view the Company's future business should be led by an individual residing in Asia whom would have the necessary experience and knowledge to lead the Company
Robert Paul Lempka <sup>(2)</sup>	Executive Director & Chief Executive Officer ("CEO")	10 – 11 months	To pursue other interests.
Foo Fatt Kah <sup>(3)</sup>	Non-Executive Director	Present	N.A.
Foong Daw Ching <sup>(4)</sup>	Lead Independent Director	Present	N.A.
Lam Shiao Ning <sup>(4)</sup>	Independent Director	Present	N.A.
Chan Heng Toong <sup>(5)</sup>	Independent Director	15 – 16 months	Did not seek re-election at AGM 2019.
Tse Man Kit, Gilbert <sup>(6)</sup>	Non-Executive Director	Present	N.A.
<b>Key Executives</b>			
Rick Stephen Fulton <sup>(7)</sup>	Chief Financial Officer ("CFO")	3 – 4 months	To pursue other career opportunities.
Sarah Brylewski <sup>(8)</sup>	Chief Marketing Officer ("CMO")	12 – 13 months	To pursue other interests.
Sean Downey <sup>(9)</sup>	CFO	10 – 11 months	Differences with management of AML (including former CEO), discontent with treatment and working relationship at workplace
Edward Charles Drake <sup>(10)</sup>	Chief Operating Officer ("COO")	14 – 15 months	Cessation upon completion of the Disposal of AML
Angela Sadler <sup>(11)</sup>	Chief Talent Officer ("CTO") & General Counsel	14 – 15 months	Cessation upon completion of the Disposal of AML
Raza Perez <sup>(12)</sup>	Chief Product Officer ("CPO")	15 – 16 months	Cessation upon completion of the Disposal of AML
Mita Natarajan <sup>(13)</sup>	Chief Business Development Officer ("CBO")	12 – 13 months	To pursue other career opportunities
Richard Mark Street <sup>(14)</sup>	Interim CEO	7 – 8 months	To pursue other career opportunities and personal reasons.
Dominic Anthony Morris <sup>(15)</sup>	CTO cum Interim CEO	Present	N.A.

**Notes:**

- (1) Thomas Winkler was appointed as Director on 22 February 2018, which is prior to the IPO Date and subsequently ceased as Non-Executive Director and Chairman on 31 December 2019.
- (2) Robert Paul Lempka was appointed as Director on 22 February 2018, which is prior to the IPO Date, and subsequently ceased as Director on 22 January 2019.
- (3) Foo Fatt Kah was appointed as Director on 4 October 2017, which is prior to the IPO Date.
- (4) Foong Daw Ching and Lam Shiao Ning were appointed as Director on 22 February 2018, which is prior to the IPO Date.

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- (5) *Chan Heng Toong was appointed as Director on 22 February 2018, which is prior to the IPO Date, and subsequently ceased as Director on 28 June 2019.*
- (6) *Tse Man Kit, Gilbert was appointed as Director on 2 September 2019. We note that he was an executive officer of Golden nugget group and is currently an advisor to the Company.*
- (7) *Rick Stephen Fulton was appointed as CFO on 18 April 2016, which is prior to the IPO Date, and subsequently ceased on 20 July 2018.*
- (8) *Sarah Brylewski was appointed as CMO on 1 April 2014, which is prior to the IPO Date, and subsequently ceased as CMO on 16 March 2019.*
- (9) *Sean Downey was appointed as CFO on 20 July 2018 and subsequently ceased as CFO on 5 June 2019.*
- (10) *Edward Charles Drake was appointed as COO on 8 September 2008, which is prior to the IPO Date, and subsequently ceased as COO on 13 June 2019.*
- (11) *Angela Sadler was appointed as CTO and General Counsel on 1 September 2016, which is prior to the IPO Date, and subsequently ceased as CTO and General Counsel on 13 June 2019.*
- (12) *Raza Perez was appointed as CPO on 1 July 2016, which is prior to the IPO Date, and subsequently ceased as CPO on 28 June 2019.*
- (13) *Mita Natarajan was appointed as CBO on 1 June 2018 and subsequently ceased as CBO on 28 June 2019.*
- (14) *Richard Mark Street was appointed as Interim CEO on 22 January 2019 and subsequently ceased as Interim CEO on 31 August 2019.*
- (15) *Dominic Anthony Morris was appointed as CTO cum Interim CEO on 15 October 2019.*

Based on the above table and the respective announcements for cessation as Directors and/or key executives, we note the following:-

