

**CIRCULAR DATED 4 NOVEMBER 2019**

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

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

If you have sold or transferred all your ordinary shares in the capital of NauticAWT Limited (the “**Company**”) held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular with the Notice of EGM (as defined herein) and the attached Proxy Form (as defined herein) to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of EGM and the attached Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your ordinary shares in the capital of the Company represented by physical share certificate(s), you should immediately forward this Circular together with the Notice of EGM and the attached Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Your attention is drawn to the section entitled “Risk Factors Relating to the Proposed Diversification” of this Circular, which you should review carefully.

This Circular has been prepared by the Company and its contents have been reviewed by UOB Kay Hian Private Limited (“**Sponsor**”), for compliance with the relevant rules of 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) 65906881.

**NAUTICAWT LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration No. 201108075C)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

- (1) THE PROPOSED ISSUANCE AND ALLOTMENT OF 81,610,035 NEW SHARES TO BOND A BONDHOLDERS PURSUANT TO THE BOND A SETTLEMENT AGREEMENTS;**
- (2) THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 21,254,641 NEW SHARES TO KIM SENG HOLDINGS PTE LTD PURSUANT TO THE KSH BOND B SETTLEMENT AGREEMENT;**
- (3) THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 2,125,463 NEW SHARES TO MR JOHN GRØNBECH PURSUANT TO THE JG BOND B SETTLEMENT AGREEMENT;**
- (4) THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 5,313,660 NEW SHARES TO LIM HOW TECK PURSUANT TO THE LHT BOND B SETTLEMENT AGREEMENT;**
- (5) THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 13,815,514 NEW SHARES TO OTHER BOND B BONDHOLDERS PURSUANT TO THE OTHER BOND B SETTLEMENT AGREEMENTS;**
- (6) THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 2,228,951 NEW SHARES TO MR TAN FUH GIH PURSUANT TO THE TFG CREDITORS SETTLEMENT AGREEMENT;**

- (7) THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 14,093,699 NEW SHARES TO MR JOHN GRØNBECH PURSUANT TO THE JG CREDITORS SETTLEMENT AGREEMENT;
- (8) THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 6,520,719 NEW SHARES TO LIM HOW TECK PURSUANT TO THE LHT CREDITORS SETTLEMENT AGREEMENT;
- (9) THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 1,087,373 NEW SHARES TO TEO LEK HONG PURSUANT TO THE TLH CREDITORS SETTLEMENT AGREEMENT;
- (10) THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 1,049,592 NEW SHARES TO TAY KEE LIAT PURSUANT TO THE TKL CREDITORS SETTLEMENT AGREEMENT;
- (11) THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 32,338,358 NEW SHARES TO OTHER CREDITORS PURSUANT TO THE OTHER CREDITORS SETTLEMENT AGREEMENTS;
- (12) THE PROPOSED ISSUANCE AND ALLOTMENT OF 400,000,000 NEW SHARES AT S\$0.01125 PER SHARE TO DR CHIRASAK CHIYACHANTANA PURSUANT TO THE PROPOSED SUBSCRIPTION;
- (13) THE WHITEWASH RESOLUTION FOR WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM DR CHIRASAK CHIYACHANTANA AND HIS CONCERT PARTIES;
- (14) THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS INTO THE F&B BUSINESS; AND
- (15) THE PROPOSED CHANGE OF AUDITORS.

Independent Financial Adviser to the Directors  
in relation to the Whitewash Resolution

**ASIAN CORPORATE ADVISORS PTE. LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 200310232R)

**IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	: 17 November 2019 at 10:30 a.m.
Date and time of Extraordinary General Meeting	: 19 November 2019 at 10:30 a.m.
Place of Extraordinary General Meeting	: 12 Tai Seng Link #05-01A Singapore 534233

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### **PROXY FORM**

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## DEFINITIONS

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

- “Associates”** : This term shall have the same meaning as ascribed to it in the Catalyst Rules as follows, as amended, supplemented or modified from time to time
- (a) in relation to any director, CEO, Substantial Shareholder or Controlling Shareholder (being an individual) means:
    - (i) his immediate family;
    - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
    - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent (30%) or more;
  - (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent (30%) or more
- “Announcement”** : The announcement made by the Company in respect of the Proposed Subscription and the Debt Restructuring on 10 July 2019
- “Authorisations”** : Has the meaning ascribed to it in Section 3.3.1(h) of this Circular
- “Balance Liabilities”** : Has the meaning ascribed to it in Section 2.1(c) of this Circular
- “Board”** : The board of Directors of the Company as at the date of this Circular
- “Bond A”** : The US\$1.95 million Convertible Loan Agreements dated 7 August 2018 between the Bond A Bondholders as lender and the Company as borrower
- “Bond A Bondholders”** : Galway Petroleum Pte Ltd, The Kirk Family Trust and The Mills Family Trust collectively and “Bond A Bondholder” shall mean any one of them
- “Bond A Settlement Agreements”** : The settlement and release agreements dated 24 September 2019 between the Company and the Bond A Bondholders as described in Section 2.6.1 of this Circular

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## DEFINITIONS

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<b>“Bond B”</b>	:	The US\$1.00 million Convertible Note Agreements dated 17 March 2017, 29 May 2017 and 23 June 2017 between the Bond B Bondholders as lenders and the Company as borrower
<b>“Bond B Bondholders”</b>	:	KSH, John Grønbech, Lim How Teck, John Ure, David Jonathan Kirk, Airserve Marine Travel Pte Ltd, Kevin Raymond Lay, Lo Ming Hoi David and William Henry Lee Darlison collectively and “Bond B Bondholder” shall mean any one of them
<b>“Business Day”</b>	:	A day (excluding Saturday, Sunday and gazetted public holidays) on which banks are open for business in Singapore and such jurisdiction(s) in which banks which operate the accounts of the Subscriber and the Company are based
<b>“Catalist”</b>	:	The Catalist board of the SGX-ST
<b>“Catalist Rules”</b>	:	Section B: Rules of Catalist of the Listing Manual of the SGX-ST, as amended, supplemented or modified from time to time
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Circular”</b>	:	This circular to Shareholders dated 4 November 2019
<b>“Code”</b>	:	The Singapore Code on Take-overs and Mergers
<b>“Companies Act”</b>	:	The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
<b>“Company”</b>	:	NauticAWT Limited
<b>“Completion”</b>	:	The completion of the Proposed Subscription in accordance with the terms and conditions of the Subscription Agreement
<b>“Completion Date”</b>	:	Has the meaning ascribed to it in Section 3.8 of this Circular
<b>“Conditions Precedent”</b>	:	Has the meaning ascribed to it in Section 3.3.1 of this Circular
<b>“Constitution”</b>	:	The constitution of the Company, as amended, supplemented or modified from time to time
<b>“Controlling Interest”</b>	:	The interest of Controlling Shareholder(s)
<b>“Controlling Shareholder”</b>	:	A person who:

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## DEFINITIONS

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(i) holds directly or indirectly 15% or more of the nominal amount of all voting Shares in the Company (unless the SGX-ST determines that such a person is not a Controlling Shareholder of the Company); or

(ii) in fact exercises Control over the Company,

and “**Control**” herein means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company

“ <b>Debt Restructuring</b> ”	:	Has the meaning ascribed to it in Section 2.1 of this Circular
“ <b>Deloitte</b> ”	:	Messrs Deloitte & Touche LLP
“ <b>Directors</b> ”	:	The directors of the Company as at the date of this Circular
“ <b>EGM</b> ”	:	The extraordinary general meeting of the Company, notice of which is set out on pages N-1 to N-8 of this Circular
“ <b>Employee Share Options</b> ”	:	The outstanding 8,850,000 share options issued pursuant to NauticAWT Employee Share Option Scheme
“ <b>Enlarged Share Capital</b> ”	:	The enlarged issued and paid-up share capital of 794,186,046 Shares (excluding treasury shares and subsidiary holdings) immediately after the completion of the Proposed Subscription and the issuance of Settlement Shares, comprising the Existing Share Capital and the Subscription Shares and Settlement Shares
“ <b>Existing Core Business</b> ”	:	Has the meaning ascribed to it in Section 9.1.1 of this Circular
“ <b>Existing Share Capital</b> ”	:	The existing issued and paid-up share capital (excluding treasury shares) of the Company of 212,333,525 Shares as at the Latest Practicable Date
“ <b>F&amp;B</b> ”	:	Food and beverage
“ <b>F&amp;B Business</b> ”	:	Has the meaning ascribed to it in Section 9.2.1 of this Circular
“ <b>F&amp;B Outlets</b> ”	:	Has the meaning ascribed to it in Section 12.4 of this Circular
“ <b>FKT</b> ”	:	Messrs Foo Kon Tan LLP
“ <b>FY2018</b> ”	:	The financial year ended 31 December 2018

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<b>“Gross Proceeds”</b>	:	Has the meaning ascribed to it in Section 3.6.1 of this Circular
<b>“Group”</b>	:	The Company and its subsidiaries
<b>“IFA”</b>	:	Asian Corporate Advisors Pte. Ltd., the independent financial adviser appointed to advise the Directors in relation to the Whitewash Resolution
<b>“IFA Letter”</b>	:	The letter dated 4 November 2019 from the IFA to the Directors in relation to the Whitewash Resolution
<b>“Independent Shareholders”</b>	:	Shareholders other than the Subscriber and its concert parties and parties not independent of them for the purposes of the Whitewash Resolution
<b>“Inter-conditional Resolutions”</b>	:	Has the meaning ascribed to it in Section 1.5 of this Circular
<b>“JG Bond B Settlement Agreement”</b>	:	The settlement and release agreement dated 24 September 2019 between the Company and Mr John Grønbech as described in Section 2.6.1 of this Circular
<b>“JG Creditors Settlement Agreement”</b>	:	The settlement and release agreement dated 24 September 2019 between the Company and Mr John Grønbech as described in Section 2.7.1 of this Circular
<b>“KSH”</b>	:	Kim Seng Holdings Pte Ltd
<b>“KSH Bond B Settlement Agreement”</b>	:	The settlement and release agreements dated 24 September 2019 between the Company and KSH as described in Section 2.6.1 of this Circular
<b>“Latest Practicable Date”</b>	:	The latest practicable date prior to the printing of this Circular, being 21 October 2019
<b>“LHT Bond B Settlement Agreement”</b>	:	The settlement and release agreement dated 24 September 2019 between the Company and Mr Lim How Teck as described in Section 2.6.1 of this Circular
<b>“LHT Creditors Settlement Agreement”</b>	:	The settlement and release agreement dated 24 September 2019 between the Company and Mr Lim How Teck as described in Section 2.7.1 of this Circular
<b>“Listing and Quotation Notice”</b>	:	The listing and quotation notice to be applied from the SGX-ST for the dealing in, listing of, and quotation for the Subscription Shares and Settlement Shares on Catalist
<b>“Long Stop Date”</b>	:	31 December 2019 or such later date as may be agreed by the Subscriber and the Company in writing
<b>“LPS”</b>	:	Loss per Share

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## DEFINITIONS

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<b>“Major Transaction”</b>	:	Has the meaning ascribed to it in Section 10.1 of this Circular
<b>“Net Proceeds”</b>	:	Has the meaning ascribed to it in Section 3.6.1 of this Circular
<b>“Notice of EGM”</b>	:	The notice of EGM as set out on pages N-1 to N-8 of this Circular
<b>“NTA”</b>	:	Net tangible assets
<b>“NTL”</b>	:	Net tangible liability
<b>“Ordinary Resolutions”</b>	:	The ordinary resolutions to be proposed at the EGM, details of which are set out in this Circular and in the Notice of EGM
<b>“Other Bond B Bondholders”</b>	:	Bond B Bondholders collectively save for KSH, John Grønbech and Lim How Teck and “Other Bond B Bondholder” shall mean any one of them
<b>“Other Bond B Settlement Agreements”</b>	:	The settlement and release agreements dated 24 September 2019 between the Company and the Other Bond B Bondholders as described in Section 2.6.1 of this Circular
<b>“Other Creditors”</b>	:	Has the meaning ascribed to it in Section 2.7.2 of this Circular
<b>“Other Creditors Settlement Agreements”</b>	:	The settlement and release agreements dated 24 September 2019 between the Company and the Other Creditors as described in Section 2.7.2 of this Circular
<b>“Proposed Change of Auditors”</b>	:	Has the meaning ascribed to it in Section 1.3.1 of this Circular
<b>“Proposed Diversification”</b>	:	Has the meaning ascribed to it in Section 1.2.1 of this Circular
<b>“Proposed Subscription”</b>	:	Has the meaning ascribed to it in Section 1.1.1 of this Circular
<b>“Proxy Form”</b>	:	The proxy form attached to the Notice of EGM
<b>“Securities Account”</b>	:	Securities account maintained by Depositor with CDP, but not including a securities sub-account maintained with a Depository Agent
<b>“Settlement Shares”</b>	:	The Company’s issuance of an aggregate of up to 181,852,521 Shares for a partial capitalisation of the liabilities of the Company pursuant to the Debt Restructuring
<b>“Settlement Amount”</b>	:	The monies payable by the Company to the Bond A Bondholders, Bond B Bondholders, Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong, Mr



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## DEFINITIONS

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	Tay Kee Liat and the Other Creditors pursuant to the Bond A Settlement Agreements, KSH Bond B Settlement Agreement, JG Bond B Settlement Agreement, LHT Bond B Settlement Agreement, Other Bond B Settlement Agreements, TFG Creditors Settlement Agreement, JG Creditors Settlement Agreement, LHT Creditors Settlement Agreement, TLH Creditors Settlement Agreement, TKL Creditors Settlement Agreement and Other Creditors Settlement Agreements.
<b>“SFA”</b>	: Securities and Futures Act (Chapter 289) of Singapore, as may be amended, supplemented or modified from time to time
<b>“SGX-ST”</b>	: Singapore Exchange Securities Trading Limited
<b>“Shareholders”</b>	: Registered holders of Shares, except that where the registered holder is CDP, the term <b>“Shareholders”</b> shall, in relation to such Shares, and where the context admits, mean the persons named as Depositors and whose Securities Accounts are credited with Shares
<b>“Shares”</b>	: Ordinary shares in the capital of the Company
<b>“SIC”</b>	: Securities Industry Council of Singapore
<b>“Sponsor”</b>	: The Company’s sponsor, UOB Kay Hian Private Limited
<b>“Subscriber”</b>	: Dr Chirasak Chiyachantana
<b>“Subscription Agreement”</b>	: Has the meaning ascribed to it in Section 1.1 of this Circular
<b>“Subscription Price”</b>	: S\$0.01125 per Subscription Share
<b>“Subscription Shares”</b>	: 400,000,000 Shares to be subscribed by the Subscriber pursuant to the Proposed Subscription
<b>“Substantial Shareholder”</b>	: A person who, in accordance with the Companies Act, has an interest in not less than 5% of the issued voting Shares
<b>“TFG Creditors Settlement Agreements”</b>	: The settlement and release agreement dated 24 September 2019 between the Company and Mr Tan Fuh Gih as described in Section 2.7.1 of this Circular
<b>“TKL Creditors Settlement Agreement”</b>	: The settlement and release agreement dated 24 September 2019 between the Company and Mr Tay Kee Liat as described in Section 2.7.1 of this Circular
<b>“TLH Creditors Settlement Agreement”</b>	: The settlement and release agreement dated 24 September 2019 between the Company and Mr Teo Lek Hong as described in Section 2.7.1 of this Circular

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## DEFINITIONS

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“Trading Day”	:	A day on which the SGX-ST is open for securities trading
“UHPC”	:	Has the meaning ascribed to it in Section 9.1.1 of this Circular
“Warrantor”	:	Has the meaning ascribed to it in Section 1.1 of this Circular
“Whitewash Resolution”	:	Has the meaning ascribed to it in Section 3.7.2 of this Circular
“Whitewash Waiver”	:	Has the meaning ascribed to it in Section 3.7.1 of this Circular

### Currencies, Units and Others

“S\$” and “cents”	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
“US\$” and “US cents”	:	United States dollars and cents, respectively, being the lawful currency of the United States of America
“%”	:	Per centum or percentage

The terms “**acting in concert**” and “**concert parties**” shall have the meanings ascribed to them in the Code.

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

The terms “**subsidiary**” and “**treasury shares**” shall have the meanings ascribed to them in the Companies Act, respectively.

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any term or word defined under the Companies Act, the Catalist Rules, the SFA, the Code or any statutory or regulatory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act, the Catalist Rules, the SFA, the Code or any statutory or regulatory modification thereof, as the case may be.

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

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## DEFINITIONS

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

Unless otherwise expressly stated, the exchange rate used where relevant in this Circular shall be US\$1:S\$1.3648.

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## LETTER TO SHAREHOLDERS

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### NAUTICAWT LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number 201108075C)

#### Board of Directors

Lim How Teck (Chairman and Independent Director)  
John Grønbech (Executive Director and Chief Executive Officer)  
Teo Lek Hong (Independent Director)  
Tay Kee Liat (Independent Director)

#### Registered Office

12 Tai Seng Link  
#05-01A  
Singapore 534233

Date: 4 November 2019

To: The Shareholders of NauticAWT Limited

Dear Sir/Madam,

- (1) **THE PROPOSED ISSUANCE AND ALLOTMENT OF 81,610,035 NEW SHARES BOND A BONDHOLDERS PURSUANT TO THE BOND A SETTLEMENT AGREEMENTS;**
- (2) **THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 21,254,641 NEW SHARES TO KIM SENG HOLDINGS PTE LTD PURSUANT TO THE KSH BOND B SETTLEMENT AGREEMENT;**
- (3) **THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 2,125,463 NEW SHARES TO MR JOHN GRØNBECH PURSUANT TO THE JG BOND B SETTLEMENT AGREEMENT;**
- (4) **THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 5,313,660 NEW SHARES TO LIM HOW TECK PURSUANT TO THE LHT BOND B SETTLEMENT AGREEMENT;**
- (5) **THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 13,815,514 NEW SHARES TO OTHER BOND B BONDHOLDERS PURSUANT TO THE OTHER BOND B SETTLEMENT AGREEMENTS;**
- (6) **THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 2,228,951 NEW SHARES TO MR TAN FUH GIH PURSUANT TO THE TFG CREDITORS SETTLEMENT AGREEMENTS;**
- (7) **THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 14,093,699 NEW SHARES TO MR JOHN GRØNBECH PURSUANT TO THE JG CREDITORS SETTLEMENT AGREEMENT;**
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- (9) **THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 1,087,373 NEW SHARES TO TEO LEK HONG PURSUANT TO THE TLH CREDITORS SETTLEMENT AGREEMENT;**
- (10) **THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 1,049,592 NEW SHARES TO TAY KEE LIAT PURSUANT TO THE TKL CREDITORS SETTLEMENT AGREEMENT;**

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## LETTER TO SHAREHOLDERS

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- (11) THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 32,338,358 NEW SHARES OTHER CREDITORS PURSUANT TO THE OTHER CREDITORS SETTLEMENT AGREEMENTS;
- (12) THE PROPOSED ISSUANCE AND ALLOTMENT OF 400,000,000 NEW SHARES AT S\$0.01125 PER SHARE TO DR CHIRASAK CHIYACHANTANA PURSUANT TO THE PROPOSED SUBSCRIPTION;
- (13) THE WHITEWASH RESOLUTION FOR WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM DR CHIRASAK CHIYACHANTANA AND HIS CONCERT PARTIES;
- (14) THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS INTO THE F&B BUSINESS; AND
- (15) THE PROPOSED CHANGE OF AUDITORS.

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### 1. INTRODUCTION

#### 1.1 The Debt Restructuring and the proposed issuance and allotment of the Settlement Shares, proposed issuance and allotment of the Subscription Shares, and the proposed Whitewash Resolution

- 1.1.1 As announced on 10 July 2019, the Company had entered into a conditional share subscription agreement (the "**Subscription Agreement**") with Mr John Grønbech, our Executive Director and CEO (the "**Warrantor**") and the Subscriber pursuant to which the Company has agreed to issue and allot the Subscription Shares to the Subscriber and the Subscriber has agreed to subscribe for the Subscription Shares ("**Proposed Subscription**") at the Subscription Price. For more details on the Proposed Subscription, please refer to Section 3 of this Circular.
- 1.1.2 Pursuant to the Subscription Agreement, the Company undertakes to commence the Debt Restructuring which would include, inter alia, the Company's issuance of up to 181,852,521 Settlement Shares. For more details on the Debt Restructuring and the Settlement Shares, please refer to Section 2 of this Circular.
- 1.1.3 The Proposed Subscription is not underwritten and there is no placement agent appointed for the purpose of this Proposed Subscription. The offer and allotment and issue of the Subscription Shares are made pursuant to the exemption under Section 272B of the SFA. As such, no prospectus or offer information statement will be issued by the Company in connection therewith. None of the Subscription Shares will be placed with any person or groups of persons as set out under Rule 812 of the Catalist Rules.
- 1.1.4 The offer and allotment and issue of the Settlement Shares would be made pursuant to the Debt Restructuring.
- 1.1.5 Pursuant to Rule 805 of the Catalist Rules, except as provided in Rule 806, the Company must obtain the prior approval of Shareholders in general meeting of, inter alia, the issue of Shares. Accordingly, the Company will be seeking Shareholders' approval at the EGM, to allot and issue

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## LETTER TO SHAREHOLDERS

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the Subscription Shares, on and subject to the terms of the Subscription Agreement, and to allot and issue the Settlement Shares pursuant to the Debt Restructuring.

- 1.1.6 Pursuant to the terms of the Subscription Agreement, the Subscriber shall subscribe for the 400,000,000 Subscription Shares at the Subscription Price. The Subscription Shares represent approximately 188.4% of the Existing Share Capital (excluding treasury shares and subsidiary holdings) of the Company as at the Latest Practicable Date. Following the successful allotment and issuance of the Subscription Shares and the Settlement Shares, the Subscription Shares will represent approximately 50.4% of the Enlarged Share Capital (excluding treasury shares and subsidiary holdings) of the Company. Hence controlling interest would be transferred to the Subscriber. Please refer to the table in Section 5.4 for further details on the dilutive effect of the Proposed Subscription and issuance of the Settlement Shares on the shareholding structure of the Company.
- 1.1.7 Under Rule 803 of the Catalist Rules, an issuer must not issue securities to transfer a controlling interest without prior approval of shareholders in general meeting. Upon Completion, the Subscriber will obtain a controlling interest in the Company. Accordingly, the Directors are convening the EGM to seek specific approval of the Shareholders to allot and issue the Subscription Shares, on and subject to the terms of the Subscription Agreement.
- 1.1.8 The Subscription Price of S\$0.01125 represents a discount of approximately 43.8% to the volume-weighted average price of S\$0.020 per Share, based on the trades done on the SGX-ST on 4 July 2019, being the last full market day which the Shares were traded immediately preceding the date and up to the time the Subscription Agreement was signed.
- 1.1.9 The Subscription Price was arrived at following arm's length negotiations between the Subscriber and the Company, taking into account the prevailing Share price and the financial position and prospects of the Company.
- 1.1.10 Under Rule 811 of the Catalist Rules, an issuer must not issue Shares at more than 10% discount to the volume-weighted average price for trades done on the SGX-ST on full market day which the Shares were traded immediately preceding the date and up to the time the Subscription Agreement was signed. Accordingly, the Directors are convening the EGM to seek specific approval of the Shareholders to allot and issue the Subscription Shares at the Subscription Price, on and subject to the terms of the Subscription Agreement.
- 1.1.11 Pursuant to the Subscription Agreement, the Company has also undertaken to the Subscriber that it shall, subject to, inter alia, the grant of the Whitewash Waiver (on terms acceptable to the Company and the Subscriber), convene a general meeting to seek the approval of the Independent Shareholders to waive their rights to receive a mandatory takeover offer from the Subscriber and its concert parties for all the Shares not already owned by them and persons acting in concert with them under Rule 14 of the Code, no later than the Long Stop Date.