- (i) Specifically for the cessation of Mr Thomas Winkler as Non-Executive Director and Chairman of the Company, the reason for cessation is due to the changing geographic focus of the Company following the Disposal of AML in June 2019, the liquidation proceedings of AYG and AHAG Insolvency proceedings, he is of the view that the Company's future business should be led by a resident of the Asian region with appropriate experience and knowledge to give strategic leadership. Mr Winkler has highlighted in his resignation that he is committed to remain as the chairman and director of AHAG and its subsidiaries. He will work closely with the liquidators to ensure that the statutory obligations are complied with and to report any material updates on AYG and its subsidiaries, namely (i) AYG; (ii) Social Trading Netzwerk GmbH; (iii) Sycap Group(UK) Limited; and (iv) ayondo Portfolio Management GmbH to the Directors accordingly.
- (ii) Specifically for the resignation of Mr Lempka, we note, *inter-alia*, that subsequent to an interview with Mr Lempka, and correspondences with Luminor (as defined below) and the Board, and UOB Kay Hian Private Limited (the "**Sponsor**") noted the following:-
  - (a) Growing discontent between the controlling Shareholders, namely Luminor Pacific Fund 1 Ltd., Luminor Pacific Fund 2 Ltd. and Luminor Capital Pte. Ltd. (collectively, "**Luminor**") and Mr Lempka, over the progress of the business initiatives, the fund raising requirements of the Group and the state of affairs of the Group's business and financial performance;
  - (b) Growing discontent between the Board and Mr Lempka on the future directions and fund raising options pursued by the Company; and
  - (c) Outstanding payment to Mr Lempka in lieu of the notice period to be given by Mr Lempka following his resignation as agreed between the Board and Mr Lempka.
- (iii) Specifically for the resignation of Mr Sean Downey as CFO, the Company and Sponsor noted that, *inter-alia*, there are unresolved differences in opinion on material matters between Mr Sean Downey and the Board including matters which would have a material impact on the

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Group and its financial reporting. Mr Sean Downey is of different opinion for how arose the requirement to change the regulatory capital calculation suggested by KPMG LLP in the UK and the timing of that required change and the full disclosure of which has been made in the circular to shareholders dated 19 May 2019.

- (iv) Specifically for the cessation of Mr Edward Charles Drake as COO, Mr Raza Perez as CPO and Ms Angela Sadler as CTO and General Counsel, the reason for the cessation is due to the completion of the Disposal of AML.

For departures after 13 June 2019, to the best its knowledge, the Board confirms that there are no material concerns in the Group which led to such departures. Based on the information and representations received from Mr Edward Charles Drake, Mr Raza Perez and Ms Angela Sadler, there is, *inter-alia*, no information that should be brought to the attention of shareholders.

- (v) Save for the above, all the former Directors and the key executives who have resigned ("**Former Executives**") have stated in their respective cessation announcements that (a) there are no unresolved differences in opinion on material matters between the person and the Board including matters which would have a material impact on the Group or its financial reporting; (b) there is no matter in relation to the cessation that needs to be brought to the attention of the Shareholders; and (c) there is no relevant information that needs to be provided to the Shareholders.
- (vi) The Sponsor for the Company having reviewed the announcements for the various cessations was satisfied that, other than as disclosed in the respective cessation announcements, there are no other material reasons for the cessation of any of the Former Directors and/or Former Executives.

It is generally accepted that frequent changes to the Directors and key executives maybe an indication of, *inter-alia*, either business viabilities or financial distress or Shareholders' disagreements over how the Company should be managed or shareholders' dissatisfaction with results achieved. It also indicates or is a signal of uncertainties with respect to the Group's directions with respect to its businesses and operations, financial performance and position or prospects, or weakness in controls.

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**7. OPINION**

In arriving at our recommendation in respect of the Proposed Whitewash Resolution, we have taken into account, *inter-alia*, the factors summarised below as well as others elaborated elsewhere in our Letter. Our recommendation or opinion is by no means an indication of the merits of the prospects, financial performance and position of the Company and the Group after the completion of the Proposed Issue, or the sufficiency of the Group's working capital or the ability of the Group to continue as a going concern or whether the expected benefits arising from the Proposed Issue can be materialised.

We have not been furnished with any valuation of the Group (including without limitation, market or business valuation or economic potential) or appraisal of assets and liabilities of the Group and we have relied on the Directors' opinion and confirmation, *inter-alia*, that the values of the assets and liabilities as well as the financial performance or condition of the Company and the Group as reflected in their unaudited financial statements for 9M2019 and audited financial statements for FY2018 are true and fair. Our views, recommendation and opinion are necessarily limited and subject to these matters. This is purely a summary of the factors that have been highlighted in this Letter and Shareholders should be advised to read the following in conjunction with, and in the context of, the full text of this Letter.

The following should be read in conjunction with, and in the context of, the full text of this Letter.

- (a) The rationale of the Proposed Issue and the use of proceeds as described in Section 6 of the Circular respectively. We note from Section 6.3 and 6.4 of the Circular that the proceeds from the Proposed Issue is intended to be used for general working capital, repayment of loans and outstanding payments owing by the Group, business expansion through investments, acquisitions and joint ventures and payments for the costs and expenses relating to the Notes. As stated in Section 6.6 of the Circular, after taking into consideration the present bank facilities available to the Group, the Directors are of the opinion that the working capital available to the Group is insufficient to meet its present requirements. However, after taking into consideration the present bank facilities and proceeds of the Proposed Issue, the Directors are of the opinion that the working capital available to the Group is sufficient to meet its present requirements. Proceeds from the Proposed CN1 Issue and Proposed CN2 Issue have been fully applied to meet the Group's general working capital requirements.

It is also noted that the Group's financial statements for 9M2019 has been prepared on a going concern basis, the validity of which is subject to the successful completion and issuance of the Notes.

- (b) Following the Disposal of AML, its key operating subsidiary, on 3 June 2019 and the deconsolidation of AHAG in 3Q2019, companies within the Group comprise only the Company. For 3Q2019 and 9M2019, the Group did not register any revenue. It recorded approximately CHF16.0 million of revenue for 9M2018. For 9M2019, the Group recorded loss from continuing operations of approximately CHF1.1 million. The Group did not record any revenue for 9M2019, but recorded approximately CHF16.0 million for 9M2018. Prior to the Disposal of AML and deconsolidation of AHAG, the Group's financial position and performance was already weak. The Group reported 2 consecutive years of loss after tax attributable to equity holders of the Company of approximately CHF50.2 million and CHF9.8 million in FY2018 and FY2017, respectively. In terms of the Group's financial position, the Group (i) has been in a net current liabilities position since FY2017, though it has declined from approximately CHF26.9 million as at 31 December 2017 to approximately CHF2.2 million as at 30 September 2019; (ii) shareholders' equity of the Group was approximately CHF8.9 million as at 31 December 2017 before turning into a deficit of approximately CHF8.2 million as at 31 December 2018 and approximately CHF2.2 million as at 30 September 2019, mainly caused by the impairment of assets.

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The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Company's announcements on the SGX-Net and the financial statements for the Group for FY2018 and 9M2019, there has been no material changes to the assets and liabilities, financial position, condition and performance of the Group.

- (c) The Disclaimer of Opinion related to, *inter-alia*, going concern for the Group as highlighted in the Independent Auditor's Report for FY2018 which we have assessed in conjunction with the Directors' confirmation that the sufficiency of the Group's working capital and the ability of the Group to continue as going concern will depend on, *inter-alia*, the successful completion and issuance of the Notes.
- (d) The historical financial performance and position of the Group appear to be weaker and less favorable than the Selected Comparable Companies which, in general, operate in the same industry that the Group operates in. We note that it should be assessed in conjunction with the Disposal of AML, a key operating subsidiary, and the deconsolidation of AHAG, which are unique to the Group as well as the negative shareholders' equity position for the Group as at 30 September 2019
- (e) The Conversion Price (as set out in Section 5 of this Letter) after taking into account, *inter-alia*, the following factors:-
  - (i) The Conversion Price is favorable taking into account the Group's unaudited NL per Share and/or NTL per Share as at 30 September 2019 and the Group Adjusted NL and/or NTL per Share (assuming completion of the issuance of 96,428,571 New Shares pursuant to the full conversion of CN2);

The Conversion Price appears to be favorable after considering: (a) the Group's unaudited NL and/or NTL position as at 30 September 2019 as well as the Adjusted NL and/or NTL after taking into account the full conversion of CN2; (b) the Group's weak historical financial performance (in terms of loss making position since FY2017 with moribund core business where no revenue was recorded in 3Q2019 and uncertainties as to whether the Group will be able to generate revenue in the near term and the timing of it as well as the status of the License) and financial position (in terms of net current liabilities and NL position as at 30 September 2019); (c) the Disclaimer of Opinion issued by the Independent Auditor relating to, *inter-alia*, going concern assumption; and (d) the fact that the trading for the Shares has been suspended since 1 February 2019 with no certainty on the lifting of the suspension (subject to, *inter-alia*, the Group's ability to address the going concern and business viability issues).

- (ii) The comparison of the Conversion Price and the historical prices for the Shares:-
  - The Conversion Price represents a substantial discount of approximately 85.4% from the last transacted price of S\$0.048 per Share for the Shares on the SGX-ST on 29 January 2019, being the Last Trading Day immediately preceding the Trading Halt Date;
  - The Conversion Price represents a substantial discount of approximately 96.5%, 91.5%, 89.9%, and 88.9% from the VWAP for the Shares for the period since IPO, 6-month, 3-month and 1-month periods prior to the Trading Halt Date respectively; and
  - Represents a substantial discount of approximately 97.3% from the IPO Price.

Independent Shareholders should note that any comparison of the Conversion Price to the historical trading performance of the Shares may not be meaningful given the Shares have been suspended since 1 February 2019 and there were changes in circumstances of the Group since the trading suspension to the Latest Practicable Date (*inter-alia*, matters pertaining to AML's CET1 ratio, Disposal of AML, the Disclaimer of Opinion on,

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*inter-alia*, going concern assumption, the Insolvencies, etc.). These events may have led to a decline in the prices for the Shares had trading for the Shares not been suspended.