### **1.2 The proposed diversification of the Group's business into F&B Business**

- 1.2.1 The Company is also seeking Shareholders' approval for the diversification of the Existing Core Business of the Group to include the F&B Business (the "**Proposed Diversification**").
- 1.2.2 For more details on the Proposed Diversification, please refer to Section 9 of this Circular.

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### **1.3 The proposed change of auditors**

- 1.3.1 As announced on 22 July 2019, the Company proposed to appoint FKT as its new auditors (the “**Proposed Change of Auditors**”).
- 1.3.2 Pursuant to Rule 712(3) of the Catalist Rules, the appointment of FKT as new auditors must be specifically approved by Shareholders at a general meeting. Accordingly, the Company will be seeking Shareholders’ approval at the EGM for the appointment of FKT as new auditors of the Company.
- 1.3.3 For more details on the Proposed Change of Auditors, please refer to Section 14 of this Circular.

### **1.4 Purpose of Circular**

- 1.4.1 The purpose of this Circular is to provide Shareholders with relevant information relating to, and the rationale for, the Ordinary Resolutions, and to seek Shareholders’ approval and/or ratification of the same. The Notice of EGM is set out on pages N-1 to N-8 of this Circular.
- 1.4.2 This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any persons (other than the Shareholders) or for any other purpose.

### **1.5 Conditionality of Ordinary Resolutions**

**Shareholders should note that Ordinary Resolutions 12 and 13 (collectively, the “Inter-conditional Resolutions”) relating to the proposed issuance and allotment of the Subscription Shares and the proposed Whitewash Resolution, are inter-conditional upon each other. Accordingly, in the event that any of these Inter-conditional Resolutions is not approved, the other Inter-conditional Resolutions would not be passed.**

**Shareholders should note that Ordinary Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14 and 15 relating to the Debt Restructuring, Proposed Diversification and the Proposed Change of Auditors, are independent and the passing of Ordinary Resolutions 12 and 13 shall not be conditional on the passing of any other Ordinary Resolutions tabled at the EGM.**

## **2. THE DEBT RESTRUCTURING**

- 2.1 Pursuant to the Subscription Agreement, the Company undertakes that it shall, as soon as practicable, commence a debt and capital restructuring exercise (the “**Debt Restructuring**”) to, inter alia:
- (a) cancel all Employee Share Options;
  - (b) extinguish and terminate Bond A and Bond B; and

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## LETTER TO SHAREHOLDERS

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- (c) take other further steps to reduce the liabilities of the Company (whether actual or contingent) to not more than S\$500,000 (the “**Balance Liabilities**”).
- 2.2 Under the Subscription Agreement, the Company may pursuant to the Debt Restructuring, issue an aggregate of up to 181,852,521 Shares (the “**Settlement Shares**”) as partial capitalisation of the liabilities of the Company such that upon completion of the Debt Restructuring and before the Completion, the total number of Shares in the capital of the Company shall be up to 394,186,046 Shares (excluding treasury shares and subsidiary holdings). Immediately after issuance of the Settlement Shares and the Completion, the enlarged issued and paid-up share capital of the Company shall be up to 794,186,046 Shares (excluding treasury shares and subsidiary holdings). The Settlement Shares shall be issued free from all claims, charges, liens and other Encumbrances whatsoever and shall rank, *pari passu*, in all respects with the existing Shares save that they will not rank for any dividend, rights, allotments or other distributions, the record date of which falls on or before the date of issue.
- 2.3 Pursuant to the Debt Restructuring, the Company shall:
- (A) procure that a meeting of the Board is held or a resolution of the Board is passed to authorise (i) the Debt Restructuring; (ii) subject to shareholders’ approval, the allotment and issue of the Settlement Shares; and (iii) the convening by the Company of an extraordinary general meeting to seek the shareholders’ approval for the allotment and issue of the Settlement Shares, on or before the Long Stop Date;
- (B) submit an application through the Sponsor to the SGX-ST for the Listing and Quotation Notice and do all such acts and things as may be necessary for such purposes to procure the listing and quotation of the Settlement Shares on the Catalist Board of the SGX-ST; and
- (C) do all acts and things, and to procure the delivery and the furnishing of such forms, documents, information and undertakings as may be required under the SFA or otherwise and the doing of all acts and things as may be necessary or advisable in order to allot and issue the Settlement Shares.

### 2.4 **Bond A**

2.4.1 As announced by the Company on 7 August 2018, the Company had on the same day, entered into Convertible Loan Agreements with the Bond A Bondholders.

2.4.2 As announced by the Company on 18 September 2018, the convertible loan of the following principal amounts had been drawn down on 17 September 2018:

<b>Name</b>	<b>Amount (US\$)</b>
Galway Petroleum Pte Ltd	400,000
The Kirk Family Trust	750,000
The Mills Family Trust	400,000
<b>Total</b>	<b>1,550,000</b>



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## LETTER TO SHAREHOLDERS

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2.4.3 As announced by the Company on 31 January 2019, additional convertible loan of the principal amount of US\$400,000 had been drawn down from Galway Petroleum Pte Ltd.

2.4.4 Pursuant to Bond A, the loans are convertible at the option of the Bond A Bondholders, at any time after the drawdown on 17 September 2018 up to 5:00 p.m. (Singapore time) on the maturity date falling 3 years from the drawdown on 17 September 2018. Pursuant to Bond A, subject to any adjustments under Bond A, the conversion price was fixed at US\$0.02675.

### 2.5 **Bond B**

2.5.1 As announced by the Company on 20 March 2017 and 29 May 2017, the Company had entered into Convertible Notes Agreements with KSH on 17 March 2017 and with Mr Lim How Teck, an Independent Director of the Company, and Mr John Grønbech, an Executive Director and CEO of the Company on 29 May 2017. The subscription and issue of the convertible notes to KSH, Mr Lim How Teck and Mr John Grønbech and the issue of Shares upon conversion of the convertible notes was approved by Shareholders in an extraordinary general meeting on 15 June 2017.

2.5.2 As announced by the Company on 23 June 2017, the Company had on the same day, entered into Convertible Notes Agreements with John Ure, David Jonathan Kirk, Airserve Marine Travel Pte Ltd, Kevin Raymond Lay, Lo Ming Hoi David and William Henry Lee Darlison.

2.5.3 As announced by the Company on 17 October 2017, Bond B was completed on the same day with the issue of the notes of the following principal amounts:

<b><u>Name</u></b>	<b><u>Amount (US\$)</u></b>
KSH	500,000
John Grønbech	50,000
Lim How Teck	125,000
John Ure	30,000
David Jonathan Kirk	50,000
Airserve Marine Travel Pte Ltd	150,000
Kevin Raymond Lay	35,000
Lo Ming Hoi David	30,000
William Henry Lee Darlison	30,000
<b>Total</b>	<b>1,000,000</b>

2.5.4 Pursuant to Bond B, the notes are convertible at the option of the Bond B Bondholders, at any time after the second anniversary of the completion date on 17 October 2017 up to 14 business days after the maturity date falling 3 years from the completion date on 17 October 2017. Pursuant to Bond B, the conversion price was fixed at S\$0.15.

### 2.6 **Settlement of Bond A and Bond B**

2.6.1 As announced by the Company on 24 September 2019, the Company had entered into the Bond A Settlement Agreements, KSH Bond B Settlement Agreement, JG Bond B Settlement Agreement, LHT Bond B Settlement Agreement and Other Bond B Settlement Agreements. Pursuant to the Bond A Settlement Agreements, KSH Bond B Settlement Agreement, JG Bond B Settlement Agreement, LHT Bond B Settlement Agreement and Other Bond B Settlement

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Agreements, the Company shall issue the following number of Settlement Shares to the Bond A Bondholders and Bond B Bondholders in full and final settlement of the relevant Settlement Amount due to the Bond A Bondholders and Bond B Bondholders pursuant to Bond A and Bond B respectively:

### Bond A

Name of Bondholder	Principal Amount  (US\$)	Interest payable  (US\$)	Relevant Settlement Amount and Relevant Settlement Amount capitalised (US\$)	Number of Settlement Shares to be issued
Galway Petroleum Pte Ltd	800,000	101,874	901,874	33,714,916
The Kirk Family Trust	750,000	85,562	835,562	31,235,947
The Mills Family Trust	400,000	45,633	445,633	16,659,172
<b>Total</b>	<b>1,950,000</b>	<b>233,069</b>	<b>2,183,069</b>	<b>81,610,035</b>

### Bond B

Name of Bondholder	Principal Amount  (US\$)	Interest payable  (US\$)	Relevant Settlement Amount and Relevant Settlement Amount capitalised (US\$)	Number of Settlement Shares to be issued
KSH	500,000	68,562	568,562	21,254,641
John Grønbech	50,000	6,856	56,856	2,125,463
Lim How Teck	125,000	17,140	142,140	5,313,660
John Ure	30,000	4,114	34,114	1,275,278
David Jonathan Kirk	50,000	6,856	56,856	2,125,463
Airserve Marine Travel Pte Ltd	150,000	20,568	170,568	6,376,392
Kevin Raymond Lay	35,000	4,799	39,799	1,487,825
Lo Ming Hoi David	30,000	4,114	34,114	1,275,278
William Henry Lee Darlison	30,000	4,114	34,114	1,275,278
<b>Total</b>	<b>1,000,000</b>	<b>137,123</b>	<b>1,137,123</b>	<b>42,509,278</b>

Thereafter Bond A and Bond B shall be extinguished and terminated.

- 2.6.2 Pursuant to the Bond A Settlement Agreements, KSH Bond B Settlement Agreement, JG Bond B Settlement Agreement, LHT Bond B Settlement Agreement and Other Bond B Settlement Agreements, the relevant Settlement Shares shall be allotted, issued and distributed by 31 December 2019. The settlement therein is conditional upon the obtaining of all necessary approvals required by any applicable law, regulation, rules or the like in Singapore. If such approval is not obtained by 31 December 2019, the parties shall engage in good faith discussions on how the relevant Settlement Amount is to be dealt with for a period of at least 3 months from 31 December 2019. During this period, the Bond A Bondholders, KSH, Mr John Grønbech, Mr Lim How Teck and the Other Bond B Bondholders shall not commence any

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claims against the Company in respect of any part of the Settlement Amount. Upon the issuance of Settlement Shares, the Bond A Bondholders, KSH, Mr John Grønbech, Mr Lim How Teck and the Other Bond B Bondholders will release and forever discharge the Company from all claims and liabilities.

2.6.3 Further Bond A Settlement Agreements and the Other Bond B Settlement Agreements are conditional upon the completion of the Proposed Subscription.

2.6.4 The Settlement Shares will be issued at a price of US\$0.02675 (S\$0.03667) per Settlement Share. Accordingly there is no change in the conversion price for Bond A but the conversion price for Bond B would change from S\$0.15 to US\$0.02675 (S\$0.03667) effectively. The price of US\$0.02675 (S\$0.03667) represents a premium of approximately 144.5% to the volume-weighted average price of S\$0.0150 per Share, based on the trades done on the SGX-ST on 19 September 2019, being the last full market day which the Shares were traded immediately preceding the date and up to the time the Bond A Settlement Agreements, KSH Bond B Settlement Agreement, JG Bond B Settlement Agreement, LHT Bond B Settlement Agreement and Other Bond B Settlement Agreements were signed. The issue price of the Settlement Shares was commercially agreed between the Company, the Bond A Bondholders and Bond B Bondholders, after arm's length negotiations and taking into account the conversion price under Bond A.

2.6.5 In accordance to Rule 829(3) of the Catalist Rules, any material alteration to the terms of the convertible securities after issue to the advantage of the holders of such securities is to be approved by shareholders. Accordingly, the Bond A Settlement Agreements, KSH Bond B Settlement Agreement, JG Bond B Settlement Agreement, LHT Bond B Settlement Agreement and Other Bond B Settlement Agreements and the issue of the Settlement Shares provided therein are conditional upon the approval of Shareholders.

2.7 **Settlement Shares to Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong, Mr Tay Kee Liat and Other Creditors**

2.7.1 As announced by the Company on 24 September 2019, the Company has entered into TFG Creditors Settlement Agreement, JG Creditors Settlement Agreement, LHT Creditors Settlement Agreement, TLH Creditors Settlement Agreement and TKL Creditors Settlement Agreement with Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong and Mr Tay Kee Liat. Pursuant to the TFG Creditors Settlement Agreement, JG Creditors Settlement Agreement, LHT Creditors Settlement Agreement, TLH Creditors Settlement Agreement and TKL Creditors Settlement Agreement, the Company shall issue the following number of Settlement Shares to Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong and Mr Tay Kee Liat:

Name of Creditor	Relevant Settlement Amount  (US\$)	Relevant Settlement Amount payable in cash (US\$)	Relevant Settlement Amount capitalised  (US\$)	Number of Settlement Shares to be issued
Tan Fuh Gih	59,624	-	59,624	2,228,951
John Grønbech	659,280	282,273	377,006	14,093,699

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Lim How Teck	424,773	250,344	174,429	6,520,719
Teo Lek Hong	70,834	41,747	29,087	1,087,373
Tay Kee Liat	68,373	40,296	28,077	1,049,592
<b>Total</b>	<b>1,282,884</b>	<b>614,660</b>	<b>668,223</b>	<b>24,980,334</b>

2.7.2 As announced by the Company on 24 September 2019, the Company has entered into the Other Creditors Settlement Agreements with various other creditors listed below (“**Other Creditors**”). Pursuant to the Other Creditors Settlement Agreements, the Company shall inter alia, issue the following number of Settlement Shares to the Other Creditors:

Name of Creditor	Relevant Settlement Amount (US\$)	Relevant Settlement Amount payable in cash (US\$)	Relevant Settlement Amount capitalised (US\$)	Number of Settlement Shares to be issued
Yak Thian Huat	115,982	-	115,982	4,335,785
Riza Maria Clout	35,342	-	35,342	1,321,198
Hindmarsh Farrow Pty Ltd	16,498	-	16,498	616,733
SAC Capital Private Limited	312,634	187,580	125,054	4,674,897
Meta Fusion Pte Ltd	13,771	8,263	5,509	205,929
Tim Green	93,085	74,468	18,617	695,966
John Ure	60,021	35,374	24,647	921,394
Julien Jean Bernard Frachisse	31,784	19,071	12,714	475,278
Kane Michael Rawsthorn	71,751	42,287	29,464	1,101,448
Klaus Haugsted	30,349	17,886	12,462	465,887
Kevin Raymond Lay	268,645	158,328	110,317	4,123,987
Louren David Woof	285,807	168,443	117,364	4,387,448
Elo Yde	277,464	163,526	113,938	4,259,367
Chu Voon Thart	86,926	51,231	35,695	1,334,405
Chong Siu Peng	154,682	91,163	63,519	2,374,531
Ajai Mitter	68,015	40,085	27,930	1,044,105
<b>Total</b>	<b>1,922,756</b>	<b>1,057,705</b>	<b>865,052</b>	<b>32,338,358</b>

Upon the issuance of Settlement Shares, Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong and Mr Tay Kee Liat and the Other Creditors will release and forever discharge the Company from all claims and liabilities.

The cash portion of the Settlement Amount shall be transferred to our wholly owned subsidiary, Nautec Group Pte Ltd, and shall be payable in accordance with a payment instalment plan. Upon the payment of the cash portion of the Settlement Amount, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong and Mr Tay Kee Liat and the relevant Other Creditors will release and forever discharge Nautec Group Pte Ltd from all claims and/or liabilities.

2.7.3 Pursuant to the TFG Creditors Settlement Agreement, JG Creditors Settlement Agreement, LHT Creditors Settlement Agreement, TLH Creditors Settlement Agreement, TKL Creditors Settlement Agreement and the Other Creditors Settlement Agreements, the relevant Settlement Shares shall be allotted, issued and distributed by 31 December 2019. The settlement therein is conditional upon the obtaining of all necessary approvals required by any applicable law, regulation, rules or the like in Singapore. If such approval is not obtained by 31

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December 2019, the parties shall engage in good faith discussions on how the relevant Settlement Amount is to be dealt with for a period of at least 3 months from by 31 December 2019. During this period, Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong and Mr Tay Kee Liat and the Other Creditors shall not commence any claims against the Company in respect of any part of the Settlement Amount.

2.7.4 The Other Creditors Settlement Agreements is conditional upon the completion of the Proposed Subscription.

2.7.5 The Settlement Shares will be issued at a price of US\$0.02675 (S\$0.03667) per Settlement Share. The price of US\$0.02675 (S\$0.03667) represents a premium of approximately 144.5% to the volume-weighted average price of S\$0.0150 per Share, based on the trades done on the SGX-ST on 19 September 2019, being the last full market day which the Shares were traded immediately preceding the date and up to the time the TFG Creditors Settlement Agreement, JG Creditors Settlement Agreement, LHT Creditors Settlement Agreement, TLH Creditors Settlement Agreement, TKL Creditors Settlement Agreement and the Other Creditors Settlement Agreements were signed. The issue price of the Settlement Shares was commercially agreed between the Company, Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong, Mr Tay Kee Liat and the Other Creditors, after arm's length negotiations and taking into account the conversion price under Bond A.

### 2.8 **Issue of Settlement Shares to KSH, Mr John Grønbech, Mr Lim How Teck, Mr Tan Fuh Gih, Mr Teo Lek Hong and Mr Tay Kee Liat**

2.8.1 Rule 812 of the Catalist Rules provide as follows:

(1) An issue must not be placed to any of the following persons: (a) the issuer's directors and substantial shareholders; (b) immediate family members of the directors and substantial shareholders; (c) substantial shareholders, related companies (as defined in Section 6 of the Companies Act), associated companies and sister companies of the issuer's substantial shareholders; (d) corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10%; or (e) any person who, in the opinion of the SGX-ST, falls within category (a) to (d).

(2) Rule 812(1) will not apply if specific shareholder approval for such a placement has been obtained. The person, and its associates, must abstain from voting on the resolution approving the placement.

2.8.2 As at the Latest Practicable Date, KSH holds 22.78% of the issued and paid-up capital of the Company and is therefore a substantial shareholder of the Company. Mr Tan Fuh Gih owns 22% of the total shareholding in KSH and as such is deemed interested in the Shares owned by KSH. He also holds 0.40% of the total shareholding in the Company directly. Accordingly Mr Tan Fuh Gih is a Substantial Shareholder of the Company. Mr Lim How Teck, Mr John Grønbech, Mr Teo Lek Hong and Mr Tay Kee Liat are Directors of the Company.

2.8.3 In accordance with Rule 812(2) of the Catalist Rules, specific approval from Shareholders is required for the issue of the Settlement Shares to KSH, Mr John Grønbech and Mr Lim How Teck pursuant to the KSH Bond B Settlement Agreement, JG Bond B Settlement Agreement and LHT Bond B Settlement Agreement respectively. The issue of Shares pursuant to Bond B

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to KSH, Mr John Grønbech and Mr Lim How Teck was previously approved by Shareholders in an extraordinary general meeting on 15 June 2017.

2.8.4 In accordance with Rule 812(2) of the Catalist Rules, specific approval from Shareholders is required for the issue of the Settlement Shares to Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong and Mr Tay Kee Liat pursuant to the TFG Creditors Settlement Agreement, JG Creditors Settlement Agreement, LHT Creditors Settlement Agreement, TLH Creditors Settlement Agreement and TKL Creditors Settlement Agreement respectively.

2.8.5 Accordingly (i) KSH and Mr Tan Fuh Gih, and their respective Associates will be abstaining from voting on Ordinary Resolutions 2 and 6; (ii) Mr John Grønbech and his respective Associates will be abstaining from voting on Ordinary Resolutions 3 and 7; (iii) Mr Lim How Teck and his respective Associates will be abstaining from voting on Ordinary Resolutions 4 and 8; (iv) Mr Teo Lek Hong and his respective Associates will be abstaining from voting on Ordinary Resolution 9; and (v) Mr Tay Kee Liat and his respective Associates will be abstaining from voting on Ordinary Resolution 10.

### 2.9 **Other Settlement Shares**

2.9.1 The Settlement Shares to be issued to the Bond A Bondholders, Bond B Bondholders, Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong, Mr Tay Kee Liat and the Other Creditors as described in Sections 2.4 - 2.8 above amounts to a total of 181,438,005 Settlement Shares.

2.9.2 The balance number of 414,516 Settlement Shares from the total of 181,852,521 Settlement Shares allowed under the Subscription Agreement, would be issued to Independent Directors Mr Teo Lek Hong and Mr Tay Kee Liat which was previously approved by Shareholders in an extraordinary general meeting on 15 June 2017. As such no further approval is required for the issue of the balance number of 414,516 Settlement Shares. More information can be found in the Company's circular dated 31 May 2017.

### 2.10 **Rationale for the issuance of Settlement Shares for the Debt Restructuring**

2.10.1 Pursuant to the Subscription Agreement, the Company undertakes that it shall, as soon as practicable, commence the Debt Restructuring to, inter alia, take other further steps to reduce the liabilities of the Company (whether actual or contingent) to not more than S\$500,000.

2.10.2 Pursuant to the Subscription Agreement, it is a condition precedent to Completion of the Proposed Subscription that is, at the Completion Date, no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any respect any of the warranties.

2.10.3 Amongst others, the Company has warranted to and undertaken with the Subscriber under the Subscription Agreement that upon the completion of the Debt Restructuring and at Completion, the liabilities of the Company (whether actual and contingent), shall not exceed S\$500,000.

2.10.4 The issuance of Settlement Shares as a partial capitalisation of the liabilities of the Company, including the full settlement of liabilities under Bond A and Bond B, and partial capitalisation of the liabilities to some creditors of the Company, drastically reduces the cash outlay required by the Company to complete the Debt Restructuring.