- (iii) The valuation of the Group in terms of LTM EV/EBITDA, LTM PER, P/NAV and P/NTA (as implied by the Conversion Price) are all not meaningful in view of the Group's loss after tax from continuing operations for the LTM ended 30 September 2019, negative EBITDA for the LTM ended 30 September 2019, and NL and/or NTL position of approximately CHF2.2 million as at 30 September 2019.

The Group's valuation in terms of LTM EV/Revenue and LTM P/Revenue (as implied by the Conversion Price) are lower and less favorable than the Selected Comparable Companies. This should be assessed in conjunction with the fact that following the completion of the Disposal of AML and the Insolvencies of AYG and AHAG, the Group (which only consists of the Company) did not generate any revenue in 3Q2019 and as confirmed by the Directors, there is no certainty as to whether the Group will be able to generate revenue in the near term and the timing of it.

- (iv) In view of (a) the Group's lack of core operating business post Disposal of AML and deconsolidation of AYG and AHAG; (b) the Group's assets as at 30 September 2019 consisting wholly of cash and cash equivalents; and (c) there being no revenue generated for 3Q2019, the Company may be deemed as "cash company" pursuant to Rule 1017 of the Catalist Rules and therefore, we have considered the typical premium paid for Catalist-listed cash company in the RTO transactions.

Fair comparison with the Selected RTO Cash Companies - the premium paid over the NTL of the Company of approximately S\$6.6 million is within the range, and slightly higher than both the median and the simple average of premiums paid over the NTA/(NTL) of the Selected RTO Cash Companies. In addition, the number of existing Shares as a percentage of the enlarged Share capital assuming full conversion of all the Notes is approximately 21.6% and this is within the range, and higher than both the median and the simple average for the Selected RTO Cash Companies.

If the short-term loans of approximately of CHF1.3 million is removed, the Company would be in a NL position of approximately CHF0.9 million, or approximately S\$1.2 million (based on the applicable exchange rate as at 30 September 2019). The premium paid over the NTA/(NTL) for the Group would be approximately S\$4.8 million, which is still within the range of the Selected RTO Cash Companies. However, it would be below the median and simple average of the Selected RTO Cash Companies instead of being above the median and simple average. It is, however, still fairly comparable to the Selected RTO Cash Companies as described in earlier section of this Letter.

It is noted that upon the issuance of the New Shares in the following scenarios, being (i) full conversion of CN1 and CN3 (and no conversion of CN2); and (ii) full conversion of CN3 (and no conversion of CN1 and CN2), GN will have super majority control of the Company and will be able to pass special resolution on matters for which GN and its concert parties do not have an interest in without the votes of Existing Public Shareholders..

- (v) Comparison with the Selected Convertible Loans – the discount of approximately 85.4% as implied by the Conversion Price over the last transacted price for the Shares prior to the Trading Halt Date is worse off than any of the Selected Convertible Loans. CN1 and CN3 appear to be fairly comparable to the Selected Convertible Loans after taking into account (a) the interest rate for CN1 and CN3 which are within the range as compared to the Selected Convertible Loans; (b) the Group's NTL position as at 30 September 2019 which is worse off than most of the companies under the Selected Convertible Loans as most of them had positive NTA (save for NauticAWT Limited and Addvalue Technologies Ltd.); (c) the Conversion Price being more favorable after taking into account the Group's NL per Share and/or NTL per Share as at 30 September 2019; and (d) our view that any



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comparison of the Conversion Price to the historical trading performance of the Shares may not be meaningful given that the Shares have been suspended since 1 February 2019 and there were changes in circumstances of the Group since the trading suspension to the Latest Practicable Date. There is also no certainty for the Company as to whether the suspension for trading of the Company's Shares can be uplifted. In addition, we note that none of the Selected Convertible Loans involves companies wherein its shares are suspended.

The steep discount of the Conversion Price over the last transacted price should be reviewed together in the context of that: (a) the Shares declined by approximately 81.5% since the IPO date to S\$0.048 on the Market Day immediately preceding the Trading Halt Date; and (b) the Shares underperformed the Catalist Index for the period commencing immediately after the IPO Date till the Market Day immediately preceding Trading Halt Date since Prior to the trading halt.

We note that the Conversion Price represents a substantial discount of approximately 97.3% from the IPO Price. This should be viewed in the context that the Shares have been suspended since 1 February 2019 and there were changes in circumstances of the Group since the trading suspension to the Latest Practicable Date (*inter-alia*, matters pertaining to AML's CET1 ratio, Disposal of AML, the Disclaimer of Opinion on, *inter-alia*, going concern assumption, the Insolvencies, etc). These events may have led to a decline in the prices for the Shares had trading for Shares not been suspended.

The steep discount of the Conversion Price from the last transacted price should be viewed in the context of the fact that the trading for the Shares is erratic and that the daily average number of Shares traded from the IPO Date to the last market day immediately preceding the Trading Halt Date is relatively low as compared to the number of issued Shares held by Shareholders other than, *inter-alia*, the Directors, associate of Directors (as defined under the Catalist Rules), Substantial Shareholders, Pre-IPO Investors subjected to 24 months moratorium, and Other Shareholders subjected to 24 months moratorium as at the Latest Practicable Date. The trading activities for the Shares appear to be relatively active in the context of number of Market Days wherein Shares were traded, as Shares were traded on 137 Trading Days out of the total 213 Market Days since IPO date to the last market day immediately preceding the Trading Halt Date. It is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller.

We note that as at the Latest Practicable Date, Shares of the Company are tightly held with approximately 91.1% of the issued Shares being held by the top twenty (20) Shareholders. As at the Latest Practicable Date, the number of Shareholders is 810 Shareholders which is comparable to the number of Shareholders as at the IPO. It should be noted that certain Shareholders were still subject to moratorium when the suspension of the Shares was effected.

- (f) The pro-forma financial effects of the Proposed Issue as outlined in Section 8 of the Circular. The approval of the Proposed Whitewash Resolution and the Proposed Issue will allow the Company to raise additional gross proceeds of up to approximately S\$8.1 million (as the proceeds for CN1 and CN2 have already been disbursed and utilised for general working capital) with favorable financial effects on the Group's NTL per Share, LPS and financial position in term of the shareholders' equity as outlined in the Circular as well as providing the Company with the necessary funding for repayment of loans and outstanding payments owing by the Group, general working capital and business expansion through investments, acquisitions and joint ventures. The Directors have represented and confirmed that the sufficiency of the working capital available to the Group and the ability of the Group to continue as a going concern depends on, *inter-alia*, the completion of the Proposed Issue.

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- (g) The dilutive impact of conversion of all Notes, set out in Section 9 of the Circular, on the percentage of shareholding interest of the existing Shareholders and the significant reduction in the voting interest in the Company pursuant to the conversion of all Notes which should be viewed in conjunction with (a) the Group's weak financial performance (in terms of loss making position since FY2017 with moribund core business where no revenue was recorded in 3Q2019 and uncertainties as to whether the Group will be able to generate revenue in the near term and the timing of it as well as the status of the License) and financial position (in terms of net current liabilities and NL position as at 30 September 2019); (b) the Disclaimer of Opinion issued by the Independent Auditor relating to, *inter-alia*, going concern assumption; and (c) the fact that the trading for the Shares has been suspended since 1 February 2019 with no certainty on the lifting of the suspension (subject to, *inter-alia*, the Group's ability to address the going concern and business viability issues).
- (h) The Directors have confirmed that whilst significant efforts have been made by the Directors and Management to source for alternative financing offers with better pricing, as at the Latest Practicable Date, they are not aware of any alternative offers for investment in the Company, which is comparable in nature, amounts, terms and conditions to the Proposed Issue. In addition, the injection of cash proceeds into the Group from the Proposed Issue and possibility of repayment via conversion into New Shares would strengthen the Group's financial position, and enhance Shareholders' value.
- (i) Inter-conditionality of the Proposed CN1 Issue, the Proposed CN3 Issue and the Proposed Whitewash Resolution – Ordinary Resolution 1 relating to the Proposed CN1 Issue and the Proposed CN3 Issue and the Proposed Whitewash Resolution, are inter-conditional upon each other. Accordingly, in the event that the Proposed Whitewash Resolution is not approved by the Independent Shareholders, the Proposed CN1 Issue and the Proposed CN3 Issue will not proceed
- (j) Other relevant considerations as set out in Section 6 or elsewhere in this Letter.

In summary, having regard to our analysis and the consideration in this Letter (including its limitation and constraints stated above) and after having considered carefully the information available to us and based on the market, economic and other relevant conditions prevailing as at the Latest Practicable Date and subject to our terms of reference, we are of the view that the Proposed CN1 Issue and the Proposed CN3 Issue, being the subject of the Proposed Whitewash Resolution, are, **FAIR, REASONABLE and NOT PREJUDICIAL** to the interest of the Company and the Independent Shareholders.

For the purposes of evaluation of the Proposed CN1 Issue and the Proposed CN3 Issue, being the subject of the Proposed Whitewash Resolution, we have adopted the approach that the term "fair" and "reasonable" comprises two distinct concepts:

- (i) Whether issuance of conversion shares is "fair" relates to an opinion on the value of the conversion price. This is based strictly on a fundamental analysis and evaluation of the conversion price as set out in this Letter and based on information known to us and/or which is publicly available).
- (ii) Whether issuance of conversion shares is "reasonable", relates to, after taking into consideration the actual and potential financial impact of other circumstances surrounding the issuance of the conversion shares, which we consider relevant (being both quantitative and qualitative factors available and made known to us).