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### 3. THE PROPOSED SUBSCRIPTION

#### 3.1 The Subscription

- 3.1.1 Pursuant to the terms of the Subscription Agreement, the Company has agreed to issue and allot and the Subscriber has agreed to subscribe for the 400,000,000 Subscription Shares at the Subscription Price of S\$0.01125 per Subscription Share for an aggregate Subscription Price of S\$4.5 million.
- 3.1.2 The Subscription Shares represent approximately 188.4% of the Existing Share Capital (excluding treasury shares and subsidiary holdings) of the Company as at the Latest Practicable Date. Following the successful allotment and issuance of the Subscription Shares and the Settlement Shares, the Subscription Shares will represent approximately 50.4% of the Enlarged Share Capital (excluding treasury shares and subsidiary holdings) of the Company.
- 3.1.3 The Subscription Shares shall be issued free from all claims, charges, liens and other Encumbrances whatsoever and shall rank, *pari passu*, in all respects with the existing Shares save that they will not rank for any dividend, rights, allotments or other distributions, the record date of which falls on or before the Completion Date.

#### 3.2 Subscription Price

- 3.2.1 The Subscription Price of S\$0.01125 represents a discount of approximately 43.8% to the volume-weighted average price of S\$0.020 per Share, based on the trades done on the SGX-ST on 4 July 2019, being the last full market day which the Shares were traded immediately preceding the date and up to the time the Subscription Agreement was signed.
- 3.2.2 The Subscription Price was commercially agreed between the Company and the Subscriber after arm's length negotiations and taking into account historical trading performance of the Company and prevailing market conditions.

#### 3.3 Conditions Precedent

- 3.3.1 The conditions precedent to the Completion are as follows:
- (a) the Board authorising (i) entry into the Subscription Agreement and the transactions contemplated herein; (ii) subject to Shareholder approval, the allotment and issue of the Subscription Shares to the Subscriber and the Settlement Shares; (iii) the convening by the Company of an EGM to seek the Shareholders' approval for the Debt Restructuring and the allotment and issue of the Settlement Shares, and the allotment and issue of the Subscription Shares to the Subscriber and the Whitewash Resolution, on or before the Long Stop Date; and (iii) the appointment in accordance with its Constitution of such number of the Subscriber's nominees as directors of the Company so as to ensure that the Subscriber has adequate representation on the Board in proportion to its shareholding interests in the issued and paid-up share capital of the Company, such appointment to take effect on the Completion Date (or such later date as the Subscriber may agree);

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- (b) there having been, as at the Completion Date, no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any respect any of the warranties made by the Subscriber, the Company or the Warrantor;
- (c) the results of the due diligence by the Subscriber on the Company being satisfactory to the Subscriber;
- (d) the SIC having granted the Whitewash Waiver subject to:
  - (A) any conditions that the SIC may impose which are reasonably acceptable to the Subscriber; and
  - (B) the Shareholders approving the Whitewash Resolution, provided that the Subscriber and any persons acting in concert with him and any persons not independent of them abstain from voting on the Whitewash Resolution;
- (e) the completion of the Debt Restructuring (save that the issue and allotment of the Settlement Shares shall be done simultaneously with the Completion of the Proposed Subscription);
- (f) the approval of the Shareholders for, inter alia, (a) the Proposed Subscription; (b) the allotment and issue of the Subscription Shares; (c) the allotment and issue of the Settlement Shares; and (d) the Debt Restructuring;
- (g) the written consent of the bondholders of Bond A, if required;
- (h) all other authorisation, consent, approval, resolution, licence, exemption, filing, order, lodgement or registration or other document, opinion or assurance (collectively, the “**Authorisations**”) which the Subscriber reasonably considers to be necessary in connection with the entry into and performance of the transactions contemplated by the Agreement or for the validity or enforceability of the Agreement being obtained and where any Authorisations is subject to conditions, such conditions being satisfactory to the Subscriber acting reasonably;
- (i) no material adverse change in the existing or prospective legal, financial, operational, business and tax positions of the Company occurring on or before Completion; and
- (j) the Listing and Quotation Notice being issued by the SGX-ST for the Subscription Shares and Settlement Shares,

(collectively, “**Conditions Precedent**”).

3.3.2 If any of the Conditions Precedent set out in Section 3.3.1 (a) to (j) (save for the issue and allotment of the Settlement Shares which shall be done simultaneously with the Completion of the Subscription), is not satisfied on or before the Long Stop Date or otherwise waived, the Company (in the case where the only Condition Precedent not satisfied or waived is in relation to Section 3.3.1(b) in so far as it relates to the Subscriber Warranties) or the Subscriber (in all other cases) shall thereupon be entitled to terminate, by way of thirty (30) days’ written notice



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to the other Party, the Subscription Agreement and all rights and obligations thereunder (save as for certain clauses provided under the Subscription Agreement).

- 3.3.3 As at the Latest Practicable Date, except for Sections 3.3.1 (d)(B), (e), (f) and (j), all the Conditions Precedent above have been satisfied. In relation to the condition set out in Section 3.3.1(d), on 23 August 2019, the SIC had waived the obligation for the Subscriber to make a mandatory offer under Rule 14 of the Code for the Company in the event the Subscriber acquires more than 30% of the Company's total voting rights based on its Enlarged Share Capital as a result of subscribing for the Subscription Shares pursuant to the Subscription Agreement, subject to certain conditions as set out in Section 6.2.1 of this Circular.

### 3.4 Warranties

Pursuant to the terms of the Subscription Agreement, each of the Company and the Warrantor have jointly and severally granted to the Subscriber certain warranties as to the Company, the Subscription Shares and the Settlement Shares.

### 3.5 Nominee Director

- 3.5.1 The Company further undertakes to the Subscriber that subject to Completion it shall use its best endeavours to procure the appointment in accordance with its Constitution of such number of the Subscriber's nominees as directors of the Company so as to ensure that the Subscriber has adequate representation on the Board in proportion to its shareholding interests in the issued and paid-up share capital of the Company.
- 3.5.2 The Company and the Subscriber confirmed that any proposed appointments will be subject to the requirements under the Catalist Rules.

### 3.6 Use of Proceeds

- 3.6.1 Based on the Subscription Price, the gross proceeds for the Proposed Subscription is approximately S\$4.5 million ("**Gross Proceeds**"). The net proceeds from the completion of the Proposed Subscription (after deduction of estimated expenses amounting to S\$0.4 million) is approximately S\$4.1 million ("**Net Proceeds**").
- 3.6.2 The Company undertakes that:

- (a) the Net Proceeds shall be used in the following manner:

<b>Intended Purposes</b>	<b>Amount S\$ million</b>	<b>% of Net Proceeds</b>
Repayment of the Balance Liabilities	0.5	12
Working capital funding and investment via business diversification and acquisitions	3.6	88
<b>Net Proceeds</b>	<b>4.1</b>	<b>100</b>

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## LETTER TO SHAREHOLDERS

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- (b) the Company will provide to the Subscriber documentary evidence in relation to the repayment of the Balance Liabilities as soon as possible after such payment obligation has been fulfilled.

3.6.3 Pending the deployment of the Net Proceeds, such proceeds may be placed as deposits with financial institutions or invested in short term money markets or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit, from time to time.

3.6.4 The Company will make periodic announcement(s) as and when the Net Proceeds are materially disbursed and whether the disbursements are in accordance with use of proceeds as stated in this Circular. The Company will also provide a status report on the use of such Net Proceeds in the Company's annual report. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

### **3.7 Whitewash Waiver and Whitewash Resolution**

3.7.1 The Company undertakes that it shall, as soon as practicable and in any event no later than the date falling fourteen (14) business days from the date of the Subscription Agreement, submit an application to SIC to seek its waiver of the requirement for the Subscriber and its concert parties to make a general offer for the Shares under Rule 14 of the Code should the Subscriber's aggregate voting rights in the Company increase to 30% or more based on the enlarged issued capital of the Company as a result of the Proposed Subscription, and all obligations contemplated pursuant and/or in connection with the same ("**Whitewash Waiver**").

3.7.2 The Company further undertakes to the Subscriber that it shall, subject to, inter alia, the grant of the Whitewash Waiver (on terms acceptable to the Company and the Subscriber), convene the EGM to seek the approval of the Shareholders of a resolution (the "**Whitewash Resolution**") to waive their rights to receive a general offer from the Subscriber and its concert parties under Rule 14 of the Code, no later than the Long Stop Date.

### **3.8 Completion**

Completion of the Proposed Subscription shall take place on a date falling five (5) business days from the satisfaction of all Conditions Precedent (or, if that day is not a business day, on the next business day), or such other date as the Company and the Subscriber shall agree to in writing ("**Completion Date**").

### **3.9 Details of the Subscriber**

The Subscriber is an established entrepreneur with business interests in real estate, education, F&B and finance. The Subscriber is currently the chairman and chief executive officer of World Corporation Public Company Limited, a company incorporated in Thailand and is listed on the Stock Exchange of Thailand. World Corporation Public Company Limited is principally engaged in investment in real estate and real estate development. He is also currently the president of Western U Education Company Limited. The Subscriber graduated from the University of Manila with a Bachelor of Science in civil engineering and obtained his MBA from Oklahoma City University. He also holds a Ph.D in leadership and human behaviour from the United States International University.

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## LETTER TO SHAREHOLDERS

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The Subscriber was introduced to the Company by UOB Kay Hian Private Limited. In consideration of procuring the Subscriber on a best effort basis for the Subscription Shares, the Company shall pay a commission of 2.5% of the Subscription Price for every Subscription Share to UOB Kay Hian Private Limited.

The Company confirms that none of the Directors or substantial shareholders of the Company has, to the best of their knowledge, any connection (including business relationship) with the Subscriber.

### **3.10 Rationale for the Proposed Subscription**

The Company has decided to undertake the Proposed Subscription to strengthen the Group's financial position and flexibility to capitalise on growth opportunities. The proceeds of the Proposed Subscription, if and when completed, are intended to be used for the settlement of the Balance Liabilities, the funding of potential growth and expansion or diversification and general working capital of the Company.

The Subscriber has consented to the Proposed Diversification of Business and the Board believes the Company can leverage on the experience and network of the Subscriber for the Proposed Diversification which the Board believes to be beneficial to the Group. Please see Sections 9.4 and 11 below.

## **4. FINANCIAL EFFECTS**

4.1 The financial effects of the Proposed Subscription and the transactions contemplated thereunder are prepared based on the audited financial statements of the Group for financial year ended FY2018. The financial effects are based on the following assumptions:

- (a) the Company allots and issues the Subscription Shares and 181,852,521 Settlement Shares;
- (b) the financial effect on the consolidated NTA or NTL per Share is computed based on the assumption that:
  - (i) the Subscription Shares were paid and allotted; and
  - (ii) the Debt Restructuring was completed and the Settlement Shares were allotted, on 31 December 2018;
- (c) the financial effect on the LPS is computed based on the assumption that:
  - (i) the Subscription Shares were paid and allotted; and
  - (iii) the Debt Restructuring was completed and the Settlement Shares were allotted, on 1 January 2018;

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## LETTER TO SHAREHOLDERS

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- (d) the expenses incurred in connection with the Proposed Subscription amounts to approximately S\$0.2 million; and
- (e) an exchange rate of US\$1:S\$1.3648.

It should be noted that the financial effects set out below are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Company and the Group after completion of the Proposed Subscription and allotment of the Settlement Shares.

### 4.2 Share capital

	<b>As at Latest Practicable Date</b>	<b>After issuance of the Subscription Shares (assuming no Settlement Shares are issued)</b>	<b>After issuance of the Subscription Shares and the Settlement Shares</b>
<i>Issued and paid-up capital (US\$'000)</i>	7,734	10,943	15,826
<i>Total number of issued and paid-up Shares</i>	212,333,525	612,333,525	794,186,046

### 4.3 LPS

	<b>FY2018</b>	<b>After issuance of the Subscription Shares (assuming no Settlement Shares are issued)</b>	<b>After issuance of the Subscription Shares and the Settlement Shares</b>
<i>Net loss for FY2018 (US\$'000)</i>	4,452 <sup>(1)</sup>	4,562	4,573
<i>Weighted average number of Shares</i>	208,231,944	609,327,834	791,678,582
<i>LPS (US\$ cents)</i>	2.14	0.75	0.58

### 4.4 (NTL) NTA per Share

	<b>After issuance of the Subscription Shares (assuming the Subscription</b>
	<b>After issuance of the Subscription</b>

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	As at 31 December 2018	no Settlement Shares are issued)	Shares and the Settlement Shares
<i>(NTL) NTA (US\$'000)</i>	(4,232)	(1,133)	3,651
<i>Number of Shares</i>	212,333,525	612,333,525	794,186,046
<i>(NTL) NTA per Share (US\$ cents)</i>	(1.99)	(0.19)	0.46

Note

- (1) Net loss for FY2018 represents loss before income tax, minority interests and one-off NauticAWT Performance Share Plan expense of US\$0.5 million.

### 5. DILUTION

- 5.1 As at the Latest Practicable Date, the Company has in issue a total number of 212,333,525 Shares. The Subscription Shares represent approximately 188.4% of the Existing Share Capital (excluding treasury shares and subsidiary holdings) of the Company as at the Latest Practicable Date. Following the successful allotment and issuance of the Subscription Shares and the Settlement Shares, the Subscription Shares will represent approximately 50.4% of the Enlarged Share Capital (excluding treasury shares and subsidiary holdings) of the Company.
- 5.2 Assuming there are no changes to the number of Shares (excluding treasury shares) before the Completion, upon issuance of the Settlement Shares and before the Completion, the total number of Shares in the capital of the Company shall be up to 394,186,046 Shares (excluding treasury shares and subsidiary holdings). Immediately after issuance of the Settlement Shares and the Completion, the enlarged issued and paid-up share capital of the Company shall be up to 794,186,046 Shares (excluding treasury shares and subsidiary holdings).
- 5.3 As a result of the Proposed Subscription, the collective shareholding interests of the Independent Shareholders in the Company will be diluted. Such dilution effects are illustrated under Section 5.4 of this Circular, which sets out, inter alia, the changes in the shareholding interests of Shareholders in the Company after the Proposed Subscription.

## LETTER TO SHAREHOLDERS

### 5.4 Changes to Shareholding

For illustrative purposes only and based on the assumptions set out below, the shareholding structure of the Company (i) as at the Latest Practicable Date before the Proposed Subscription; and (ii) after Completion of the Proposed Subscription is set out below:

	As at the Latest Practicable Date <sup>1</sup> (Before the Proposed Subscription)						Immediately after issuance of the Settlement Shares <sup>2</sup>						Immediately after issuance of the Settlement Shares and the Subscription Shares <sup>3</sup>					
	Number of Shares			%			Number of Shares			%			Number of Shares			%		
	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest
<b>Directors</b>																		
Lim How Teck	150,600	-	150,600	0.07	-	0.07	11,984,979	-	11,984,979	3.04	-	3.04	11,984,979	-	11,984,979	1.51	-	1.51
John Grønbech	82,088,000	-	82,088,000	38.66	-	38.66	98,307,162	-	98,307,162	24.94	-	24.94	98,307,162	-	98,307,162	12.38	-	12.38
Teo Lek Hong	-	-	-	-	-	-	1,299,686	-	1,299,686	0.33	-	0.33	1,299,686	-	1,299,686	0.16	-	0.16
Tay Kee Liat	-	-	-	-	-	-	1,251,795	-	1,251,795	0.32	-	0.32	1,251,795	-	1,251,795	0.16	-	0.16
<b>Substantial Shareholders (not being Directors)</b>																		
KSH <sup>4</sup>	48,360,000	-	48,360,000	22.78	-	22.78	69,614,641	-	69,614,641	17.66	-	17.66	69,614,641	-	69,614,641	8.77	-	8.77
Tan Fuh Gih <sup>4</sup>	857,751	48,360,000	49,217,751	0.40	22.78	23.18	3,086,702	69,614,641	72,701,343	0.78	17.66	18.44	3,086,702	69,614,641	72,701,343	0.39	8.77	9.15
Tan Kim Seng <sup>1</sup>	-	48,360,000	48,360,000	-	-	22.78	-	69,614,641	69,614,641	-	17.66	17.66	-	69,614,641	69,614,641	-	-	8.77
Tan Hoo Lang <sup>4</sup>	-	48,360,000	48,360,000	-	-	22.78	-	69,614,641	69,614,641	-	17.66	17.66	-	69,614,641	69,614,641	-	-	8.77
<b>Public Shareholders<sup>5</sup></b>																		
Galway Petroleum Pte Ltd	-	-	-	-	-	-	33,714,916	-	33,714,916	8.55	-	8.55	33,714,916	-	33,714,916	4.25	-	4.25
The Kirk Family Trust	-	-	-	-	-	-	31,235,947	2,125,463	33,361,410	7.92	0.54	8.46	31,235,947	2,125,463	33,361,410	3.93	0.27	4.20
The Mills Family Trust	-	-	-	-	-	-	16,659,172	-	16,659,172	4.23	-	4.23	16,659,172	-	16,659,172	2.10	-	2.10
Airserve Marine Travel Pte Ltd	-	-	-	-	-	-	6,376,392	-	6,376,392	1.62	-	1.62	6,376,392	-	6,376,392	0.80	-	0.80
David Jonathan Kirk	-	-	-	-	-	-	2,125,463	31,235,947	33,361,410	0.54	7.92	8.46	2,125,463	31,235,947	33,361,410	0.27	3.93	4.20
Kevin Raymond Lay	1,282,500	-	1,282,500	0.60	-	0.60	6,894,312	-	6,894,312	1.75	-	1.75	6,894,312	-	6,894,312	0.87	-	0.87
William Henry Lee Darlison	-	-	-	-	-	-	1,275,278	-	1,275,278	0.32	-	0.32	1,275,278	-	1,275,278	0.16	-	0.16
John Ure	1,016,000	-	1,016,000	0.48	-	0.48	3,212,672	-	3,212,672	0.82	-	0.82	3,212,672	-	3,212,672	0.40	-	0.40
Lo Ming Hoi David	-	-	-	-	-	-	1,275,278	-	1,275,278	0.32	-	0.32	1,275,278	-	1,275,278	0.16	-	0.16
Yak Thian Huat	527,000	-	527,000	0.25	-	0.25	4,862,785	-	4,862,785	1.23	-	1.23	4,862,785	-	4,862,785	0.61	-	0.61
Riza Maria Clout	324,268	-	324,268	0.15	-	0.15	1,645,466	-	1,645,466	0.42	-	0.42	1,645,466	-	1,645,466	0.21	-	0.21
Tim Green	-	-	-	-	-	-	695,966	-	695,966	0.18	-	0.18	695,966	-	695,966	0.09	-	0.09
Chu Voon Thart	8,516,020	-	8,516,020	4.01	-	4.01	9,850,425	-	9,850,425	2.50	-	2.50	9,850,425	-	9,850,425	1.24	-	1.24
SAC Capital Private Limited	-	-	-	-	-	-	4,674,897	-	4,674,897	1.19	-	1.19	4,674,897	-	4,674,897	0.59	-	0.59
Meta Fusion Pte Ltd	-	-	-	-	-	-	205,929	-	205,929	0.05	-	0.05	205,929	-	205,929	0.03	-	0.03
Ajai Mitter	825,245	-	825,245	0.39	-	0.39	1,869,350	-	1,869,350	0.47	-	0.47	1,869,350	-	1,869,350	0.24	-	0.24
Julien Jean Bernard Frachisse	1,649,755	-	1,649,755	0.78	-	0.78	2,125,033	-	2,125,033	0.54	-	0.54	2,125,033	-	2,125,033	0.27	-	0.27
Kane Michael Rawsthorn	157,400	-	157,400	0.07	-	0.07	1,258,848	-	1,258,848	0.32	-	0.32	1,258,848	-	1,258,848	0.16	-	0.16
Klaus Haugsted	353,161	-	353,161	0.17	-	0.17	819,048	-	819,048	0.21	-	0.21	819,048	-	819,048	0.10	-	0.10

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	As at the Latest Practicable Date <sup>1</sup> (Before the Proposed Subscription)						Immediately after issuance of the Settlement Shares <sup>2</sup>						Immediately after issuance of the Settlement Shares and the Subscription Shares <sup>3</sup>					
	Number of Shares			%			Number of Shares			%			Number of Shares			%		
	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest
Louren David Woof	3,199,683	-	3,199,683	1.51	-	1.51	7,587,131	-	7,587,131	1.92	-	1.92	7,587,131	-	7,587,131	0.96	-	0.96
Elo Yde	1,696,571	-	1,696,571	0.80	-	0.80	5,955,938	-	5,955,938	1.51	-	1.51	5,955,938	-	5,955,938	0.75	-	0.75
Chong Siu Peng	1,188,808	-	1,188,808	0.56	-	0.56	3,563,339	-	3,563,339	0.90	-	0.90	3,563,339	-	3,563,339	0.45	-	0.45
Hindmarsh Farrow Pty Ltd	-	-	-	-	-	-	616,733	-	616,733	0.16	-	0.16	616,733	-	616,733	0.08	-	0.08
Dr Chirasak Chiyachantana	-	-	-	-	-	-	-	-	-	-	-	-	400,000,000	-	400,000,000	50.37	-	50.37
Other Public Shareholders	60,140,763	-	60,140,763	28.32	-	28.32	60,140,763	-	60,140,763	15.26	-	15.26	60,140,763	-	60,140,763	7.57	-	7.57
<b>Total</b>	<b>212,333,525</b>			<b>100.00</b>			<b>394,186,046</b>			<b>100.00</b>			<b>794,186,046</b>			<b>100.00</b>		

**Notes:**

- (1) Based on the Existing Share Capital of 212,333,525 Shares.
- (2) Based on the enlarged share capital of 394,186,046 Shares
- (3) Based on the Enlarged Share Capital of 794,184,046 Shares.
- (4) KSH is an investment holding company incorporated in Singapore. Tan Kim Seng, Tan Fuh Gih and Tan Hoo Lang hold 24.0%, 22.0% and 22.0% of the issued and paid-up share capital of KSH respectively and are each deemed interested in the shares held by KSH. The remaining shareholders of KSH are Tan Wei Min (20%), Tan Ah Ling (5.0%), Loh Sok Beng (5.0%) and Tan Ah Moy (2.0%). Tan Kim Seng, Tan Fuh Gih, Tan Hoo Lang, Tan Wei Min, Tan Ah Ling, Loh Sok Beng and Tan Ah Moy are siblings. Tan Kim Seng, Tan Fuh Gih and Tan Hoo Lang are directors of KSH.
- (5) "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.

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## LETTER TO SHAREHOLDERS

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### 6. THE WHITEWASH RESOLUTION

#### 6.1 Interest of the Subscriber

6.1.1 As at the Latest Practicable Date, the Subscriber does not hold any Shares in the Company. On Completion, the Subscriber will be issued 400,000,000 Subscription Shares, representing (i) approximately 188.4% of the Existing Share Capital; and (ii) approximately 50.4% of the Enlarged Share Capital immediately after Completion.

6.1.2 Under Rule 14 of the Code, except with the consent of the SIC, where 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, such person must extend offers immediately, on the basis set out in Rule 14 of the Code, to the holders of any class of share capital of a company which carries votes and in which such person, or persons acting in concert with him, hold shares. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

6.1.3 Therefore, pursuant to Rule 14 of the Code, the Subscriber will incur an obligation to make a mandatory general offer for the remaining Shares not owned, controlled or agreed to be acquired by it or its concert parties at the highest price paid or agreed to be paid by any of them for the Shares in the six (6) months preceding the allotment and issue of the Subscription Shares, unless such obligation is waived by the SIC and the Whitewash Resolution is approved by the Independent Shareholders at the EGM.

#### 6.2 SIC Confirmation and Whitewash Waiver

6.2.1 On 23 August 2019, the SIC had waived the obligation for the Subscriber to make a mandatory offer under Rule 14 of the Code for the Company in the event the Subscriber acquires more than 30% of the Company's total voting rights based on its Enlarged Share Capital as a result of subscribing for the Subscription Shares pursuant to the Subscription Agreement, subject to the following conditions:

- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the Proposed Subscription the Whitewash Resolution by way of a poll to waive their rights to receive a general offer from the Subscriber;
- (b) the Whitewash Resolution is separate from other resolutions;
- (c) the Subscriber and its concert parties, as well as parties not independent of them, abstain from voting on the Whitewash Resolution;
- (d) the Subscriber and its concert parties 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):



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- (i) during the period between the date of the Announcement and the date Shareholders' approval is obtained for the Whitewash Resolution; and
  - (ii) in the six (6) months prior to the date of the Announcement, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Subscription;
- (e) the Company appoints an independent financial adviser to advise the Independent Shareholders on the Whitewash Resolution;
- (f) the Company sets out clearly in this Circular:
- (i) details of the Proposed Subscription;
  - (ii) the dilution effect to existing holders of voting rights upon the subscription of the Subscription Shares by the Subscriber;
  - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Subscriber and its concert parties as at the Latest Practicable Date;
  - (iv) the number and percentage of voting rights to be acquired by the Subscriber and his concert parties as a result of the Subscriber's subscription of the Subscription Shares;
  - (v) specific and prominent reference to the fact that the Subscriber's subscription of the Subscription Shares would result in the Subscriber and its concert parties holding Shares carrying over 49% of the voting rights of the Company based on the Enlarged Share Capital, and the fact that the Subscriber and its concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer for the Company; and
  - (vi) specific and prominent reference to the fact that Shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from the Subscriber at the highest price paid by the Subscriber and its concert parties for the Shares in the past six (6) months preceding the commencement of the offer;
- (g) this Circular states that the Whitewash Waiver granted by the SIC to the Subscriber and its concert parties from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated in Sections 6.2.1 (a) to (f) of this Circular;
- (h) the Company obtains the SIC's approval in advance for those parts of this Circular that refer to the Whitewash Resolution; and
- (i) to rely on the Whitewash Resolution, the approval of the Whitewash Resolution should be obtained within three (3) months from the grant of the Whitewash Waiver from SIC,

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## LETTER TO SHAREHOLDERS

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and the subscription of the Subscription Shares by the Subscriber must be completed within three (3) months of the date of approval of the Whitewash Resolution.

- 6.2.2 As at the Latest Practicable Date, save for conditions set out under Sections 6.2.1(a), (d) and (i) of this Circular which are expected to be satisfied only at or after the EGM, all other conditions imposed by the SIC set out above have been satisfied.

### **6.3 The Whitewash Resolution**

- 6.3.1 The Independent Shareholders are requested to vote by way of poll on the Whitewash Resolution as set out as an Ordinary Resolution in the Notice of EGM, waiving their rights to receive a general offer from the Subscriber and its concert parties for the remaining Shares that the Subscriber and its concert parties do not already own, control or have agreed to acquire.

**Shareholders should note that Ordinary Resolutions 12 and 13 (collectively, the “Inter-conditional Resolutions”) relating to the proposed issuance and allotment of the Subscription Shares and the proposed Whitewash Resolution, are inter-conditional upon each other. Accordingly, in the event that the Whitewash Resolution is not approved by the Independent Shareholders, the proposed issuance and allotment of the Subscription Shares will not proceed.**

**Independent Shareholders should also note that by voting for the Whitewash Resolution, they will be waiving their rights to receive a general offer for their Shares from the Subscriber at the highest price paid by the Subscriber and its concert parties 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.**

**Upon the completion of the Proposed Subscription, the Subscriber and its concert parties will hold shares carrying over 49% of the voting rights of the Company based on the Enlarged Share Capital and accordingly, will be free to, as a group, acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer.**

## **7. SGX-ST LISTING AND QUOTATION NOTICE**

The Company has made an application to the SGX-ST through the Sponsor for the listing and quotation of the Subscription Shares and the Settlement Shares and will make an announcement when the Listing and Quotation Notice is obtained from the SGX-ST. Such announcement will include any conditions stipulated by the SGX-ST. The Company will comply with the conditions stipulated by the SGX-ST.

The Listing and Quotation Notice to be given by the SGX-ST in respect of the Subscription Shares and the Settlement Shares, if obtained, is not an indication of the merits of the Proposed Subscription, the Debt Restructuring, the Subscription Shares, the Settlement Shares, the Company, its subsidiaries and their securities.

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## LETTER TO SHAREHOLDERS

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### 8. OPINION OF THE IFA

Asian Corporate Advisors Pte Ltd has been appointed as the IFA to advise the Directors in relation to the Whitewash Resolution.

A copy of the IFA Letter is reproduced in full in **Appendix A** to this Circular. **Shareholders are advised to read the IFA Letter in its entirety carefully and consider the recommendation of the Directors for the Whitewash Resolution in the context of this Circular before deciding on whether to approve the Whitewash Resolution.**

The advice of the IFA to the Directors in relation to the 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, inter alia, there being no valuation reports for the assets owned by the Group) 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 Subscription, being the subject of the 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 Subscription, being the subject of the Whitewash Resolution, we have adopted the approach that the term "fair" and "reasonable" comprises two distinct concepts:*

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

*We consider the Proposed Subscription (which is the subject of the Whitewash Resolution) to be **FAIR** after factoring in, inter alia, the following:-*

- (a) The Group's current weak financial performance (loss making since FY2017 with declining core business activities in terms of revenue in view of, inter alia, market and industry condition) and financial position of the Group (with deficit in shareholders' equity and net current liabilities position as at 30 June 2019 as well as the matters highlighted in the AR2018 pertaining to, inter alia, material uncertainty related to going concern).*

*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 HY2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.*

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## LETTER TO SHAREHOLDERS

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- (b) *The Subscription Price is favourable taking into account the Group's Net Liabilities per Share and/or NTL per Share as at 30 June 2019. In addition, the Subscription Price represents a substantial premium of approximately 282.5% over the Group's Adjusted NAV.*

*Assuming completion of the issuance of 181,852,521 Settlement Shares, the Group would still be in the NTL position of approximately US\$0.3 million. Hence, the comparison and analysis of the Subscription Price and the Group's Adjusted NTL per Share are not meaningful. Notwithstanding, we note that the Subscription Price is favourable taking into account the Group's Adjusted NTL per Share.*

- (c) *Whilst the Subscription 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 the low liquidity for the Shares (in terms of number of Shares traded on daily basis as well as number of Trading Days).*
- (d) *Fair comparison of the valuation of the Group as implied by the Subscription Price with the Selected Comparable Companies after taking into account the relatively weaker financial performance and position of the Group vis-à-vis the Selected Comparable Companies and the assessment of the Issue Price considering the Group's Adjusted NAV and/or Adjusted NTL position.*
- (e) *Fair comparison with the Selected Comparable Transactions – in particular, the Subscription Price is favourable considering the Adjusted NTL position and the discount of approximately 43.8% as implied by the Issue Price from the last transacted price for the Shares prior to the Announcement Date is higher than the median and the simple average, but still within the range of premiums and discounts for the Selected Comparable Transactions.*

*We also consider the financial terms of the Proposed Subscription, being the subject of the 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 favourable financial impact of the Proposed Subscription on the Group's NTA per Share, LPS, shareholders' equity and gearing, which we have viewed in the context that the approval of the Whitewash Resolution will allow the Company to raise gross proceeds of up to approximately S\$4.5 million (before deducting estimated expenses incurred in connection with the Proposed Subscription) as well as providing the Company with the required funding to, inter alia, strengthen its financial position and business expansion or diversification.*
- (ii) *The rationale of the Proposed Subscription as described in Section 3.10 of the Circular. The Proposed Subscription is intended to be used for the settlement of the Balance Liabilities, the funding of potential growth and expansion or diversification and general working capital of the Company.*
- (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 Subscription.*
  - Whilst significant efforts have been made by the Directors and Management to source for alternative offer with better pricing, as at the Latest Practicable Date,*

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*they are not aware of any alternative offers, which is comparable in nature, size and scope to the Proposed Subscription.*

### **Recommendation**

*Based on our assessment of the Proposed Subscription, being the subject of the Whitewash Resolution as set out above, we advise the Recommending Directors to recommend that Independent Shareholders vote **in favour of** the Whitewash Resolution to be proposed at the EGM. We advise the Recommending Directors to highlight to Independent Shareholders the matters as stated in our Letter, including, inter alia, our limitation in analysis (including but not limited to the absence of valuation of the Group's assets and the prospects and financial impacts of the F&B Business to the Group in view of the absence of information on specific F&B Business to be undertaken), evaluation, comments and opinion in this Letter. We advise the Recommending Directors to recommend the Independent Shareholders to exercise caution in their decision in voting in favour of or against the 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 Subscription 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 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) Independent Shareholders should note that Ordinary Resolutions 12 and 13 relating to the proposed issuance and allotment of the Subscription Shares and the proposed Whitewash Resolution, are inter-conditional upon each other. Accordingly, in the event that the Whitewash Resolution is not approved by the Independent Shareholders, the proposed issuance and allotment of the Subscription Shares will not proceed.*
- (2) Independent Shareholders should also note that by voting for the Whitewash Resolution, they will be waiving their rights to receive a general offer for their Shares from the Subscriber at the highest price paid by the Subscriber and its concert parties 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.*
- (3) Upon the completion of the Proposed Subscription, the Subscriber and its concert parties will hold shares carrying over 49% of the voting rights of the Company based on the Enlarged Share Capital and accordingly, will be free to, as a group, acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer.*
- (4) 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 (including without limitation, property, plant and equipment) or contracts entered into 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*

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*limitation, market or business value or economic potential) or appraisal of assets and liabilities (including without limitation, property, plant and equipment) including, inter alia, the contracts or agreements that the Group has embarked upon or are about to embark upon 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 condition of the Company and the Group as reflected in the unaudited financial statements for the Company and the Group as at 30 June 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 HY2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.*

- (5) *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 transactions stipulated in the Circular or the Whitewash Resolution or the sufficiency of the Group's working capital or the ability of the Group to continue as a going concern.*
- (6) *Our scope does not require us to express and we do not express, a view on the sufficiency of the Group's working capital or the ability of the Group to continue as a going concern or the future growth prospects of the Company or the Group before and after the transactions stipulated in the Circular or the Whitewash Resolution or the prospects of the F&B Business or the expected returns or profit from the F&B Business. In the absence of information on specific F&B Business to be undertaken (including but not limited to, inter alia, the type of F&B Business, geographical coverage, size and timing), we are unable to comment on the prospects and financial impacts of the F&B Business to the Group and to evaluate whether the F&B Business would be beneficial to the Shareholders. Independent Shareholders should note that the Group does not currently have any definitive commitment for the F&B Business.*

### **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."*

## **9. THE PROPOSED DIVERSIFICATION**

### **9.1 Existing business of the Company**

- 9.1.1 As at the Latest Practicable Date, the Company is principally engaged in the development and production of Ultra High-Performance Concrete and Composites ("UHPC") and offering of UHPC based solutions and services for multiple industries including Renewable, Ports and

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Offshore, Civil Construction, Energy and Mining, and all related or ancillary services carried out by the Group (the “**Existing Core Business**”).

9.1.2 The Company’s current geographical reach covers Asia, Australasia, the Middle East, Europe, and Latin America.

9.1.3 Further information can be found in the Company’s annual report for FY2018.

### **9.2 Proposed Diversification**

9.2.1 Subject to Shareholders’ approval of the Proposed Diversification being obtained at the EGM, the Group intends to diversify its Existing Core Business to include:

(a) the management, letting and operating of food courts, coffee shops and eating houses;

(b) the provision of F&B management services;

(c) the acquisition and holding of investments in businesses providing F&B services and/or products and holding the same for long term investment; and

(d) the provision of other related and ancillary services in connection with the F&B industry,

(collectively, the “**F&B Business**”).

9.2.2 The Group may, as part of the F&B Business, invest in or purchase or otherwise acquire or dispose of any such assets, investments and shares or interests in any entity that is in the F&B Business. Any business activities as aforesaid (including those listed in (a) to (d) above) shall upon approval of the Proposed Diversification by the Shareholders at the EGM, constitute part of the ordinary course of business of the Group. The Group may also explore joint ventures and/or strategic alliances with third parties who have the relevant expertise and resources to carry out the F&B Business as and when the opportunity arises.

9.2.3 The Group is likely to focus on Singapore and Thailand (where the Subscriber enjoys a wide network of business contacts as an established entrepreneur with business interests in real estate, education, F&B and finance) in respect of its initial investments in the F&B Business. However, the Group does not plan to restrict the F&B to any specific markets and if opportunities present themselves, the Group may pursue investments in other geographic regions as each project and investment would be evaluated and assessed by the Board on its own merits.

9.2.4 Subject to Shareholders’ approval of the Proposed Diversification at the EGM, should the Company pursue any of such business opportunities in relation to the F&B Business, the Company will make the requisite announcements to update Shareholders in accordance with the requirements of the Catalist Rules.

9.2.5 The diversification of the business scope will allow the Group to enter into F&B Business projects in a timely manner when suitable opportunities arise without having to seek Shareholders’ approval, unless otherwise required under the Catalist Rules.

9.2.6 Please see Section 12 of this Circular for more information on the risks associated with the F&B Business.

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### **9.3 Funding of the Proposed Diversification**

9.3.1 As set out in Section 3.6 (*Use of Proceeds*), the Group intends to utilise a part of the Net Proceeds from the Proposed Subscription for purposes of business diversification and acquisitions. Subject to Shareholders' approval of the Proposed Diversification at the EGM, the Net Proceeds from the Proposed Subscription for purposes of business diversification and acquisitions may be used for the Proposed Diversification.

9.3.2 The Company may also fund the F&B Business through internal funds and/or external funds such as bank borrowings and/or further equity financing. As and when necessary and deemed appropriate, the Group may explore secondary fund raising exercises by tapping the capital markets including but not limited to, rights issue, share placement and/or issuance of debt instruments.

### **9.4 Management**

9.4.1 Upon completion of the Proposed Subscription, Dr Chirasak Chiyachantana will be appointed as the Non-Executive Chairman of the Company. Dr Chirasak Chiyachantana will be providing the strategic vision and future direction for the F&B Business. Dr Chirasak Chiyachantana has more than 8 years of experience in the F&B industry in Thailand. He is currently the director of a chain of fast casual Chinese restaurants serving Dim Sum and Bak Ku Teh in Thailand. The Board believes that the Company will be able to leverage on the experience of Dr Chirasak Chiyachantana to develop its F&B Business in the future.

9.4.2 Where necessary, the Company will engage additional employees, consultants and advisers to assist its existing management team in the Proposed Diversification or any business to be entered into pursuant to the Proposed Diversification. The Board will continually evaluate the manpower and expertise required for the Proposed Diversification.

9.4.3 Before undertaking any major project in the F&B Business, and where relevant, the management of the Company will prepare a feasibility study containing funding needs, growth potential and projected returns of the project concerned to decide on the nature and extent of the Group's investment in such project.

9.4.4 The Group recognise that although the F&B Business is different from its Existing Core Business. It believes that it will further develop and build up the expertise required for the F&B Business over time. The Board, which reviews the risk exposure of the Group for all its businesses at regular intervals, will additionally review the risk exposure of the F&B Business periodically to ensure that there are sufficient guidelines and procedures in place to monitor its operations.

### **9.5 Financial Reporting**

9.5.1 For the purposes of reporting the financial performance of the Group, in accordance with the applicable accounting standards and the Catalist Rules, where the financial results of the new business segment under the Proposed Diversification is material, it will be accounted for and disclosed as a separate segment in the Group's financial statements. The Group's financial statements, which include the financial results of the new business segment, will continue to



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be periodically announced in accordance with the requirements set out in Chapter 7 of the Catalist Rules.

### 10. REQUIREMENTS UNDER THE CATALIST RULES FOR PROPOSED DIVERSIFICATION

- 10.1 Pursuant to Rule 1014 of the Catalist Rules, an acquisition is a major transaction where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 75% but is less than 100% (a **“Major Transaction”**). A Major Transaction must be made conditional upon approval by shareholders in a general meeting.
- 10.2 Pursuant to Practice Note 10A of the Catalist Rules, save where the acquisition changes the risk profile of the issuer, shareholders’ approval is not required for a Major Transaction if the acquisition will result in a diversification of the issuer’s Existing Core Business. Practice Note 10A of the Catalist Rules further states that the SGX-ST takes the view that it should not in normal circumstances require an issuer to seek shareholders’ approval if the diversification is by way of an acquisition of a similar business, when other means to expand its business that are open to the issuer would not require shareholders’ approval.
- 10.3 Subject to Shareholders’ approval of the Proposed Diversification being obtained at the EGM, the Group will, in its normal course of business, be able to enter into any transaction relating to the F&B Business without the need for further Shareholders’ approval even though such transaction constitutes a Major Transaction, unless such transaction changes the risk profile of the Group and/or falls within the Catalist Rules as set out in Section 10.4 below. This substantially reduces the administrative time and expenses in convening separate general meetings to seek Shareholders’ approval. More importantly, this will increase the Group’s responsiveness to business opportunities that are available to the Group.
- 10.4 For the avoidance of doubt, notwithstanding the Proposed Diversification, in respect of transactions:
- (a) which fall within the definition of Rule 1002(1) of the Catalist Rules, Rules 1010 and 1014 of the Catalist Rules will still apply;
  - (b) Where the Group enters into the first major transaction (the **“First Major Transaction”**) involving the F&B Business, or where any of the Rule 1006 figures in respect of several transactions aggregated (the **“Aggregated Transactions”**) over the course of a financial year exceeds 75%, such First Major Transaction or the last of the Aggregated Transactions will be made conditional upon Shareholders’ approval unless waived by the SGX-ST;
  - (c) where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 100% or results in a change in control of the issuer, Rule 1015 of the Catalist Rules will still apply to such transactions and such transactions must be, among others, made conditional upon approval by Shareholders in general meeting; and
  - (d) which constitute an “interested person transaction” as defined under the Catalist Rules, Chapter 9 of the Catalist Rules will apply to such transaction and the Company will comply with the provisions of Chapter 9 of the Catalist Rules.

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- 10.5 The Company will be required to comply with any applicable and prevailing Catalist Rules as amended or modified from time to time.

### 11. RATIONALE FOR THE PROPOSED DIVERSIFICATION

- 11.1 The Company intends to undertake the Proposed Diversification for the following reasons:

(a) New business opportunities for the Group

The Existing Core Business has been facing challenging market conditions such as pricing pressure from customers and rising operational costs. In turn, such adverse conditions had limited the Group's growth and financial performance in recent years. While the Company remains focused on enhancing operational efficiency to improve profitability of the Existing Core Business, the Company is considering undertaking the Proposed Diversification as the F&B Business may potentially offer new opportunities for the Group to access new business opportunities.

The Board believes that, despite macroeconomic uncertainties, the potential for greater economic growth worldwide continues to offer unique opportunities for F&B Business related investments. The Board believes that potential investments in this area will be beneficial and will continue to be sustainable.

(b) More diversified business and income base, reducing reliance on Existing Core Business

The Proposed Diversification may provide the Group with a more diversified business and income base for future growth and reduce the Group's reliance on its Existing Core Business for its revenue streams. As the Group explores more opportunities in the F&B Business, the prospects and financial performance of the Group may be improved and the Group may build a sustainable business in the future.

(c) Enhance Shareholders' value

The Proposed Diversification forms part of the Group's corporate strategy to provide Shareholders with diversified returns and long term growth. The Directors believe that the Proposed Diversification will reduce the Group's reliance on its Existing Core Business, offer new business opportunities, provide the Group with new revenue streams and improve its prospects, so as to enhance Shareholders' value for the Company.

### 12. RISK FACTORS ASSOCIATED WITH THE PROPOSED DIVERSIFICATION

**To the best of the Directors' knowledge and belief, as at the Latest Practicable Date, all the risk factors that are material to the Shareholders in making an informed decision on the Proposed Diversification are set out below. Shareholders should carefully consider and evaluate the risk factors set out herein and all other information contained in this Circular in light of your own investment objectives and financial circumstances and should seek professional advice from your accountant, stock broker, bank manager, solicitor or other professional advisers if you have any doubt about the actions you should take.**

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Any of the risks described below could materially and adversely affect the Group's ability to comply with its obligations, including those under the Catalist Rules, and may have a material adverse effect on the Company's or the Group's business, financial condition, operations and prospects. In that event, the market price of the Shares may decline, and the Shareholders may lose all or part of their investments in the Shares.

The risks and uncertainties described below are not intended to be exhaustive and are not the only risks and uncertainties that the Group may face. The Group could be affected by a number of risks which relate to the industries and countries in which the Group intends to operate as well as those which may generally arise from, inter alia, economic, business, market and political factors, including the risks set out herein. Additional risks and uncertainties not presently known to the Company or the Group or that the Company or the Group currently deem immaterial may also impair the Company's or the Group's business, financial condition, operations and prospects.

The risks discussed below may include forward-looking statements and the Company's and the Group's actual results may differ substantially from those discussed in these forward-looking statements (if any). Shareholders should not place undue reliance on such forward-looking statements. Further, the Company and the Sponsor disclaim any responsibility to update or revise any forward-looking statements for any reason, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency. Sub-headings are for convenience only.

The following are potential risks associated with the Proposed Diversification of the Group:

### **12.1 The Group has no prior track record and operating history in the F&B Business**

As the Group has no track record in carrying out or the implementation of the F&B Business, there is no assurance that the Group's foray into the F&B Business will be commercially successful and that the Group will be able to derive sufficient revenue to offset the capital and start-up costs as well as operating costs arising from the F&B Business. The F&B Business may require substantial capital commitments and may expose the Group to unforeseen liabilities or risks associated with its entry into new markets or new businesses. The F&B Business also involves business risks including the financial costs of setting up new operations, capital investment and maintaining working capital requirements. If the Group does not derive sufficient revenue from or does not manage the costs of the F&B Business effectively, the overall financial position and profitability of the Group may be adversely affected.

The Group will also be exposed to the risks associated with a different competitive landscape and a different operating environment. In particular, the Group will be affected by factors affecting the trends and developments affecting the F&B industry in general. The F&B industry is in turn affected by general economic conditions, market sentiment and consumer confidence.