We consider the Proposed CN1 Issue and the Proposed CN3 Issue (which are the subject of the Proposed Whitewash Resolution) to be **FAIR** after factoring in, *inter-alia*, the following:-

- (a) As explained in Section 5.2 of this Letter, the Group's current weak financial performance (loss making since FY2017 with moribund core business where no revenue was recorded in 3Q2019 and uncertainties as to whether the Group will be able to generate revenue in the near term

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and the timing of it as well as the status of the License – please refer to Section 5.2 of this Letter) and financial position of the Group (in terms of net current liabilities and NL position as at 30 September 2019 with the Disclaimer of Opinion issued by the Independent Auditor relating to, *inter-alia*, going concern assumption) as well as the fact that the trading for the Shares has been suspended since 1 February 2019 with no certainty on the lifting of the suspension (subject to, *inter-alia*, the Group's ability to address the going concern and business viability issues).

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Company's announcements on the SGX-Net and the financial statements for the Group for FY2018 and 9M2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

- (b) The Conversion Price is favorable taking into account the Group's NL per Share and/or NTL per Share as at 30 September 2019.

Assuming completion of the issuance of 96,428,571 New Shares pursuant to the full conversion of CN2, the Group's Adjusted NL and/or NTL amounted to approximately S\$2.3 million or approximately S\$0.004 per Share. As the Group would still be in a NTL position, the comparison and analysis of the Conversion Price to the Group's Adjusted NTL will not be meaningful. Notwithstanding, we note that the Conversion Price is favorable taking into account the Group's Adjusted NL and/or NTL per Share.

- (c) Whilst the Conversion Price represents substantial discounts from the historical market prices for the Shares, we note that the historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value in view of: (i) the low liquidity for the Shares (in terms of number of Shares traded on daily basis as well as number of Trading Days); and (ii) the fact that the Shares have been suspended since 1 February 2019 and there were changes in circumstances of the Group since the trading suspension to the Latest Practicable Date (*inter-alia*, matter pertaining to AML's CET1 ratio, Disposal of AML, the Disclaimer of Opinion on, *inter-alia*, going concern assumption, the Insolvencies, etc).
- (d) Fair comparison of the valuation of the Group as implied by the Conversion Price with the Selected Comparable Companies (as shown in Section 5.6 of this Letter) after taking into account: (i) the Group's weak financial performance (in terms of loss making position since FY2017 with moribund core business where no revenue was recorded in 3Q2019 and uncertainties as to whether the Group will be able to generate revenue in the near term and the timing of it as well as the status of the License) and weak financial position (in terms of net current liabilities and NL position as at 30 September 2019) as compared to the Selected Comparable Companies; (ii) the Disclaimer of Opinion issued by the Independent Auditor relating to, *inter-alia*, going concern assumption; and (iii) the fact that the trading for the Shares has been suspended since 1 February 2019 with no certainty on the lifting of the suspension (subject to, *inter-alia*, the Group's ability to address the going concern and business viability issues).
- (e) Fair comparison with the Selected RTO Cash Companies (as shown in Section 5.6 of this Letter) – the premium paid over the NTL of the Company of approximately S\$6.6 million is within the range, and slightly higher than both the median and the simple average of premium paid over the NTA/(NTL) of the Selected RTO Cash Companies. In addition, the number of existing Shares as a percentage of the enlarged Share capital assuming full conversion of all the Notes is approximately 21.6% and this is within the range, and higher than both the median and the simple average for the Selected RTO Cash Companies.

If the short term loans of approximately CHF1.30 million is removed, the Company would be in a NL position of approximately CHF0.9 million, or approximately S\$1.2 million (based on the applicable exchange rate as at 30 September 2019). The premium paid over the NTA/(NTL) for the Group would be approximately S\$4.8 million, which is still within the range of the Selected RTO Cash Companies. However, it would be below the median and simple average of the

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Selected RTO Cash Companies instead of being above the median and simple average. It is, however, still fairly comparable to the Selected RTO Cash Companies as described in earlier sections of this Letter.

- (f) Fair Comparison with the Selected Convertible Loans, as explained in Section 5.7 – despite the significant discount of approximately 85.4% as implied by the Conversion Price over the last transacted price for the Shares prior to the Trading Halt Date being worse off than any of the Selected Convertible Loans, CN1 and CN3 appear to be fairly comparable to the Selected Convertible Loans after taking into account (i) the interest rate for CN1 and CN3 which are within the range as compared to the Selected Convertible Loans; (ii) the Group's NTL position as at 30 September 2019 which is weaker than most of the companies under the Selected Convertible Loans as most of them had positive NTA (save for NauticAWT Limited and Addvalue Technologies Ltd.); (iii) the Conversion Price is favorable taking into account the Group's NL per Share and/or NTL per Share as at 30 September 2019; and (iv) our view that any comparison of the Conversion Price to the historical trading performance of the Shares may not be meaningful given the Shares have been suspended since 1 February 2019 and there were changes in circumstances of the Group since the trading suspension to the Latest Practicable Date. There is also no certainty for the Company as to whether the suspension for trading of the Company's Shares can be uplifted. In addition, we note that none of the Selected Convertible Loans involves companies wherein its shares are suspended.