The Group's future plans with regard to the F&B Business may not be profitable, may not achieve the targeted sales levels and profitability that justify the investments made and may take a long period of time before the Group could realise any return. Further, such future plans and new initiatives could result in potentially dilutive issuances of equity securities, the incurrance of capital commitments, debts and contingent liabilities as well as increased operating expenses, all of which may materially and adversely affect the financial performance of the Group.

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The activities of the F&B Business may also entail financial and operational risks, including diversion of the management's attention in recruiting suitable personnel. If the Group does not derive sufficient revenue from or does not manage the costs of the F&B Business effectively, the overall financial position and profitability of the Group may be adversely affected.

### **12.2 We may become subject to regulatory requirements for our operations in the F&B business**

The F&B business in Singapore is subject to various laws, rules and regulations, including but not limited to the Environmental Public Health Act and the Sale of Food Act. In the event that we operate F&B Outlets, we will be required to comply with the regulations and policies of relevant authorities, such as the National Environment Agency.

The F&B business in Thailand are subject to various laws, rules and regulations. We are also required to comply with the labour laws, regulations and policies of relevant government or regulatory authorities.

We may be required to comply with any further and/or stricter requirements if there are changes to the applicable laws, regulations or policies in Singapore or Thailand. This may restrict or hamper our business or result in higher operating costs which may adversely affect our business and financial performance. In addition, there can be no assurance that we will be able to comply with the requirements of such new laws, regulations and policies in Singapore or Thailand.

Regulatory licences are required for the operations of F&B Outlets in Singapore and Thailand. Such licences may be granted for fixed and short periods of time and need to be renewed upon expiry. There can be no assurance that such licences will be processed, issued or renewed in time or at all. Any failure to obtain, maintain or renew any of such licences may materially and adversely affect our business, operations and financial performance. Further, if we are found to be in breach of any applicable laws, regulations, conditions or policies, the relevant government or regulatory authority may take action against us.

### **12.3 We rely on skilled and experienced personnel and we are subject to labour laws and policies that govern the employment of workers**

Our F&B business is labour intensive, and we rely on skilled and experienced personnel for our F&B operations. Our ability to serve quality food and provide good customer service depends to a large extent on whether we will be able to secure adequate and suitable personnel for our F&B operations. If we are unable to employ sufficient staff, or if our personnel do not fulfil their roles or if we experience a high turnover of skilled and experienced personnel without suitable, timely or sufficient replacements, the quality of our food and/or services may decline, and our business, financial condition, results of operations and/or prospects may be materially and adversely affected.

Further, competition for qualified employees may result in us having to pay higher wages to attract and retain our employees, which may result in higher labour costs and materially and adversely affect our business, financial condition, results of operations and/or prospects.

Any changes in applicable laws, regulations or policies of Singapore and/or Thailand may result in labour shortages and/or increase our operating costs. We are vulnerable to changes in the availability and costs of hiring employees. If our labour costs increase substantially or if we are unable to retain our employees or hire new employees on terms acceptable to us or at all, our

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business, financial condition, results of operations and/or prospects may be materially and adversely affected.

Our business, financial condition, results of operations and/or prospects may be materially and adversely affected if we are unable to employ sufficient skilled and experienced personnel for our operations in the future.

### **12.4 We may not be able to secure new strategic locations to expand our F&B business**

Our Group's growth in the F&B industry will be dependent on its network of coffee shops/food outlets and/or restaurants (collectively, "F&B Outlets") at strategic locations so as to allow us to reach out to wide customer bases. However, as the competition for strategic locations is very high in Singapore and/or Thailand, there is no assurance that we will be able to secure strategic locations for new F&B Outlets. Any failure to secure strategic locations for new F&B Outlets may result in the slowdown of future business expansion and may present opportunities to our competitors to increase their market share, thereby affecting our Group's business and financial performance. In respect of new locations for F&B Outlets to be secured by our Group, there is no assurance that we can generate the expected levels of revenue for such new F&B Outlets. Notwithstanding so, our Group would have to incur the fixed costs and expenses for the setting up and operation of such F&B Outlets, which will include rentals for the entire duration of the lease term for such premises and staff costs, regardless of the expected levels of revenue of each new restaurant. This will in turn negatively affect our Group's business and financial performance.

### **12.5 We face food contamination and tampering risks, and may be exposed to negative publicity, customer complaints and potential litigation**

Food contamination and tampering is a risk inherent to F&B operations. Fresh ingredients are perishable and susceptible to contamination and tampering if not properly stored or packed. They may also be contaminated during the food preparation process as a result of lapses in food handling hygiene or cleanliness of our restaurants. Poor food handling and storage can also cause pest infestation. Contaminated ingredients may result in customers falling ill and may give rise to bad publicity, and we may be ordered by the relevant authorities to suspend or cease all or part of our business operations, which will materially affect our business. We may also be adversely affected by negative publicity or health concerns about certain food groups. Further, our F&B Outlets may also be subject to customer complaints regarding food or service quality. Bad publicity, whether merited or not, may adversely affect our reputation and business. In the event of legal actions taken by customers, we would have to divert management resources and expend costs, thereby further affecting our business and financial performance. There is no assurance that material litigation will not be brought against us in the future. Any loss, liability or expense incurred pursuant to such claims may adversely affect our financial position and results of operations.

### **12.6 We may be adversely affected by any failure to maintain the premises of our F&B Outlets and the quality of food and service we offer at our F&B Outlets**

It is essential in the F&B industry that the quality of food and service is consistent. Inconsistency in the quality of our food and service would result in customer dissatisfaction and a reduction in patronage of our F&B Outlets. High staff turnover, shortage of staff or the lack of proper supervision may affect the quality of food and service at our F&B Outlets. In addition, it is

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important that the furniture and fixtures in our F&B Outlets are properly maintained in order to encourage repeat patronage by our customers. Although we may refurbish and renovate our F&B Outlets, we are unable to assure Shareholders that these updates will always meet with our customers' satisfaction. Failure to maintain or update the premises in which we operate to our customers' satisfaction may materially and adversely affect our business, financial condition and results of operations.

**12.7 We are vulnerable to changes in consumer preferences and economic conditions that could harm our business, financial condition, results of operations and cash flow**

F&B businesses depend on consumer discretionary spending and are often affected by changes in consumer tastes, national, regional and local economic conditions and demographic trends. In addition, economic downturns, inflation or increased food or energy costs could harm the F&B industry in general and our locations in particular. Adverse changes in any of these factors could reduce consumer traffic or impose practical limits on pricing that could harm our business, financial condition, results of operations and cash flow. There can be no assurance that consumers will continue to regard healthy-inspired food favorably or that we will be able to develop new menu items that appeal to consumer preferences. Our business, financial condition and results of operations depend in part on our ability to anticipate, identify and respond to changing consumer preferences and economic conditions. If we are unable to adapt to changes in consumer preferences and trends, we may lose customers and our revenues may decline.

**12.8 The F&B business may be affected by macroeconomic factors and other factors beyond our control**

Macroeconomic factors, such as general economic conditions, market sentiment and consumer confidence, may affect the F&B Business. Various factors may influence these macroeconomic conditions, including without limitation, unemployment rates and real disposable income, inflation, recession, stock market performance, the interest rate environment, the availability of consumer credit, and regulatory (including fiscal and other governmental policies), social or political change, all of which are beyond our control. Any adverse macroeconomic conditions may lead customers to becoming more budget conscious which will result in a decrease in discretionary consumer spending. Further, unforeseeable circumstances and other factors such as changes in consumer preferences, labour disputes, severe weather conditions and natural disasters, may disrupt our operations and cause loss and damage to our F&B Outlets. Terrorist attacks or other acts of violence, may also materially and adversely affect the global businesses and general consumer confidence. If any of these events occur, our business, operations and financial performance may be materially and adversely affected.

**12.9 The Group may face intense competition from existing competitors and new market entrants in the F&B Business and may not be able to maintain our competitiveness**

The F&B industry is highly competitive, and barriers of entry are low. We may face competition from a large and diverse group of restaurant chains and individual restaurants in the markets where we will potentially have a presence. Our competitors may be well-established in the markets in which we will operate and may have substantially greater financial, marketing and other resources than us. We may compete by offering different dining concepts, quality food, competitive pricing, good customer service and strategic locations for our restaurants. While

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we will endeavour to distinguish our F&B Outlets from those of our competitors, we are aware that there are other F&B Outlets that may offer similar dining concepts and pricing. In the event we are unable to maintain our competitiveness, our financial performance may be negatively affected.

### **12.10 The Group may not have the ability or sufficient expertise to execute the diversification into the F&B Business**

The Group's ability to successfully diversify into the F&B Business is dependent upon its ability to adapt its existing knowledge and expertise and leverage on such to navigate the F&B Business. There is no assurance that the Group's existing experience and expertise will be sufficient for the F&B Business now and in the future as it incrementally expands, or that the Group will be able to hire employees with the relevant experience and knowledge. The Group may not be able to successfully implement the F&B Business and this may adversely affect the Group's financial performance and profitability.

While the Group has planned its diversification into the F&B Business based on the Group's understanding of the current market outlook and general economic situation, there is no assurance that such plans will be commercially successful or that the actual outcome of the diversification into the F&B Business will match the Group's expectations. In such event, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

### **12.11 The Group is exposed to risks associated with acquisitions, joint ventures or strategic alliances**

Depending on available opportunities, feasibility and market conditions, the Group may participate in joint ventures, strategic alliances, acquisitions or other investment opportunities involving numerous risks, including the possible diversion of management attention from existing business operations and loss of capital or other investments deployed in such joint ventures, strategic alliances, acquisitions or opportunities. Furthermore, the Group is expected to rely on its joint venture partners at the initial stage of its foray into the Proposed Diversification and there is a risk that if any of its joint venture partners is unable to deliver its obligations or commitments under the joint venture (such as failure to perform according to the expertise expected of the joint venture partner or meet the financial obligations), it may result in additional costs to the Group. In such events, the Group's financial performance may be adversely affected.

## **13. FINANCIAL EFFECTS OF THE PROPOSED DIVERSIFICATION**

The Proposed Diversification is not expected to have a significant financial impact on the Group's NTA per Share and EPS for FY2018. Should there be any material impact on the Group's NTA and/or EPS, the Company will make the necessary announcements at the appropriate time.

## **14. THE PROPOSED CHANGE OF AUDITORS**

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## LETTER TO SHAREHOLDERS

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### **14.1 Background and Rationale**

- 14.1.1 As announced on 29 April 2019, the proposed resolution in respect of the re-appointment of Deloitte as auditors of the Company was not approved by Shareholders at the Annual General Meeting of the Company held on 29 April 2019.
- 14.1.2 After discussions between the Board, the Audit Committee of the Company and Deloitte, having factored the Group's ongoing efforts to manage its overall business costs and expenses amidst the challenging business climate, the Board is of the view that it would be appropriate and timely to effect a change of the auditors. The Proposed Change of Auditors is neither due to the dismissal of Deloitte nor Deloitte declining to continue to serve as auditors of the Company.
- 14.1.3 The Audit Committee of the Company had met with representatives of FKT. Following an evaluation of the audit firm and their proposals and in consultation with the Audit Committee, having considered the factors mentioned in paragraph 14.3 below, the Board has accepted the Audit Committee's recommendation for the appointment of FKT, subject to the approval of the Shareholders at the EGM.

### **14.2 Information on FKT and the Audit Engagement Partner**

- 14.2.1 FKT is registered with ACRA and is amongst the top seven (7) accountancy practices in Singapore. 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. Its professionals have been dedicated to serving the needs of privately held businesses and public interest entities for more than 40 years. FKT is also a principal member of HLB International, a network of independent professional accounting firms and business advisers, with access to the extensive on-the-ground expertise of independent peer member firms in over 130 countries.
- 14.2.2 For more information about FKT, please visit FKT's website at: <http://www.fookontan.com>.
- 14.2.3 For the audit of the Company and its subsidiaries, the audit engagement team will comprise the following professionals: two (2) audit associates, one (1) senior audit associate, one (1) senior audit manager and one (1) audit partner. In addition, the audit of the Company and its subsidiaries will also be reviewed by a concurring partner and an independent quality control reviewer.

Mr Robin Chin will be the engagement partner of FKT who will be assigned to the audit of the Company and its subsidiaries. Mr Robin Chin is a practising member of the Institute of Singapore Chartered Accountants and is a public accountant registered with ACRA. Mr Robin Chin is also a fellow member of the Institute of Chartered Accountants in England & Wales and holds a Master's degree in Applied Finance from Macquarie University. Mr Robin Chin is a senior partner with a wealth of experience spanning more than 30 years. He is the firm's key 'go-to' professional for clients seeking to establish international footprints in the regional and global markets. Mr Robin Chin started his profession in the United Kingdom where he qualified as a Chartered Accountant. He provides comprehensive support and guides the firm's international clients as well as Singapore based clients desiring to expand overseas. He is involved in various aspects of assurance advisory with a special focus on implications for both corporate governance and restructuring, IPO, RTO and financial investigations. He has done public listings on the SGX-ST. Additionally, he has conducted significant financial investigations for both local and overseas clients both listed as well as privately held businesses. Many of his



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local clients have business operations in the Asia Pacific region. Listed entities (past and present) audited by Mr Robin Chin included Ley Choon Group Holding Limited, Roxy-Pacific Holdings Limited, Kobe Steel International Singapore Pte Ltd, Singapore eDevelopment Limited, PSL Holdings Limited and Metal Component Engineering Limited.

### **14.3 Requirements under Rule 712(1) of the Catalist Rules**

14.3.1 The Board, having taken into account the Audit Committee's recommendation, and various factors, including, inter alia, the following:

- a. the adequacy of the resources and experience of FKT;
- b. the audit engagement partner assigned to the audit;
- c. FKT's other audit engagements;
- d. the size and complexity of the Group's operations; and
- e. the number and experience of supervisory and professional staff assigned to the audit of the Company and the Group,

is of the opinion that FKT will be able to meet the audit requirements of the Group and that Rule 712(1) of the Catalist Rules has been complied with.

### **14.4 Requirements under Rule 712(3) of the Catalist Rules**

14.4.1 In accordance with the requirements of Rule 712(3) of the Catalist Rules, the Company confirms that:

- a. Deloitte has informed FKT that it is not aware of any professional reasons why FKT should not accept the appointment as auditors of the Company;
- b. there were no disagreements with Deloitte on accounting treatments within the last 12 months from the date of this Circular;
- c. 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 this Circular;
- d. the specific reasons for the Proposed Change of Auditors are disclosed in Paragraph 14.1 of this Circular above; and
- e. it is in compliance with Rules 712 and 716 of the Catalist Rules in relation to the proposed appointment of FKT as its new Auditors.

### **14.5 Requirements under Rule 716 of the Catalist Rules**

The Board confirms that subject to the Shareholders' approval of the Proposed Change of Auditors, FKT will become the auditors of the Company and of its significant subsidiaries,

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Nautec Pte Ltd and Nautec Group Pte Ltd. The Board and the Audit Committee are satisfied that the appointment of FKT as auditors of the Company, Nautec Pte Ltd and Nautec Group Pte Ltd together with the existing auditors of the other subsidiaries, would not compromise the standard and effectiveness of the audit of the Company and the Group.

### **14.6 Audit Committee's Recommendation**

The Audit Committee has deliberated on and reviewed the Proposed Change of Auditors and after taking into account the suitability and independence of FKT to meet the audit requirements of the Company and the various factors set out above in this Section, recommends the Proposed Change of Auditors.

### **15. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

Save as disclosed in this Circular, none of the Directors or their respective associates, have any interest, direct or indirect, in the transaction contemplated under the Ordinary Resolutions. Save as disclosed in this Circular, the Directors are not aware of any Substantial Shareholder or their respective associates, having any interest, direct or indirect, in the transaction contemplated under the Ordinary Resolutions and have not received any notification of any interest in the transaction contemplated under the Ordinary Resolutions from any Substantial Shareholder.

### **16. DIRECTORS' RECOMMENDATIONS**

Shareholders should read and consider carefully the recommendation of the Directors and the opinion of the IFA in relation to the Whitewash Resolution in its entirety before giving their approvals pertaining to the Proposed Subscription. Shareholders are also urged to read carefully the terms and conditions of the Proposed Subscription, the rationale for the Proposed Subscription, the details of the Whitewash Resolution and the financial effects of the Proposed Subscription, as respectively set out in this Circular.

In giving the recommendations, the Directors have not had regard to the general or specific investment objectives, financial situation, tax position or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, the Directors recommend that any individual Shareholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately.

### **16.1 Proposed issuance and allotment of 81,610,035 new Shares to Bond A Bondholders pursuant to the Bond A Settlement Agreements**

The Directors having considered, inter alia, the terms, the financial effects and rationale of the Bond A Settlement Agreements, and after discussion with the management of the Company, are of the view that the Bond A Settlement Agreements and the issue and allotment of the Settlement Shares to the Bond A Bondholders is in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend that Shareholders **VOTE IN FAVOUR** of

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the Ordinary Resolution 1 relating to the Bond A Settlement Agreements and the issue and allotment of the Settlement Shares to the Bond A Bondholders at the EGM.

**16.2 Proposed issuance and allotment of 21,254,641 new Shares to KSH pursuant to the KSH Bond B Settlement Agreement**

The Directors having considered, inter alia, the terms, the financial effects and rationale of the KSH Bond B Settlement Agreement, and after discussion with the management of the Company, are of the view that the KSH Bond B Settlement Agreement and the issue and allotment of the Settlement Shares to KSH is in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend that Shareholders **VOTE IN FAVOUR** of the Ordinary Resolution 2 relating to the KSH Bond B Settlement Agreement and the issue and allotment of the Settlement Shares to KSH at the EGM.

**16.3 Proposed issuance and allotment of 2,125,463 new Shares to Mr John Grønbech pursuant to the JG Bond B Settlement Agreement**

The Directors, save for Mr John Grønbech, having considered, inter alia, the terms, the financial effects and rationale of the JG Bond B Settlement Agreement, and after discussion with the management of the Company, are of the view that the JG Bond B Settlement Agreement and the issue and allotment of the Settlement Shares to Mr John Grønbech is in the best interests of the Company and its Shareholders. Accordingly, the Directors save for Mr John Grønbech, recommend that Shareholders **VOTE IN FAVOUR** of the Ordinary Resolution 3 relating to the JG Bond B Settlement Agreement and the issue and allotment of the Settlement Shares to Mr John Grønbech at the EGM.

**16.4 Proposed issuance and allotment of 5,313,660 new Shares to Mr Lim How Teck pursuant to the LHT Bond B Settlement Agreement**

The Directors, save for Mr Lim How Teck, having considered, inter alia, the terms, the financial effects and rationale of the LHT Bond B Settlement Agreement, and after discussion with the management of the Company, are of the view that the LHT Bond B Settlement Agreement and the issue and allotment of the Settlement Shares to Mr Lim How Teck is in the best interests of the Company and its Shareholders. Accordingly, the Directors save for Mr Lim How Teck, recommend that Shareholders **VOTE IN FAVOUR** of the Ordinary Resolution 4 relating to the LHT Bond B Settlement Agreement and the issue and allotment of the Settlement Shares to Mr Lim How Teck at the EGM.

**16.5 Proposed issuance and allotment of 13,815,514 new Shares to Other Bond B Bondholders pursuant to the Other Bond B Settlement Agreements**

The Directors having considered, inter alia, the terms, the financial effects and rationale of the Other Bond B Settlement Agreements, and after discussion with the management of the Company, are of the view that the Other Bond B Settlement Agreements and the issue and allotment of the Settlement Shares to the Other Bond B Bondholders is in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend that Shareholders **VOTE IN FAVOUR** of the Ordinary Resolution 5 relating to the Other Bond B Settlement

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Agreements and the issue and allotment of the Settlement Shares to the Other Bond B Bondholders at the EGM.

**16.6 Proposed issuance and allotment of 2,228,951 new Shares to Mr Tan Fuh Gih pursuant to the TFG Creditors Settlement Agreement**

The Directors having considered, inter alia, the terms, the financial effects and rationale of the TFG Creditors Settlement Agreement, and after discussion with the management of the Company, are of the view that the TFG Creditors Settlement Agreement and the issue and allotment of the Settlement Shares to Mr Tan Fuh Gih is in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend that Shareholders **VOTE IN FAVOUR** of the Ordinary Resolution 6 relating to the TFG Creditors Settlement Agreement and the issue and allotment of the Settlement Shares to Mr Tan Fuh Gih at the EGM.

**16.7 Proposed issuance and allotment of 14,093,699 new Shares to Mr John Grønbech pursuant to the JG Creditors Settlement Agreement**

The Directors, save for Mr John Grønbech, having considered, inter alia, the terms, the financial effects and rationale of the JG Creditors Settlement Agreement, and after discussion with the management of the Company, are of the view that the JG Creditors Settlement Agreement and the issue and allotment of the Settlement Shares to Mr John Grønbech is in the best interests of the Company and its Shareholders. Accordingly, the Directors save for Mr John Grønbech, recommend that Shareholders **VOTE IN FAVOUR** of the Ordinary Resolution 7 relating to the JG Creditors Settlement Agreement and the issue and allotment of the Settlement Shares to Mr John Grønbech at the EGM.

**16.8 Proposed issuance and allotment of 6,520,719 new Shares to Mr Lim How Teck pursuant to the LHT Creditors Settlement Agreement**

The Directors, save for Mr Lim How Teck, having considered, inter alia, the terms, the financial effects and rationale of the LHT Creditors Settlement Agreement, and after discussion with the management of the Company, are of the view that the LHT Creditors Settlement Agreement and the issue and allotment of the Settlement Shares to Mr Lim How Teck is in the best interests of the Company and its Shareholders. Accordingly, the Directors save for Mr Lim How Teck, recommend that Shareholders **VOTE IN FAVOUR** of the Ordinary Resolution 8 relating to the LHT Creditors Settlement Agreement and the issue and allotment of the Settlement Shares to Mr Lim How Teck at the EGM.

**16.9 Proposed issuance and allotment of 1,087,373 new Shares to Mr Teo Lek Hong pursuant to the TLH Creditors Settlement Agreement**

The Directors, save for Mr Teo Lek Hong, having considered, inter alia, the terms, the financial effects and rationale of the TLH Creditors Settlement Agreement, and after discussion with the management of the Company, are of the view that the TLH Creditors Settlement Agreement and the issue and allotment of the Settlement Shares to Mr Teo Lek Hong is in the best interests of the Company and its Shareholders. Accordingly, the Directors save for Mr Teo Lek Hong, recommend that Shareholders **VOTE IN FAVOUR** of the Ordinary Resolution 9 relating to the

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TLH Creditors Settlement Agreement and the issue and allotment of the Settlement Shares to Mr Teo Lek Hong at the EGM.

**16.10 Proposed issuance and allotment of 1,049,592 new Shares to Mr Tay Kee Liat pursuant to the TKL Creditors Settlement Agreement**

The Directors, save for Mr Tay Kee Liat, having considered, inter alia, the terms, the financial effects and rationale of the TKL Creditors Settlement Agreement, and after discussion with the management of the Company, are of the view that the TKL Creditors Settlement Agreement and the issue and allotment of the Settlement Shares to Mr Tay Kee Liat is in the best interests of the Company and its Shareholders. Accordingly, the Directors save for Mr Tay Kee Liat, recommend that Shareholders **VOTE IN FAVOUR** of the Ordinary Resolution 10 relating to the TKL Creditors Settlement Agreement and the issue and allotment of the Settlement Shares to Mr Tay Kee Liat at the EGM.

**16.11 Proposed issuance and allotment of 32,338,358 new Shares to Other Creditors pursuant to the Other Creditors Settlement Agreements**

The Directors, having considered, inter alia, the terms, the financial effects and rationale of the Other Creditors Settlement Agreements, and after discussion with the management of the Company, are of the view that the Other Creditors Settlement Agreements and the issue and allotment of the Settlement Shares to the Other Creditors is in the best interests of the Company and its Shareholders. Accordingly, the Directors, recommend that Shareholders **VOTE IN FAVOUR** of the Ordinary Resolution 11 relating to the Other Creditors Settlement Agreements and the issue and allotment of the Settlement Shares to the Other Creditors at the EGM.

**16.12 Proposed Subscription**

The Directors having considered, inter alia, the terms of the Subscription Agreement, the financial effects and rationale of the Proposed Subscription, and after discussion with the management of the Company, are of the view that the Proposed Subscription is in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend that Shareholders **VOTE IN FAVOUR** of the Ordinary Resolution 12 relating to the Proposed Subscription at the EGM.

**16.13 Whitewash Resolution**

Having considered and reviewed, inter alia, the advice of the IFA as set out in **Appendix A** to this Circular, the Directors concur with the advice of the IFA and are of the opinion that the Whitewash Resolution is in the best interests of the Company and the Independent Shareholders. Accordingly, the Directors recommend that the Independent Shareholders **VOTE IN FAVOUR** of the Ordinary Resolution 13 relating to the Whitewash Resolution at the EGM.

**16.14 Proposed Diversification**

The Directors having fully considered the rationale of the Proposed Diversification, and after discussion with the management of the Company, are of the view that the Proposed Diversification is in the best interest of the Company and its Shareholders. Accordingly, the

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Directors recommend that Shareholders **VOTE IN FAVOUR** of the Ordinary Resolution 14 relating to the Proposed Diversification at the EGM.

### 16.15 **Proposed Change of Auditors**

The Directors having fully considered the rationale of the Proposed Change of Auditors, and after discussion with the Audit Committee and the management of the Company, are of the view that the Proposed Change of Auditors is in the best interest of the Company and its Shareholders. Accordingly, the Directors recommend that Shareholders **VOTE IN FAVOUR** of the Ordinary Resolution 15 relating to the Proposed Change of Auditors at the EGM.

## 17. **ABSTENTION FROM VOTING**

### 17.1 ***Proposed issuance and allotment of 81,610,035 new Shares to the Bond A Bondholders pursuant to the Bond A Settlement Agreements***

Any Shareholder who has an interest in the proposed issuance of Settlement Shares pursuant to the Bond A Settlement Agreements, will abstain, and will ensure that his Associates will abstain, from voting on Resolution 1 as set out in the Notice of EGM in respect of its shareholdings in the Company to approve the proposed issuance of Settlement Shares pursuant to the Bond A Settlement Agreements.

Neither the Shareholder nor his respective Associates shall accept any nominations as proxy or otherwise for voting at the EGM in respect of Resolution 1 unless specific instructions have been given in the proxy instrument by the Shareholders appointing them on how they wish their votes to be cast.

### 17.2 ***Proposed issuance and allotment of 21,254,641 new Shares to KSH pursuant to the KSH Bond B Settlement Agreement and 2,228,951 new Shares to Mr Tan Fuh Gih pursuant to the TFG Creditors Settlement Agreement***

In view of their interest in the proposed issuance of Settlement Shares pursuant to the KSH Bond B Settlement Agreement and TFG Creditors Settlement Agreement, both KSH and Mr Tan Fuh Gih will abstain, and have undertaken to ensure that their Associates will abstain, from voting on Resolutions 2 and 6 as set out in the Notice of EGM in respect of its shareholdings in the Company to approve the proposed issuance of Settlement Shares pursuant to the KSH Bond B Settlement Agreement and TFG Creditors Settlement Agreement.

Neither KSH and Mr Tan Fuh Gih nor their respective Associates shall accept any nominations as proxy or otherwise for voting at the EGM in respect of Resolutions 2 and 6 unless specific instructions have been given in the proxy instrument by the Shareholders appointing them on how they wish their votes to be cast.

### 17.3 ***Proposed issuance and allotment of 2,125,463 new Shares to Mr John Grønbech pursuant to the JG Bond B Settlement Agreement and 14,093,699 new Shares to Mr John Grønbech pursuant to the JG Creditors Settlement Agreement***

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In view of his interest in the proposed issuance of Settlement Shares pursuant to the JG Bond B Settlement Agreement and JG Creditors Settlement Agreement, Mr John Grønbech will abstain, and have undertaken to ensure that his Associates will abstain, from voting on Resolutions 3 and 7 as set out in the Notice of EGM in respect of his shareholdings in the Company to approve the proposed issuance of Settlement Shares pursuant to the JG Bond B Settlement Agreement and JG Creditors Settlement Agreement.

Neither Mr John Grønbech nor his respective Associates shall accept any nominations as proxy or otherwise for voting at the EGM in respect of Resolutions 3 and 7 unless specific instructions have been given in the proxy instrument by the Shareholders appointing them on how they wish their votes to be cast.

**17.4 *Proposed issuance and allotment of 5,313,660 new Shares to Mr Lim How Teck pursuant to the LHT Bond B Settlement Agreement and 6,520,719 new Shares to Mr Lim How Teck pursuant to the LHT Creditors Settlement Agreement***

In view of his interest in the proposed issuance of Settlement Shares pursuant to the LHT Bond B Settlement Agreement and LHT Creditors Settlement Agreement, Mr Lim How Teck will abstain, and have undertaken to ensure that his Associates will abstain, from voting on Resolutions 4 and 8 as set out in the Notice of EGM in respect of his shareholdings in the Company to approve the proposed issuance of Settlement Shares pursuant to the LHT Bond B Settlement Agreement and LHT Creditors Settlement Agreement.

Neither Mr Lim How Teck nor his respective Associates shall accept any nominations as proxy or otherwise for voting at the EGM in respect of Resolutions 4 and 8 unless specific instructions have been given in the proxy instrument by the Shareholders appointing them on how they wish their votes to be cast.

**17.5 *Proposed issuance and allotment of 1,087,373 new Shares to Mr Teo Lek Hong pursuant to the TLH Creditors Settlement Agreement***

In view of his interest in the proposed issuance of Settlement Shares pursuant to the TLH Creditors Settlement Agreement, Mr Teo Lek Hong will abstain, and have undertaken to ensure that his Associates will abstain, from voting on Resolution 9 as set out in the Notice of EGM in respect of his shareholdings in the Company to approve the proposed issuance of Settlement Shares pursuant to the TLH Creditors Settlement Agreement.

Neither Mr Teo Lek Hong nor his respective Associates shall accept any nominations as proxy or otherwise for voting at the EGM in respect of Resolution 9 unless specific instructions have been given in the proxy instrument by the Shareholders appointing them on how they wish their votes to be cast.

**17.6 *Proposed issuance and allotment of 1,049,592 new Shares to Mr Tay Kee Liat pursuant to the TKL Creditors Settlement Agreement***

In view of its interest in the proposed issuance of Settlement Shares pursuant to the TKL Creditors Settlement Agreement, Mr Teo Kee Liat will abstain, and have undertaken to ensure that his Associates will abstain, from voting on Resolution 10 as set out in the Notice of EGM

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## LETTER TO SHAREHOLDERS

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in respect of its shareholdings in the Company to approve the proposed issuance of Settlement Shares pursuant to the TKL Creditors Settlement Agreement.

Neither Mr Teo Kee Liat nor his respective Associates shall accept any nominations as proxy or otherwise for voting at the EGM in respect of Resolution 10 unless specific instructions have been given in the proxy instrument by the Shareholders appointing them on how they wish their votes to be cast.

**17.7 *Proposed issuance and allotment of 13,815,514 new Shares to the Other Bond B Bondholders pursuant to the Other Bond B Settlement Agreements***

Any Shareholder who has an interest in the proposed issuance of Settlement Shares pursuant to the Other Bond B Settlement Agreements, will abstain, and will ensure that his Associates will abstain, from voting on Resolution 5 as set out in the Notice of EGM in respect of its shareholdings in the Company to approve the proposed issuance of Settlement Shares pursuant to the Other Bond B Settlement Agreements.

Neither the Shareholder nor his respective Associates shall accept any nominations as proxy or otherwise for voting at the EGM in respect of Resolution 5 unless specific instructions have been given in the proxy instrument by the Shareholders appointing them on how they wish their votes to be cast.

**17.8 *Proposed issuance and allotment of 32,338,358 new Shares to the Other Creditors pursuant to the Other Creditors Settlement Agreements***

Any Shareholder who has an interest in the proposed issuance of Settlement Shares pursuant to the Other Creditors Settlement Agreements, will abstain, and will ensure that his Associates will abstain, from voting on Resolution 11 as set out in the Notice of EGM in respect of its shareholdings in the Company to approve the proposed issuance of Settlement Shares pursuant to the Other Creditors Settlement Agreements.

Neither the Shareholder nor his respective Associates shall accept any nominations as proxy or otherwise for voting at the EGM in respect of Resolution 11 unless specific instructions have been given in the proxy instrument by the Shareholders appointing them on how they wish their votes to be cast.

**17.9 *Proposed Subscription and Whitewash Resolution***

The issuance of Settlement Shares pursuant to the Bond A Settlement Agreements, the Other Bond B Settlement Agreements or the Other Creditors Settlement Agreements are conditional on the completion of the Proposed Subscription. Accordingly, any Shareholder who has an interest in the proposed issuance of Settlement Shares pursuant to the Bond A Settlement Agreements, the Other Bond B Settlement Agreements or the Other Creditors Settlement Agreements are interested in the Proposed Subscription and Whitewash Resolution.

The Shareholder will abstain and will ensure that his Associates will abstain, from voting on Resolutions 12 and 13 as set out in the Notice of EGM in respect of its shareholdings in the Company to approve the Proposed Subscription and Whitewash Resolution.



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Neither the Shareholder nor his respective Associates shall accept any nominations as proxy or otherwise for voting at the EGM in respect of Resolutions 12 and 13 unless specific instructions have been given in the proxy instrument by the Shareholders appointing them on how they wish their votes to be cast.

### **18. CONFIRMATION BY DIRECTORS**

The Directors are of the opinion that the sufficiency of the Group's working capital requirement for the next 12 months and the ability of the Group to continue as going concern will depend on, inter alia, the successful completion of the Proposed Subscription.

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

The EGM, notice of which is set out on pages N-1 to N-8 to this Circular, will be held at 12 Tai Seng Link #05-01A Singapore 534233 on 19 November 2019 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolutions set out in the Notice of EGM.

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

#### **20.1 Appointment of Proxies**

Shareholders who are unable to attend the EGM and wish to appoint a proxy or proxies to attend and vote 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 reach the registered office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898, not less than 48 hours before the time appointed for the holding of the EGM. The completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes. In such event, the Proxy Form will be deemed to be revoked.

#### **20.2 When Depositor regarded as Shareholder**

A Depositor shall not be entitled to attend, speak and vote at the EGM unless he is shown to have Shares entered against his name in the Depository Register as certified by CDP not less than 72 hours before the time appointed for the holding of the EGM.

### **21. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors of the Company 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 Debt Restructuring, Proposed Subscription, the Subscription Agreement, Proposed Diversification, Proposed Change of Auditors, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of

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

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Proposed Subscription and the Group are fair and accurate in all material respects.

### **22. CONSENT FROM THE IFA**

The IFA to the Directors in relation to the Whitewash Resolution, has given and has not withdrawn its consent to the issue of this Circular, with the inclusion of its name and the IFA Letter as set out in **Appendix A** to this Circular and all references thereto, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

### **23. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection by Shareholders during normal business hours at the registered office of the Company at 12 Tai Seng Link, #05-01A, Singapore 534233 from the date of this Circular up to and including the date of the EGM:

- (a) the Constitution of the Company;
- (b) the annual report of the Company for FY2018;
- (c) the Bond A Settlement Agreements;
- (d) the KSH Bond B Settlement Agreement;
- (e) the JG Bond B Settlement Agreement;
- (f) the LHT Bond B Settlement Agreement;
- (g) the Other Bond B Settlement Agreements;
- (h) the TFG Creditors Settlement Agreement;
- (i) the JG Creditors Settlement Agreement;
- (j) the LHT Creditors Settlement Agreement;
- (k) the TLH Creditors Settlement Agreement;
- (l) the TKL Creditors Settlement Agreement;

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## LETTER TO SHAREHOLDERS

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- (m) the Other Creditors Settlement Agreements;
- (n) the Subscription Agreement;
- (o) the letter of consent from FKT dated 15 July 2019;
- (p) the IFA Letter; and
- (q) the consent letter from the IFA.

Yours faithfully

For and on behalf of the Board of Directors  
**NAUTICAWT LIMITED**

John Grønbech  
Executive Director and CEO

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## APPENDIX A – IFA LETTER

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### LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE RECOMMENDING DIRECTORS OF NAUTICAWT LIMITED

#### ASIAN CORPORATE ADVISORS PTE. LTD.

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

160 Robinson Road #21-05  
SBF Center  
Singapore 068914

To:  
The Recommending Directors (as defined herein)  
NauticAWT Limited  
12 Tai Seng Link #05-01A  
Singapore 534233

4 November 2019

**THE WHITEWASH RESOLUTION FOR WAIVER BY INDEPENDENT SHAREHOLDERS (AS DEFINED HEREIN) OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM DR CHIRASAK CHIYACHANTANA (THE “SUBSCRIBER”) AND HIS CONCERT PARTIES IN CONNECTION WITH THE PROPOSED SUBSCRIPTION OF 400,000,000 NEW SHARES IN THE CAPITAL OF NAUTICAWT LIMITED (“NAUTICAWT” OR THE “COMPANY”) TO THE SUBSCRIBER (“PROPOSED SUBSCRIPTION”)**

*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 of NauticAWT, who as at 21 October 2019 (the “**Latest Practicable Date**”) are considered independent (the “**Recommending Directors**”) for the purposes of making the recommendation to the Independent Shareholders (defined below) in respect of the Whitewash Resolution (defined below). We note from the Circular that the Recommending Directors comprise Messrs. Lim How Teck, John Grønbech, Teo Lek Hong, and Tay Kee Liat.

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 Recommending Directors for the purposes of making a recommendation to Shareholders in respect of the Whitewash Resolution.

This IFA Letter sets out, *inter alia*, our views and evaluation of the whitewash resolution (the “**Whitewash Resolution**”) proposed as Ordinary Resolution 13 in the Notice of the Extraordinary General Meeting (“**EGM**”) of the Company as set out on page N-1 to N-8 in the circular dated 4 November 2019 (“**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 (i) the Subscriber; (ii) parties acting in concert with the Subscriber; (iii) parties not independent of the Subscriber and his concert parties; and (iv) parties not independent of the Proposed Subscription (collectively the “**Independent Shareholders**”), would result in a waiver by the Independent Shareholders of their rights to receive a mandatory general offer (“**General Offer**”) from the Subscriber and parties acting in concert with them in connection with the issue of the Subscription Shares (defined below) under the Proposed Subscription. Likewise, it contains our recommendations

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## APPENDIX A – IFA LETTER

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to the Recommending Directors in relation to the Whitewash Resolution. It is prepared for inclusion in the Circular in connection with, *inter alia*, the Proposed Subscription and the 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

On 10 July 2019 (the “**Announcement Date**”), the board of directors of the Company (“**Board**” or “**Directors**”) announced (the “**Announcement**”), *inter alia*, that the Company had entered into a conditional share subscription agreement dated 10 July 2019 (the “**Subscription Agreement**”) with Mr John Grønbech (the “**Warrantor**”), and the Subscriber, Dr Chirasak Chiyachantana, pursuant to which the Company agreed to allot and issue 400,000,000 new Shares (the “**Subscription Shares**”) at a subscription price of S\$0.01125 per Subscription Share (“**Subscription Price**”). The Subscriber was introduced to the Company by UOB Kay Hian Private Limited.

Pursuant to the Subscription Agreement, the Company undertakes to commence the Debt Restructuring (as defined in the Circular) which would include, *inter alia*, the Company’s issuance of an aggregate of up to 181,852,521 new Shares (the “**Settlement Shares**”) for a partial capitalisation of the liabilities of the Company. For more details on the Debt Restructuring and the Settlement Shares, please refer to Section 2 of the Circular.

The Subscription Shares represent approximately 188.4% of the existing Share capital (“**Existing Share Capital**”) of the Company comprising 212,333,525 Shares (excluding treasury Shares and subsidiary holdings) as at the Latest Practicable Date. Following the successful allotment and issuance of the Subscription Shares and the Settlement Shares, the Subscription Shares will represent approximately 50.37% of the enlarged issued and paid-up Share capital (“**Enlarged Share Capital**”) of 794,186,046 Shares (excluding treasury Shares and subsidiary holdings) immediately after the completion of the Proposed Subscription and the issuance of the Settlement Shares, comprising the Existing Share Capital and the Subscription Shares and Settlement Shares.

Shareholders should note that Ordinary Resolutions 12 and 13 (collectively, the “**Inter-conditional Resolutions**”) relating to the proposed issuance and allotment of the Subscription Shares and the proposed Whitewash Resolution, are inter-conditional upon each other. Accordingly, in the event that any of these Inter-conditional Resolutions is not approved, the other Inter-conditional Resolutions would not be passed.

Shareholders should note that Ordinary Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14 and 15 relating to the Debt Restructuring, Proposed Diversification and the Proposed Change of Auditors, are independent and the passing of Ordinary Resolutions 12 and 13 shall not be conditional on the passing of any other Ordinary Resolutions tabled at the EGM.

### 1.2 The 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

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## APPENDIX A – IFA LETTER

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share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares.

We note from the Circular that as at the Latest Practicable Date, the Subscriber does not hold any Shares in the Company and on completion of the Proposed Subscription (“**Completion**”); the Subscriber will be issued 400,000,000 Subscription Shares, representing (i) approximately 188.4% of the Existing Share Capital; and (ii) approximately 50.37% of the Enlarged Share Capital immediately after issuance of the Subscription Shares and the issuance of Settlement Shares. Immediately upon completion of the Proposed Subscription and the issuance of Settlement Shares, the Company’s issued and paid-up share capital will increase from 212,333,525 Shares to 794,186,046 Shares, assuming there are no changes to the number of Shares (excluding treasury Shares) before the Completion.

Therefore, pursuant to Rule 14 of the Code, the Subscriber will incur an obligation to make a General Offer for the remaining Shares not owned, controlled or agreed to be acquired by him or his concert parties at the highest price paid or agreed to be paid by any of them for the Shares, in the six (6) months preceding the allotment and issue of the Subscription Shares, unless such obligation is waived by the SIC and the Whitewash Resolution is approved by the Independent Shareholders at the EGM.

On 23 August 2019, the SIC had waived the obligation for the Subscriber to make a mandatory offer under Rule 14 of the Code for the Company in the event the Subscriber acquires more than 30% of the Company’s total voting rights based on its Enlarged Share Capital as a result of subscribing for the Subscription Shares pursuant to the Subscription Agreement, subject to the following conditions:

- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the Proposed Subscription the Whitewash Resolution by way of a poll to waive their rights to receive a general offer from the Subscriber;
- (b) the Whitewash Resolution is separate from other resolutions;
- (c) the Subscriber and his concert parties, as well as parties not independent of them, abstain from voting on the Whitewash Resolution;
- (d) the Subscriber and his concert parties did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of 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):-
  - (i) during the period between the first announcement of the Proposed Subscription and the date Shareholders’ approval is obtained for the Whitewash Resolution; and
  - (ii) in the six (6) months prior to the date of the Announcement, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Subscription;
- (e) the Company appoints an independent financial adviser to advise the Independent Shareholders on the Whitewash Resolution;
- (f) the Company sets out clearly in the Circular:
  - (i) details of the Proposed Subscription;
  - (ii) the dilution effect to existing holders of voting rights upon the subscription of the Subscription Shares by the Subscriber;

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- (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Subscriber and its concert parties as at the Latest Practicable Date;
  - (iv) the number and percentage of voting rights to be acquired by the Subscriber and his concert parties as a result of the Subscriber's subscription of the Subscription Shares;
  - (v) specific and prominent reference to the fact that the Subscriber's subscription of the Subscription Shares would result in the Subscriber and his concert parties holding Shares carrying over 49% of the voting rights based on the Enlarged Share Capital of the Company and the fact that the Subscriber and his concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer for the Company; and
  - (vi) specific and prominent reference to the fact that Shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from the Subscriber at the highest price paid by the Subscriber and its concert parties for the Shares in the past six (6) months preceding the commencement of the offer;
- (g) the Circular states that the Whitewash Waiver granted by the SIC to the Subscriber and its concert parties from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated in Sections 6.2.1 (a) to (f) of this Circular;
- (h) the Company obtains the SIC's approval in advance for those parts of the Circular that refer to the Whitewash Resolution; and
- (i) to rely on the Whitewash Resolution, the approval of the Whitewash Resolution should be obtained within three (3) months from the grant of the Whitewash Waiver from SIC, and the subscription of the Subscription Shares by the Subscriber must be completed within three (3) months of the date of approval of the Whitewash Resolution.

As at the Latest Practicable Date, save for conditions set out under sub-paragraphs (a), (d) and (i) above which are expected to be satisfied only at or after the EGM, all other conditions imposed by the SIC set out above have been satisfied.

The Independent Shareholders are requested to vote by way of poll on the Whitewash Resolution as set out as an Ordinary Resolution in the Notice of EGM, waiving their rights to receive a general offer from the Subscriber and his concert parties for the remaining Shares that the Subscriber and its concert parties do not already own, control or have agreed to acquire.