We also consider the Proposed CN1 Issue and the Proposed CN3 Issue, being the subject of the Proposed Whitewash Resolution, to be **REASONABLE and NOT PREJUDICIAL** to the interest of the Company and the Independent Shareholders, after factoring, *inter-alia*, the following:-

- (a) The potential favorable financial impact of the Proposed Issue on the Group's NTA per Share, LPS and financial position in term of the shareholders' equity, which we have viewed in the context that the approval of the Proposed Whitewash Resolution and the Proposed Issue will allow the Company to raise additional gross proceeds of up to approximately S\$8.1 million (as the proceeds for CN1 and CN2 have already been disbursed and utilised for general working capital) with favorable financial effects on the Group's NTL per Share, LPS and financial position in term of the shareholders' equity as outlined in the Circular as well as providing the Company with the necessary funding for repayment of loans and outstanding payments owing by the Group, general working capital and business expansion through investments, acquisitions and joint ventures.
- (b) The rationale of the Proposed Issue as described in Section 6 of the Circular. The proceeds from the Proposed Issue is intended to be used for general working capital, repayment of loans and outstanding payments owing by the Group, business expansion through investments, acquisitions and joint ventures and payments for the costs and expenses relating to the notes. As stated in Section 6.6 of the Circular, after taking into consideration the present bank facilities available to the Group, the Directors are of the opinion that the working capital available to the Group is insufficient to meet its present requirements. However, after taking into consideration the present bank facilities and proceeds of the Proposed Issue, the Directors are of the opinion that the working capital available to the Group is sufficient to meet its present requirements.
- (c) The Directors' representation and confirmation that:-
- The sufficiency of the Group's working capital requirement for the next 12 month and the ability of the Group to continue as going concern will depend on, *inter-alia*, the successful completion of the Proposed Issue.
  - Whilst significant efforts have been made by the Directors and Management to source for alternative financing offer with better pricing or terms and conditions, as at the Latest Practicable Date, they are not aware of any alternative offers, which is comparable in nature, amounts, terms and conditions to the Proposed Issue.

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- The trading for the Shares has been suspended since 1 February 2019 and the lifting of the suspension is subject to, *inter-alia*, the Group's ability to address the going concern and business viability issues.

**Recommendation**

Based on our assessment of the Proposed CN1 Issue and the Proposed CN3 Issue, being the subject of the Proposed Whitewash Resolution as set out above, we advise the Independent Directors to recommend that Independent Shareholders vote **in favour of** the Proposed Whitewash Resolution to be proposed at the EGM. We advise the Independent Directors to highlight to Independent Shareholders the matters as stated in our Letter, including, *inter-alia*, our limitation in analysis, evaluation, comments and opinion in this Letter. In addition, we advise Independent Directors to recommend to Independent Shareholders to exercise caution in their decision in voting in favour of or against the Proposed Whitewash Resolution.

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Company or the Group. The opinion set forth herein is based solely on publicly available information and information provided by the Directors and the Management and therefore does not reflect any projections or future financial performance of the Company after the completion of the Proposed Issue and is based on the economic and market conditions prevailing as of the date of this opinion. Our advice is solely confined to our views on the Proposed Whitewash Resolution.

**Matters to highlight**

We would also wish to highlight the following matters which may affect the decisions or actions of Independent Shareholders:

- (1) Ordinary Resolution 1 relating to the Proposed CN1 Issue and the Proposed CN3 Issue and the Proposed Whitewash Resolution, are inter-conditional upon each other. Accordingly, in the event that the Proposed Whitewash Resolution is not approved by Independent Shareholders, the Proposed CN1 Issue and the Proposed CN3 Issue will not proceed.
- (2) Independent Shareholders should note the following:-
  - (a) By voting in favour of the Proposed Whitewash Resolution, Independent Shareholders should note that they are waiving their rights to receive a mandatory general offer under Rule 14 of the Takeover Code from GN for the Shares, which GN and any persons acting in concert with it would otherwise have been obliged to make at the highest price paid or agreed to be paid by them for the Shares in the six months preceding the Announcement Date.
  - (b) By voting in favour of the Proposed Whitewash Resolution, they may be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Proposed CN1 Issue and Proposed CN3 Issue.
  - (c) Upon conversion of the Notes to be issued under the Proposed Issue could result in GN holding Shares carrying more than 49% of the voting rights in the Company, and henceforth be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a general offer for the Company.
  - (d) The passing of the resolution to approve the Proposed CN1 Issue and the Proposed CN3 Issue is contingent upon the Proposed Whitewash Resolution being passed. In view of this, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed CN1 Issue and the Proposed CN3 Issue will not take place.

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- (3) Our scope does not require us and we have not made any independent evaluation or business valuation of the Group (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities of the Group or contracts entered into or licenses owned by the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group. With respect to such valuations, we are not experts in the evaluation (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities including, *inter-alia*, the contracts or agreements that the Group has embarked upon or are about to embark upon or licenses owned by the Group and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or position or condition of the Company and the Group as reflected in the unaudited financial statements for the Company and the Group as at 30 September 2019 are true and fair.