**Shareholders should note that Ordinary Resolutions 12 and 13 relating to the proposed issuance and allotment of the Subscription Shares and the proposed Whitewash Resolution, are inter-conditional upon each other. Accordingly, in the event that the Whitewash Resolution is not approved by the Independent Shareholders, the proposed issuance and allotment of the Subscription Shares will not proceed.**

**Independent Shareholders should also note that by voting for the Whitewash Resolution, they will be waiving their rights to receive a general offer for their Shares from the Subscriber at the highest price paid by the Subscriber and its concert parties 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.**

**Upon the completion of the Proposed Subscription, the Subscriber and its concert parties will hold shares carrying over 49% of the voting rights of the Company based on the Enlarged Share Capital and accordingly, will be free to, as a group, acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer.**

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### 2. TERMS OF REFERENCE

ACA has been appointed to advise the Recommending Directors with respect to the Whitewash Resolution. We were neither a party to the negotiations entered into by the Company in relation to the proposed transactions, nor were we involved in the deliberation leading up to the decision on the part of the Directors to enter into the proposed transactions, and we do not, by this Letter or otherwise, advise or form any judgement on the merits of the Proposed Subscription, the Whitewash Resolution, the Debt Restructuring, and the Proposed Diversification (as defined in the Circular) (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 Subscription being the subject of the 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 Subscription Shares under the Proposed Subscription. Our scope does not include determining the independence of the Directors for the purpose of making recommendation in respect of the Whitewash Resolution.

We have confined our evaluation strictly and solely on the financial terms of the Proposed Subscription being the subject of the Whitewash Resolution and have not taken into account the commercial/financial risks and/or merits (if any) of or the timing for the Proposed Subscriptions contemplated in the Circular or the future financial performance or position for the Company and its subsidiaries (the “**Group**”) subsequent to the Proposed Subscriptions 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 Subscription 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 Subscription 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 reflected in the unaudited financial statements for the Group for financial period six (6) months ended 30 June 2019 (“**HY2019**”). 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 Subscription 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 June 2019. Accordingly, we have not commented on or assessed the



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## APPENDIX A – IFA LETTER

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expected future performance or prospects of the Company or the Group after 30 June 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 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 there is a material uncertainty related to going concern expressed by the independent auditor of the Company (the “**Independent Auditor**”) named in the annual report of the Company for the financial year ended 31 December 2018 (“**AR2018**”). We noted from page 41 of the AR2018 that the opinion of the Independent Auditor was not modified in respect of this matter. The extract of the material uncertainty related to going concern expressed by the Independent Auditor are set out in Section 4.2 of this Letter and can be found in page 41 of the AR2018. Independent Shareholders should also read the material uncertainty related to going concern together with the Note 1 to the audited financial statements for the Group for the financial year ended 31 December 2018 (“**FY2018**”).

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. Recommending 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 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 Whitewash Resolution or the Proposed Transactions stipulated in the Circular or issue or changes to its capital structure, available to them and the Management in connection with the 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 (including without limitation, property, plant and equipment) or contracts entered into 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 without limitation, property, plant and equipment) including, *inter alia*, the contracts or

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agreements that the Group has embarked upon or are about to embark upon 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 condition of the Company and the Group as reflected in their unaudited financial statements for HY2019 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 HY2019 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, the omission of which would render those statements or information or our analysis or information presented in this Letter to 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 HY2019 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 transactions stipulated in the Circular or as represented to us or the Proposed Transactions 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 Shares may trade upon completion or rejection of the Whitewash Resolution or the other transactions or resolutions stipulated in the Circular or the Proposed Transactions or the returns that the Independent Shareholders may have owning the Shares or voting for or voting against the Whitewash Resolution or the proposed transactions 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 Recommending 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 Whitewash Resolution or the Company or the Group or the Shares or the Subscription Shares or the Settlement Shares which we used or may have used may differ from the relative emphasis accorded by any individual Independent Shareholder or Independent Director. As such Recommending 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 Whitewash Resolution or its recommendation, following the date of the issue of this IFA Letter.

This Letter is addressed to the Recommending Directors in connection with and for the sole purposes of their evaluation of the financial terms of the Proposed Subscription, being the subject of the Whitewash Resolution. Whilst a copy of this Letter may be included in the Circular, neither the

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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 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. THE PROPOSED SUBSCRIPTION

Details on the Proposed Subscription and the salient terms of the Subscription Agreement are set out in Section 3 of the Circular. Recommending Directors should advise Independent Shareholders to read the terms and conditions contained therein carefully. A summary of the salient terms of the Subscription Agreement are as follows:

#### **“3. THE PROPOSED SUBSCRIPTION**

##### **3.1 The Subscription**

- 3.1.1 *Pursuant to the terms of the Subscription Agreement, the Company has agreed to issue and allot and the Subscriber has agreed to subscribe for the 400,000,000 Subscription Shares at the Subscription Price of S\$0.01125 per Subscription Share for an aggregate Subscription Price of S\$4.5 million.*
- 3.1.2 *The Subscription Shares represent approximately 188.4% of the Existing Share Capital (excluding treasury shares and subsidiary holdings) of the Company as at the Latest Practicable Date. Following the successful allotment and issuance of the Subscription Shares and the Settlement Shares, the Subscription Shares will represent approximately 50.4% of the Enlarged Share Capital (excluding treasury shares and subsidiary holdings) of the Company.*
- 3.1.3 *The Subscription Shares shall be issued free from all claims, charges, liens and other Encumbrances whatsoever and shall rank, pari passu, in all respects with the existing Shares save that they will not rank for any dividend, rights, allotments or other distributions, the record date of which falls on or before the Completion Date.*

##### **3.2 Subscription Price**

- 3.2.1 *The Subscription Price of S\$0.01125 represents a discount of approximately 43.8% to the volume-weighted average price of S\$0.020 per Share, based on the trades done on the SGX-ST on 4 July 2019, being the last full market day which the Shares were traded immediately preceding the date and up to the time the Subscription Agreement was signed.*
- 3.2.2 *The Subscription Price was commercially agreed between the Company and the Subscriber after arm's length negotiations and taking into account historical trading performance of the Company and prevailing market conditions.*

##### **3.3 Conditions Precedent**

- 3.3.1 *The conditions precedent to the Completion are as follows:*
  - (a) *the Board authorising (i) entry into the Subscription Agreement and the transactions contemplated herein; (ii) subject to Shareholder approval, the allotment and issue of the*

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*Subscription Shares to the Subscriber and the Settlement Shares; (iii) the convening by the Company of an EGM to seek the Shareholders' approval for the Debt Restructuring and the allotment and issue of the Settlement Shares, and the allotment and issue of the Subscription Shares to the Subscriber and the Whitewash Resolution, on or before the Long Stop Date; and (iii) the appointment in accordance with its Constitution of such number of the Subscriber's nominees as directors of the Company so as to ensure that the Subscriber has adequate representation on the Board in proportion to its shareholding interests in the issued and paid-up share capital of the Company, such appointment to take effect on the Completion Date (or such later date as the Subscriber may agree);*

- (b) there having been, as at the Completion Date, no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any respect any of the warranties made by the Subscriber, the Company or the Warrantor;*
- (c) the results of the due diligence by the Subscriber on the Company being satisfactory to the Subscriber;*
- (d) the SIC having granted the Whitewash Waiver subject to:*
  - (A) any conditions that the SIC may impose which are reasonably acceptable to the Subscriber; and*
  - (B) the Shareholders approving the Whitewash Resolution, provided that the Subscriber and any persons acting in concert with him and any persons not independent of them abstain from voting on the Whitewash Resolution;*
- (e) the completion of the Debt Restructuring (save that the issue and allotment of the Settlement Shares shall be done simultaneously with the Completion of the Proposed Subscription);*
- (f) the approval of the Shareholders for, inter alia, (a) the Proposed Subscription; (b) the allotment and issue of the Subscription Shares; (c) the allotment and issue of the Settlement Shares; and (d) the Debt Restructuring;*
- (g) the written consent of the bondholders of Bond A, if required;*
- (h) all other authorisation, consent, approval, resolution, licence, exemption, filing, order, lodgement or registration or other document, opinion or assurance (collectively, the "Authorisations") which the Subscriber reasonably considers to be necessary in connection with the entry into and performance of the transactions contemplated by the Agreement or for the validity or enforceability of the Agreement being obtained and where any Authorisations is subject to conditions, such conditions being satisfactory to the Subscriber acting reasonably;*
- (i) no material adverse change in the existing or prospective legal, financial, operational, business and tax positions of the Company occurring on or before Completion; and*
- (j) the Listing and Quotation Notice being issued by the SGX-ST for the Subscription Shares and Settlement Shares,*

*(collectively, "Conditions Precedent").*

- 3.3.2 *If any of the Conditions Precedent set out in Section 3.3.1 (a) to (j) (save for the issue and allotment of the Settlement Shares which shall be done simultaneously with the Completion of the Subscription), is not satisfied on or before the Long Stop Date or otherwise waived, the*

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Company (in the case where the only Condition Precedent not satisfied or waived is in relation to Section 3.3.1(b) in so far as it relates to the Subscriber Warranties) or the Subscriber (in all other cases) shall thereupon be entitled to terminate, by way of thirty (30) days' written notice to the other Party, the Subscription Agreement and all rights and obligations thereunder (save as for certain clauses provided under the Subscription Agreement).

- 3.3.3 As at the Latest Practicable Date, except for Sections 3.3.1 (d)(B), (e), (f) and (j), all the Conditions Precedent above have been satisfied. In relation to the condition set out in Section 3.3.1(d), on 23 August 2019, the SIC had waived the obligation for the Subscriber to make a mandatory offer under Rule 14 of the Code for the Company in the event the Subscriber acquires more than 30% of the Company's total voting rights based on its Enlarged Share Capital as a result of subscribing for the Subscription Shares pursuant to the Subscription Agreement, subject to certain conditions as set out in Section 6.2.1 of this Circular.

### 3.4 Warranties

Pursuant to the terms of the Subscription Agreement, each of the Company and the Warrantor have jointly and severally granted to the Subscriber certain warranties as to the Company, the Subscription Shares and the Settlement Shares.

### 3.5 Nominee Director

- 3.5.1 The Company further undertakes to the Subscriber that subject to Completion it shall use its best endeavours to procure the appointment in accordance with its Constitution of such number of the Subscriber's nominees as directors of the Company so as to ensure that the Subscriber has adequate representation on the Board in proportion to its shareholding interests in the issued and paid-up share capital of the Company.
- 3.5.2 The Company and the Subscriber confirmed that any proposed appointments will be subject to the requirements under the Catalist Rules.

### 3.6 Use of Proceeds

- 3.6.1 Based on the Subscription Price, the gross proceeds for the Proposed Subscription is approximately S\$4.5 million ("**Gross Proceeds**"). The net proceeds from the completion of the Proposed Subscription (after deduction of estimated expenses amounting to S\$0.4 million) is approximately S\$4.1 million ("**Net Proceeds**").

- 3.6.2 The Company undertakes that:

- (a) the Net Proceeds shall be used in the following manner:

<b>Intended Purposes</b>	<b>Amount S\$ million</b>	<b>% of Net Proceeds</b>
Repayment of the Balance Liabilities	0.5	12
Working capital funding and investment via business diversification and acquisitions	3.6	88
<b>Net Proceeds</b>	<b>4.1</b>	<b>100</b>

- (b) the Company will provide to the Subscriber documentary evidence in relation to the repayment of the Balance Liabilities as soon as possible after such payment obligation has been fulfilled.

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3.6.3 *Pending the deployment of the Net Proceeds, such proceeds may be placed as deposits with financial institutions or invested in short term money markets or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit, from time to time.*

3.6.4 *The Company will make periodic announcement(s) as and when the Net Proceeds are materially disbursed and whether the disbursements are in accordance with use of proceeds as stated in this Circular. The Company will also provide a status report on the use of such Net Proceeds in the Company's annual report. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.*

### **3.7 Whitewash Waiver and Whitewash Resolution**

3.7.1 *The Company undertakes that it shall, as soon as practicable and in any event no later than the date falling fourteen (14) business days from the date of the Subscription Agreement, submit an application to SIC to seek its waiver of the requirement for the Subscriber and its concert parties to make a general offer for the Shares under Rule 14 of the Code should the Subscriber's aggregate voting rights in the Company increase to 30% or more based on the enlarged issued capital of the Company as a result of the Proposed Subscription, and all obligations contemplated pursuant and/or in connection with the same ("**Whitewash Waiver**").*

3.7.2 *The Company further undertakes to the Subscriber that it shall, subject to, inter alia, the grant of the Whitewash Waiver (on terms acceptable to the Company and the Subscriber), convene the EGM to seek the approval of the Shareholders of a resolution (the "**Whitewash Resolution**") to waive their rights to receive a general offer from the Subscriber and its concert parties under Rule 14 of the Code, no later than the Long Stop Date.*

### **3.8 Completion**

*Completion of the Proposed Subscription shall take place on a date falling five (5) business days from the satisfaction of all Conditions Precedent (or, if that day is not a business day, on the next business day), or such other date as the Company and the Subscriber shall agree to in writing ("**Completion Date**").*

### **3.9 Details of the Subscriber**

*The Subscriber is an established entrepreneur with business interests in real estate, education, F&B and finance. The Subscriber is currently the chairman and chief executive officer of World Corporation Public Company Limited, a company incorporated in Thailand and is listed on the Stock Exchange of Thailand. World Corporation Public Company Limited is principally engaged in investment in real estate and real estate development. He is also currently the president of Western U Education Company Limited. The Subscriber graduated from the University of Manila with a Bachelor of Science in civil engineering and obtained his MBA from Oklahoma City University. He also holds a Ph.D in leadership and human behaviour from the United States International University.*

*The Subscriber was introduced to the Company by UOB Kay Hian Private Limited. In consideration of procuring the Subscriber on a best effort basis for the Subscription Shares, the Company shall pay a commission of 2.5% of the Subscription Price for every Subscription Share to UOB Kay Hian Private Limited.*

*The Company confirms that none of the Directors or substantial shareholders of the Company has, to the best of their knowledge, any connection (including business relationship) with the Subscriber."*

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### 4. EVALUATION OF THE WHITEWASH RESOLUTION

In assessing the financial terms of the Proposed Subscription, being the subject of the 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 Subscription and use of proceeds;
- (ii) Financial performance and position of the Group;
- (iii) The Group's net asset value ("**NAV**") and net tangible asset ("**NTA**");
- (iv) Market quotation and trading activity for the Shares;
- (v) Relative valuation analysis;
- (vi) Analysis of selected comparable transactions; and
- (vii) Other relevant considerations.

These factors are discussed in detailed in the ensuing sections.

In our assessment of the Proposed Subscription, being the subject of the 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 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.

### 4.1. Rationale for the Proposed Subscription and use of proceeds

The rationale for the Proposed Subscription and the intended use of proceeds, have been extracted from Section 3.10 and Section 3.6 of the Circular and is set out in italics below. We recommend that the Recommending 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:



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### **“3.10 Rationale for the Proposed Subscription**

The Company has decided to undertake the Proposed Subscription to strengthen the Group’s financial position and flexibility to capitalise on growth opportunities. The proceeds of the Proposed Subscription, if and when completed, are intended to be used for the settlement of the Balance Liabilities, the funding of potential growth and expansion or diversification and general working capital of the Company.

The Subscriber has consented to the Proposed Diversification of Business and the Board believes the Company can leverage on the experience and network of the Subscriber for the Proposed Diversification which the Board believes to be beneficial to the Group. Please see Sections 9.4 and 11 below.”

### **“3.6 Use of Proceeds**

3.6.1 Based on the Subscription Price, the gross proceeds for the Proposed Subscription is approximately S\$4.5 million (“**Gross Proceeds**”). The net proceeds from the completion of the Proposed Subscription (after deduction of estimated expenses amounting to S\$0.4 million) is approximately S\$4.1 million (“**Net Proceeds**”).

3.6.2 The Company undertakes that:

(a) the Net Proceeds shall be used in the following manner:

<b><u>Intended Purposes</u></b>	<b><u>Amount S\$ million</u></b>	<b><u>% of Net Proceeds</u></b>
Repayment of the Balance Liabilities	0.5	12
Working capital funding and investment via business diversification and acquisitions	3.6	88
<b>Net Proceeds</b>	<b>4.1</b>	<b>100</b>

(b) the Company will provide to the Subscriber documentary evidence in relation to the repayment of the Balance Liabilities as soon as possible after such payment obligation has been fulfilled.

3.6.3 Pending the deployment of the Net Proceeds, such proceeds may be placed as deposits with financial institutions or invested in short term money markets or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit, from time to time.

3.6.4 The Company will make periodic announcement(s) as and when the Net Proceeds are materially disbursed and whether the disbursements are in accordance with use of proceeds as stated in this Circular. The Company will also provide a status report on the use of such Net Proceeds in the Company’s annual report. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.”

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### 4.2 Historical financial performance, condition and position of the Group

The following are extracts from the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 (“FY2016”), the financial year ended 31 December 2017 (“FY2017”) and FY2018, and the unaudited financial statements of the Group for the financial period 6 months ended 30 June 2018 (“HY2018”) and HY2019:-

#### Summary of Income Statements

Figures in US\$'000 <sup>(1)</sup>	Unaudited HY2019	Unaudited HY2018	Audited FY2018	Audited FY2017	Audited FY2016
<b>Continuing operations</b>					
Revenue	3,546	4,688	7,566	8,953	15,103
Cost of sales	(1,938)	(2,783)	(3,761)	(5,080)	(7,860)
Gross profit	1,608	1,904	3,805	3,873	7,243
Other income	7	56	41	69	353
Operating expenses <sup>(2)</sup>	(1,650)	(2,068)	(5,529)	(8,040)	(5,322)
Finance costs	(350)	(178)	(556)	(408)	(289)
(Loss)/Profit before tax	(385)	(287)	(2,240)	(4,506)	1,985
(Loss) / Profit from continuing operations	(385)	(245)	(2,194)	(4,647)	1,649
<b>Discontinued operations</b>					
Loss from discontinued operations	(58)	(105)	(2,789)	(1,623)	(998)
(Loss)/Profit after tax attributable to owners of the Company	(444)	(349)	(4,983)	(6,855)	714

#### Summary of Consolidated Statements of Financial Position

Figures in US\$'000 <sup>(1)</sup>	Unaudited HY2019	Audited FY2018	Audited FY2017	Audited FY2016
Non-current assets	8,095	8,410	8,882	10,300
Current assets	3,990	3,514	6,525	15,746
Non-current liabilities	6,680	6,908	5,066	3,604
Current liabilities	8,992	8,138	9,548	15,252
Total borrowings <sup>(3)</sup>	8,404	8,488	7,389	8,249
Shareholders' equity	(3,586)	(3,123)	793	7,774
Net current asset/(liabilities)	(5,001)	(4,625)	(3,023)	494
Gearing ratio	negative	negative	9.3	1.1

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### Summary of Statements of Cash Flows

Figures in US\$'000 <sup>(1)</sup>	Unaudited HY2019	Unaudited HY2018	Audited FY2018	Audited FY2017	Audited FY2016
Net cash generated from / (used in) operating activities	306	237	(155)	962	1,625
Net cash used in investing activities	(71)	(532)	(703)	(1,495)	(4,743)
Net cash (used in) / generated from financing activities	(132)	460	679	646	2,742
Net increase / (decrease) in cash and cash equivalents	102	165	(178)	(113)	(376)
Cash and cash equivalents as at end of financial period / year	(221)	27	(324)	(139)	(303)

**Notes:**

- (1) Figures and computation presented in this section are subject to rounding.
- (2) Operating expenses comprise administrative expenses and distribution expenses.
- (3) Total borrowings include liabilities for trade bills discounted with recourse, bank loan and advances, finance leases, loan from directors and convertible notes and loans as well as loans from third parties and employees (which are unsecured, interest bearing loans and recorded under other payables).

We note the following:

- (i) Decreasing revenue and gross profit

The Group's reportable business segments are as follows:-

- (a) Renewables segment mainly relates to provision of Ultra High Performance Concrete and Composites (“UHPC”) materials for the installation of onshore and offshore wind turbines.
- (b) Ports and Offshore segment mainly relates to provision of engineering and contracting services for greenfield and brownfield offshore and marine infrastructure projects.
- (c) Energy & Mining segment mainly relates to provision of UHPC for well integrity and remediation of production wells.
- (d) Civil Structures segment mainly relates to provision of UHPC and High Performance Concrete and Composite (“HPC”) materials for the civil structures, facades and claddings.

The Group has discontinued two business segments in prior years namely Subsurface and wells segment and Facilities segment.

The Group's revenue decreased significantly from approximately US\$15.1 million in FY2016 to approximately US\$9.0 million and US\$7.6 million in FY2017 and FY2018 respectively. The significant decrease in the Group's revenue for FY2017 was mainly due to significant decrease of approximately US\$8.0 million in revenue contribution from the Ports and Offshore segment which was partially offset by an increase of approximately US\$1.8 million in revenue contribution from the Renewables segment (which represents an increase of approximately 353% as compared to FY2016). The decrease in revenue for FY2018 was mainly due to a decrease of approximately US\$2.0 million in revenue contribution from the Ports and Offshore segment, which was partially offset by an increase of approximately US\$0.3 million in revenue contribution from each of the Renewables segment and Energy and Mining segment. The Group's revenue decreased from approximately US\$4.7 million in HY2018 to US\$3.5 million in HY2019, mainly due to lower revenue contribution by the Renewables segment, Ports and Offshore segment and Energy and Mining segment of approximately US\$0.7

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million, US\$0.3 million and US\$0.1 million respectively as a result of lesser ongoing projects during HY2019.

The Group's gross profit decreased from approximately US\$7.2 million in FY2016 to approximately US\$3.9 million and US\$3.8 million in FY2017 and FY2018 respectively. The significant decrease in gross profit in FY2017 was mainly due to a decrease in gross profit from the Ports and Offshore segment of approximately US\$4.1 million, which was partially offset by an increase in gross profit generated from the Renewables segment of approximately US\$0.7 million. The Group's gross profit margin for FY2017 decreased from approximately 48.0% in FY2016 to approximately 43.3% in FY2017 but improved to 50.3% in FY2018.

The gross profit decreased from approximately US\$1.9 million in HY2018 to approximately US\$1.6 million in HY2019. However, the gross profit margin increased from approximately 40.6% in HY2018 to 45.3% in HY2019.

(ii) Other income, operating expenses and finance costs

The Group reported other income of approximately US\$0.4 million, US\$69 thousand, US\$41 thousand and US\$7 thousand for FY2016, FY2017, FY2018 and HY2019 respectively. Other income for HY2019 comprised solely of government subsidy while other income for FY2018 comprised mainly government grants and interest income. Other income decreased from approximately US\$0.4 million in FY2016 to US\$69 thousand in FY2017 mainly due to absence of the one-off insurance claim of approximately US\$0.1 million and one-off income arising from the forfeiture of Goodwill Commitment in relation to lapse of a proposed placement of approximately US\$0.1 million in FY2016. The decline in other income in HY2019 was due to lesser government subsidy as a result of a reduced headcount.