The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Company's announcements on the SGX-Net and the financial statements for the Group for FY2018 and 9M2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

- (4) Our scope does not require us to express and we do not express, a view on the future growth prospects of the Company or the Group before and after the Proposed Transactions stipulated in the Circular or as represented to us or the Proposed CN1 Issue and the Proposed CN3 Issue or the sufficiency of the Group's working capital or the ability of the Group to continue as a going concern.

### **Specific Objectives**

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or particular or individual needs and constraints of any individual Independent Shareholder. As each Independent Shareholder or group of Independent Shareholders would have different investment objectives and profiles, we would advise the Recommending Directors to advise any individual Shareholder or group of Shareholders who may require specific advice in the context of investments or his or their specific investment objectives or portfolio should consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

## **8. ACTIONS TO BE TAKEN BY SHAREHOLDERS**

Shareholders who are unable to attend the EGM and wish to appoint a proxy or proxies to attend and vote at the EGM on their behalf, may complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at 20 Collyer Quay, #01-02 Singapore 049319, not less than 72 hours before the time fixed for the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM in place of his proxy if he subsequently decides to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance.

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

In addition, Independent Shareholders are advised to read Section 14 of the Circular and Notice of the EGM which has been enclosed with the Circular carefully so that the appropriate election on voting for or voting against can be made.

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**APPENDIX A**  
**LETTER FROM IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE**  
**PROPOSED WHITEWASH RESOLUTION**

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This Letter has been prepared pursuant to Rule 14 and Appendix 1 of the Takeover Code as well as addressed to the Independent Directors in connection with and for the sole purpose of their evaluation of the Proposed Whitewash Resolution and is not meant or intended to be an evaluation of the other resolutions to be proposed or alternatives. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor any other party, may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except that the Company and the Directors and the Shareholders may reproduce, disseminate or quote the IFA Letter for the sole purpose of the Proposed Whitewash Resolution and/or at the forthcoming EGM. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters and the scope of our appointment stated herein and does not apply by implication to any other matter. Save as disclosed herein, nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act Chapter 53B and any re-enactment thereof shall not apply. Nothing herein shall prevent or exclude Shareholders from relying on this Letter in connection with the Proposed Whitewash Resolution, whether pursuant to the Contracts (Rights of Third Parties) Act Chapter 53B of Singapore or otherwise.

The recommendations made by the Independent Directors to the Independent Shareholders in relation to the Proposed Whitewash Resolution as well as other resolutions referred to in the Circular and the issue of the Circular shall remain the sole responsibility of the Independent Directors and the Directors respectively.

Yours faithfully,  
For and on behalf of

ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU  
MANAGING DIRECTOR

FOO QUEE YIN  
MANAGING DIRECTOR

**APPENDIX B**  
**NOTICE OF RESIGNATION FROM ERNST & YOUNG LLP**



Ernst & Young LLP  
One Raffles Quay  
North Tower, Level 18  
Singapore 048583

Mailing address:  
Robinson Road  
PO Box 384  
Singapore 900734

Tel: +65 6535 7777  
Fax: +65 6532 7662  
ey.com

Our Ref: ASU-TMT/61394850/SW

3 February 2020

The Board of Directors  
20 Collyer Quay  
#01-02  
Singapore 049319

Attention: Dominic Morris

ayondo Ltd  
ayondo asia Pte Ltd

Dear Sirs:

We refer to your letters dated 14 January 2020 and 21 January 2020 seeking our resignation as auditors for ayondo Ltd and ayondo asia Pte Ltd respectively.

In accordance with Section 205AB of the Companies Act (Chapter 50 of Singapore) ("Companies Act"), we have applied for consent to the Accounting and Corporate Regulatory Authority ("ACRA") to resign as auditors of:

- ayondo Ltd
- ayondo asia Pte Ltd

The reason for our resignation is set out below:

- The Company has requested to change their auditors as part of the review of the remuneration of the external auditors.

Subject to ACRA's consent, we hereby give notice of resignation as auditors of the above mentioned entities with effect from the date of this letter and we withdraw our consent to act in this capacity.

In accordance with Section 205AF of the Companies Act, once ACRA approves our resignation, the directors of the Company will be required (i) call a general meeting of the Company as soon as practicable and in any case not more than 3 months after the date of the auditor's resignation for the purpose of appointing a new auditor, and (ii) upon appointment of the new auditors, lodge a notification of such appointment with ACRA within 14 days of appointment. Please send us a copy of the resolution appointing our successors for our information.

As of the date of this letter, the total outstanding audit fees in relation to the audit for the year ended 31 December 2018 amounts to \$360,097. Please kindly assist to settle the outstanding audit fees.



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**APPENDIX B**  
**NOTICE OF RESIGNATION FROM ERNST & YOUNG LLP**

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We take this opportunity to thank you for your co-operation and kind support accorded to us during the course of our appointment as auditors of the Company. We wish you the very best in all your future endeavours.

Yours faithfully,

*Ernst & Young LLP*

SW/KK/ac

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