The Group's total operating expenses (comprising administrative expenses and distribution expenses) increased from approximately US\$5.3 million in FY2016 to approximately US\$8.0 million in FY2017 and subsequently decreased to approximately US\$5.5 million in FY2018. The increase of operating expenses in FY2017 was mainly due to a one-off reversal of sales commission of approximately US\$0.2 million in relation to a Ports and Offshore project in FY2016 and the provision for doubtful debts of approximately US\$2.9 million in FY2017 as compared to approximately US\$0.4 million in FY2016. The decrease in operating expenses in FY2018 was mainly due to (i) reduction in allowance for doubtful debts of approximately US\$1.9 million due to improved customer collection; (ii) reduction in staff costs of approximately US\$0.8 million due to decreased headcount; (iii) reduction in general office costs such as office rental of approximately US\$0.6 million; and (iv) an one-off NauticAWT Performance Share Plan ("PSP") cost in FY2018, pertaining to the grant of 21,367,632 shares to employees of the Group pursuant to NauticAWT PSP as announced on 19 March 2018. The decrease in operating expenses in FY2018 was partially offset by the higher business development cost incurred in securing new order and projects. The Group's total operating expenses decreased from approximately US\$2.1 million in HY2018 to US\$1.7 million in HY2019 due to lower business development cost and absence of one-off NauticAWT PSP expenses of approximately US\$0.5 million in HY2018 as announced on 19 March 2018.

The Group's finance costs increased from approximately US\$0.3 million in FY2016 to approximately US\$0.4 million and US\$0.6 million in FY2017 and FY2018 respectively. The increase is mainly due to higher interest expenses arising from bank facilities and loans and convertible notes. The Group's finance costs increased from approximately US\$0.2 million in HY2018 to approximately US\$0.4 million in HY2019 mainly due to higher interest expenses arising primarily from convertible loans which were issued in September 2018.

(iii) Profitable in FY2016 but loss making in HY2019, FY2018 and FY2017.

In FY2016, the Group recorded profit before tax of approximately US\$2.0 million and after tax, it recorded a small profit after tax attributable to owners of the Company of approximately US\$0.7

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million. Subsequently, in FY2017 and FY2018, the Group recorded loss after tax attributable to owners of the Company of approximately US\$6.9 million and US\$5.0 million respectively.

Despite the decrease in operating expenses, it recorded loss after tax attributable to the owners of the Company of approximately US\$0.4 million and US\$0.3 million in HY2019 and HY2018 respectively in view of the declining revenue as explained in the earlier paragraph.

(iv) Assets and liabilities

As at 30 June 2019, the Group's total assets amounted to approximately US\$12.1 million comprising non-current assets of approximately US\$8.1 million and current assets of approximately US\$4.0 million. The non-current assets as at 30 June 2019 consisted of property, plant and equipment ("PPE") of approximately US\$6.9 million and intangible assets of approximately US\$1.2 million. The current assets as at 30 June 2019 comprised mainly trade receivables of approximately US\$1.7 million, other receivables of approximately US\$1.1 million, contract assets of approximately US\$0.7 million, inventories of approximately US\$0.4 million, cash and bank balances of approximately US\$0.1 million, and assets classified as held for sale of approximately US\$3.5 thousand.

On the liabilities side, the Group recorded total liabilities of approximately US\$15.7 million as at 30 June 2019 comprising current liabilities of approximately US\$9.0 million and non-current liabilities of approximately US\$6.7 million. The current liabilities as at 30 June 2019 consisted of trade payables of approximately US\$0.9 million, other payables of approximately US\$6.6 million, government grant received of approximately US\$0.4 million, bank loans and advances of approximately US\$0.6 million, loan from directors of approximately US\$0.2 million, liabilities for trade bills discounted with recourse of approximately US\$82 thousands and assets held for sale of approximately US\$0.2 million respectively. The non-current liabilities as at 30 June 2019 consisted of bank loan and advances of approximately US\$3.1 million, loan from directors of approximately US\$0.6 million, convertible notes and loans of approximately US\$2.8 million, and other payables of approximately US\$0.2 million respectively.

It should be noted that the Group has been in the net current liabilities position since the end of FY2017 and such deficit has widened from approximately US\$3.0 million as at 31 December 2017 to approximately US\$4.6 million as at 31 December 2018 and approximately US\$5.0 million as at 30 June 2019.

(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 HY2019, FY2018, FY2017, and FY2016:-

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Figures in US\$'000 <sup>(1)</sup>	Unaudited HY2019	Audited FY2018	Audited FY2017	Audited FY2016
Shareholders' equity <sup>(2)</sup>	(3,586)	(3,123)	793	7,774
Liabilities				
Current liabilities	8,992	8,138	9,548	15,252
Non-current liabilities	6,680	6,908	5,066	3,604
Total Liabilities	15,672	15,046	14,614	18,856
Cash and bank balances	107	39	317	654
Total borrowings <sup>(3)</sup>	8,404	8,488	7,389	8,249
Total borrowings <sup>(4)</sup> (net of cash)	8,297	8,450	7,072	7,595
Gearing ratio <sup>(5)</sup> (times)	negative	negative	9.3	1.1
Net gearing ratio <sup>(6)</sup> (times)	negative	negative	8.9	1.0
Total liabilities/Shareholders' equity (times)	negative	negative	18.4	2.4

**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 liabilities for trade bills discounted with recourse, bank loan and advances, finance leases, loan from directors and convertible notes and loans as well as loans from third parties and employees (which are unsecured, interest bearing loans and recorded under other payables).
- (4) Total borrowings (net of cash) is defined as total borrowings net of cash and bank balances.
- (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 Group's net gearing ratio had increased significantly from approximately 1.0 times as at the end of FY2016 to approximately 8.9 times as at the end of FY2017. In addition, the ratio of total liabilities to shareholders' equity for the Group had increased significantly from approximately 2.4 times as at the end of FY2016 and approximately 18.4 times as at the end of FY2017. The significant deterioration of the Group's net gearing ratio and total liabilities to shareholders' equity during FY2017 was mainly caused by the significant decline in the shareholders' equity of the Group (declined from approximately US\$7.8 million as at the end of FY2016 to approximately US\$0.8 million as at the end of FY2017 in view of the loss after tax incurred for FY2017).

The shareholders' equity of the Group turned into deficit of approximately US\$3.1 million as at the end FY2018 and the deficit in the shareholders' equity has widened to approximately US\$3.6 million as at 30 June 2019 as it continued to be loss making. Hence, the Group's net gearing ratio and the ratio of total liabilities to shareholders' equity are negative and not meaningful for FY2018 and HY2019.

As mentioned earlier, the deteriorated financial position of the Group was mainly attributable to the erosion of the shareholders' equity (due mainly to the consecutive losses incurred during the period reviewed), as well as the fact that notwithstanding the reduction, but the Group's total borrowing remained substantial during FY2016 to HY2019.

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The table below illustrates the breakdown of the Group's total liabilities as at 30 June 2019 and assuming completion of the proposed issuance of Settlement Shares and the Proposed Subscription.

(Figures in US\$'000) <sup>(1)</sup>	As at 30 June 2019	Assuming completion of the proposed issuance of Settlement Shares and the Proposed Subscription
<u>Current liabilities</u>		
Trade payables	898	898
Other payables	6,607	4,429
Government grant received	355	355
Liabilities for trade bills discounted with recourse	82	82
Bank loans and advances	561	561
Loan from directors	249	246
Liabilities directly associated with assets classified as held for sale	238	238
	<b>8,992</b>	<b>6,809</b>
<u>Non-current liabilities</u>		
Bank loan and advances	3,070	3,070
Loan from directors	561	492
Convertible notes and loans	2,814	-
Other payables	234	865
	<b>6,680</b>	<b>4,427</b>
<b>Total Liabilities</b>	<b>15,672</b>	<b>11,236</b>
<b>Total borrowings</b>	<b>8,404</b>	<b>5,509</b>
<b>Shareholders' equity</b>	<b>(3,586)</b>	<b>3,850</b>
<b>Gearing ratio (times)</b>	<b>negative</b>	<b>1.4</b>

**Notes:**

(1) Figures and computation are subject to rounding.

We note that as represented and confirmed by the Management, following completion of the proposed issuance of Settlement Shares and the Proposed Subscription, the Group's total liabilities and total borrowings would be reduced from approximately US\$15.7 million and US\$8.4 million respectively as at 30 June 2019 to approximately US\$11.2 million and US\$5.5 million respectively, on a pro-forma basis. The Management represented and confirmed that following completion of the proposed issuance of the Settlement Shares and the Proposed Subscription, the shareholders' equity of the Group would improve from approximately negative US\$3.6 million as at 30 June 2019 to approximately positive US\$3.9 million, on a pro-forma basis. As such, the gearing of the Group would be approximately 1.4 times, on a pro-forma basis.

We note from the AR2018 that for FY2018 and FY2017, the Group breached its financial covenants with a bank as the Group did not fulfil the minimum tangible net worth requirements. The Group had received a waiver of the breach of loan covenants from the bank, which was effective till 31 August 2017. However, the Group did not receive any further waiver of the breach of covenants as at 31 December 2017 and 31 December 2018, and the bank has also not called upon the loans as at the date of the financial statements. Total bank loans owing to the bank amounting to US\$205,197

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(FY2017: US\$1,301,810) have been classified as current in the financial statements as they are repayable on demand due to the breach of loan covenants. The amount has been repaid on 27 February 2019. The Directors confirmed and represented that save as disclosed in the AR2018, there has been no other instances of breach of financial covenants.

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 HY2019, there has been no material changes to the assets and liabilities, financial position, condition and performance of the Group.

### **Material uncertainty related to going concern**

We note that the Independent Auditor's Report dated 12 April 2019 ("**Independent Auditor's Report**") on the Group's and Company's financial statements for FY2018 contained material uncertainty related to going concern. The following paragraphs as set out in italics below are extracted from the Independent Auditor's Report (page 41 of the AR2018) and Note 1 to the audited financial statements of the Group for FY2018. We recommend that Recommending Directors advise Shareholders to read those sections of the AR2018 carefully:-

#### ***"Material Uncertainty Related to Going Concern***

*We draw attention to Note 1 in the accompanying financial statements which indicates that as at December 31, 2018, the group's current liabilities exceeded its current assets by US\$4,624,661 and the group recorded a loss of US\$4,983,375 for the financial year then ended. In addition, the group was in a capital deficiency position of US\$3,122,757 and breached its financial covenants on bank loans of US\$205,197 as at December 31, 2018.*

*The going concern assumption of the group is dependent on the group being able to secure additional funding through a placement exercise for new shares of the company, obtain continued support from its existing banks, and secure new contracts from customers.*

*The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the group's and the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter."*

Note 1 to the Group's audited financial statements for FY2018 are reproduced in italics below.

#### **"1 GENERAL**

*The company (Registration Number 201108075C) is incorporated in the Republic of Singapore with its principal place of business at 12 Tai Seng Link #05-01A, Singapore 534233. The company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited. The financial statements are presented in United States dollars which is the company's functional currency.*

*The principal activity of the company is that of an engineering company providing offshore and marine engineering services and investment holding.*

*The principal activities of the subsidiaries and joint venture are disclosed in Notes 16 and 17 to the financial statements respectively.*

*The consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company for the financial year ended December 31, 2018 were authorised for issue by the Board of Directors on April 12, 2019.*

*For all periods up to and including the year ended December 31, 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore*



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*(“FRSs”). These financial statements for the year ended December 31, 2018 are the first set that the group and the company have prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”). Details of first-time adoption of SFRS(I) are included in Note 41.*

### Material Uncertainty Related to Going Concern

*As at December 31, 2018, the group’s current liabilities exceeded its current assets by US\$4,624,661 (December 31, 2017 : US\$3,022,793) and the group recorded a loss of US\$4,983,375 (2017 : US\$6,270,228) for the financial year then ended. In addition, the group is in a capital deficiency position of US\$3,122,757 as at December 31, 2018 (December 31, 2017 : total equity of US\$793,349). The group’s current liabilities of US\$8,138,460 (December 31, 2017 : US\$9,548,010) include bank loans and advances amounting to US\$697,956 (December 31, 2017 : US\$1,915,932). The group breached its financial covenants on bank loans amounting to US\$205,197 (December 31, 2017 : US\$1,301,810) as the group did not fulfil the minimum tangible net worth requirement as at December 31, 2018. The loans have been classified as current in the financial statements as they are repayable on demand due to the breach of loan covenants.*

*At the date of these financial statements, the validity of the going concern assumption of the group is contingent upon:*

- (a) the group’s negotiations with third parties to secure additional funding for operations through the placement of new shares of the company as disclosed in Note 40;*
- (b) the group continuing to receive support from its existing banks; and*
- (c) the group is able to generate sufficient cash flows from its operations based on management’s ability to secure new contracts from customers.*

*The above matters indicate that a material uncertainty exists, that may cast significant doubt on the group’s and the company’s ability to continue as a going concern, and therefore may be unable to realise their assets and discharge their liabilities in the normal course of the business. Nevertheless, management believes that the above negotiations with third parties will be concluded successfully and that the strategies put in place to improve the operating performance and financial position of the group and the company will allow the group and the company to continue in operational existence for at least the next 12 months from the date of these financial statements. Hence, management has continued to adopt the going concern assumption in the preparation of these financial statements.*

*Should the group be unable to complete the negotiations and successfully secure the additional funding to repay these loans and other current liabilities, the group and the company may not have sufficient funds to fulfil its financial obligations as and when they fall due, affecting its ability to continue as a going concern.*

*If the going concern assumption is no longer applicable, adjustments may have to be made to reflect the condition that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts which they are currently recorded in the statements of financial position. In addition, the group and the company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. No adjustments have been made in these financial statements in this respect.”*

Note 40 to the Group’s audited financial statements for FY2018 are reproduced in italics below.

### **“40 EVENTS AFTER THE REPORTING PERIOD**

*Other than as disclosed somewhere else in these financial statements, the group has the following significant events after the reporting period:*

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- (a) On January 7, 2019, the company has entered into a non-binding memorandum of understanding (the “**MOU**”) with all of the shareholders of four companies, namely Astral Nanotec Pte. Ltd., Bacten Pte. Ltd., Antimicrobial Engineering Sdn. Bhd, and One Mart Pte. Ltd. (collectively, the “**Target Companies**”). Pursuant to the MOU, the Company expects to enter into negotiations with the Vendors for the proposed acquisition of a majority stake in the issued share capital of the Target Companies (the “**Proposed Acquisition**”). As at the date of these financial statements, management are still in the process of negotiating these Proposed Acquisition and the acquisition process has yet to be completed.
- (b) On January 22, 2019, the company has entered into placement agreements with Zhongtai International Securities (Singapore) Pte. Ltd. and Soochow CSSD Capital Markets (Asia) Pte. Ltd. (the “**Placement Agents**” and “**Placement Agreements**”). Pursuant to the Placement Agreements, the Company has agreed to offer, by way of placement, and the Placement Agents have agreed to, on a best effort basis, procure subscribers for an aggregate of up to 705,882,353 new shares (the “**Placement Shares**”) in the capital of the Company at an issue price of S\$0.017 (US\$0.012) per Placement Share, which will amount to an aggregate consideration of up to S\$12,000,000 (US\$8,800,000). As at the date of these financial statements, the proposed placements are still ongoing and have yet to be finalised.”

The Company announced on 10 July 2019 that both the Placement Agreements and the MOU had lapsed.

We further note that the Board has stated its opinion on going concern in the results announcements for HY2019, page 14:-

“Working capital, net liability position and going concern assessment”

*The Group reported a negative working capital of US\$5.0 million as at 30 June 2019 as compared to US\$4.6 million as at 31 December 2018. Furthermore, the Group is in a net liability position of US\$3.6 million (31 December 2018: US\$3.1 million) as at 30 June 2019. As at the date of this announcement, the Board is of the opinion that the continuing use of the going concern assumption in the preparation of the financial information is appropriate on the following bases:*

- (i) the Group has continuous support from the existing bankers;*
- (ii) the Group is able to generate sufficient cash flows from its operations based on internal budget and management’s ability to secure new contracts from customers; and*
- (iii) the Group is able to complete the proposed subscription of up to an aggregate of S\$4.5 million for general working capital as well as the acquisition of the new businesses and the Debt Restructuring exercise as announced on 10 July 2019.”*

The Directors represented and confirmed that as at the Latest Practicable Date, the sufficiency of the Group’s working capital for the next 12 months and the ability of the Group to continue as going concern will depend on, *inter alia*, the successful completion of the Proposed Subscription, obtain continued support from its existing banks, and secured new contracts from customers.

### **Key audit matters**

We note that the Independent Auditor’s Report on the Group’s and Company’s financial statements for FY2018 contained key audit matters. The following paragraphs as set out in italics below are extracted from the Independent Auditor’s Report (page 41 to 43 of the AR2018). We recommend that Recommending Directors advise Shareholders to read this section of the AR2018 carefully:-

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### **“Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### **Key audit matter**

#### **How the matter was addressed in the audit**

#### **Revenue recognition**

The group offers engineering and contracting services for field exploration, field development and field refurbishments including design life extensions and production enhancement for offshore and marine infrastructures. The duration of these projects may range from short-term to mid-term and some of the projects may cross over the financial year reporting period end (Notes 11 and 27).

Due to the nature and timing of the engineering services rendered by the group, the group has entered into fixed price contracts with customers for the provision of engineering design works, installation services (including mobilisation of equipment), engineering labour hours or delivery of materials. Subsequent changes to original contracts are supported by variation orders agreed with and acknowledged by customers.

Contract revenue is recognised based on the stage of completion of the contract, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The group becomes entitled to invoice customers for work performed based on achieving a series of performance related milestones.

The stage of completion of the contracts are dependent upon the following key estimates or judgement areas:

- total budgeted project costs, including total anticipated costs to complete the projects for projects outstanding at the end of the reporting period;
- completeness of cost incurred for the projects to date;
- changes to the budgeted costs as a result of variation orders with customers.

We evaluated the appropriateness of management's controls over the review and determination of the revenue to be recognised and the consequential contract assets.

We agreed total contracted revenue to the original signed customer contracts and approved variation orders.

We assessed the basis of revenue recognition for the group's significant contracts and corresponding stage of completion by examining the assumptions behind estimated costs to complete, challenging the reasonableness of these in light of supporting evidence. We recomputed the stage of completion assessed by management based on the actual costs incurred for project life over total budgeted costs.

We tested the actual cost incurred by agreeing to supplier invoices, engineer timesheets acknowledged by customers and other documentation and performed cutoff testing for project costs.

We performed a retrospective review of the budgeted costs against the actual costs for projects completed during the year.

We have also assessed and validated the adequacy and appropriateness of the disclosures in Note 3 to the financial statements under key sources of estimation uncertainty for revenue recognition.

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### **Impairment assessment of property, plant and equipment and intangible assets**

The property, plant and equipment (“PPE”) and intangible assets are quantitatively significant items on the consolidated statement of financial position with a carrying amount as at December 31, 2018 of US\$7,299,905 and US\$1,109,606 respectively (Note 13 and Note 15).

The PPE primarily comprise of freehold land and building, and other equipment and machinery that supports the group’s operations. The intangible assets mainly pertain to capitalisation of costs for the development of proprietary material. The group has recorded a loss of US\$4,983,375 for the year ended December 31, 2018.

Management is required to carry out an impairment assessment of PPE and intangible assets where there are indicators of impairment. Where there are indicators of impairment, significant judgement and estimation is required in determining the recoverable amount of these PPE and intangible assets. The recoverable value is the higher of fair value less cost to sell and value-in-use (“VIU”).

The impairment assessment involved significant judgement and estimates such as growth rates, gross profit margin and discount rates to determine the VIU.

### **Outlook**

In the Group’s results announcement for HY2019, the Company stated the following commentary on the significant trends and competitive conditions of the industry in which the Group operates and factors or events that may affect the Group in the next reporting period and the next 12 months:-

*“The activities in the oil and gas market seem to be improving as we have seen more enquiries for the products and services over the past 6 months. Barring unforeseen circumstances, we remain cautiously positive on the business outlook for our High-Performance Concrete and Composites and UHPC based installation and repair solutions within the oil and gas market.*

*Furthermore, we remain positive on the outlook for our products in the Renewable segment. The demand for green energy is increasing and we expect that this, with seasonal fluctuations, translate to a continued demand for our UHPC products in both land-based as well as offshore wind turbine foundations.*

*The Group continues to look for new revenue streams.”*

### **4.3 The Group’s NAV and NTA**

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

We evaluated the appropriateness of management’s controls over the assessment of impairment of PPE and intangible assets.

Where there are indicators of impairment, we assessed and evaluated the estimation of future cash flows, and challenged management’s underlying assumptions, such as growth rates, gross profit margin and discount rates used in estimating and discounting the future cash flow projections by benchmarking against historical data/trend, market outlook and our knowledge of the business operations.

We performed a comparison of the estimation of future cash flow projections in the previous year to the actual cash flow achieved to support the reliability and reasonableness of management’s assumptions and estimates used in the future cash flow projections in the prior year.

The disclosure of the above significant estimates is provided in Note 3 to the financial statements, and further information related to the PPE and intangible assets are provided in Notes 13 and 15 to the financial statements respectively.”

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The NAV based approach of 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 or consideration 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.

The NTA based approach of 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 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 or consideration 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 Subscription Price for the Subscription Shares, in relation to the NAV and NTA per Share of the Group as at 30 June 2019, we have reviewed the unaudited consolidated statements of financial position of the Group as at 30 June 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 consolidated statements of financial position of the Group as at 30 June 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 June 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 June 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 June 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 Financial Position as at 30 June 2019<sup>(1)</sup></b>		<b>US\$'000</b>
<b><u>Non-Current Assets</u></b>		
Property, plant and equipment (“PPE”)	6,934	
Intangible assets	1,161	
	<b>8,095</b>	
<b><u>Current Assets</u></b>		
Cash and bank balances	107	
Trade receivables	1,688	
Other receivables	1,055	
Inventories	388	
Contract asset	748	
Assets classified as held for sale	4	
	<b>3,990</b>	
<b><u>Non-Current Liabilities</u></b>		
Bank loan and advances	3,070	
Loan from directors	561	
Convertible notes and loans	2,814	
Other payables	234	
	<b>6,680</b>	
<b><u>Current Liabilities</u></b>		
Trade payables	898	
Other payables	6,607	
Government grant received	355	
Liabilities for trade bills discounted with recourse	82	
Bank loans and advances	561	
Loan from directors	249	
Liabilities directly associated with assets classified as held for sale	238	
	<b>8,992</b>	
<b>Net liabilities value (“Net Liabilities”) attributable to the owners of the Company</b>	<b>(3,586)</b>	
Less: Intangible assets	(1,161)	
<b>Net tangible liabilities (“NTL”) as at 30 June 2019</b>	<b>(4,747)</b>	
<b>Net Liabilities per Share (US\$)<sup>(2)</sup></b>	<b>(0.0169)</b>	
<b>NTL per Share (US\$)<sup>(2)</sup></b>	<b>(0.0224)</b>	
<b>Subscription Price (S\$)</b>	<b>0.01125</b>	
<b>Subscription Price (US\$)<sup>(3)</sup></b>	<b>0.00824</b>	
<b>Premium/(discount) of the Subscription Price over/from the Group's Net Liabilities per Share or NTL per Share</b>	<b>n.m.</b>	

**Notes:**

- (1) *The figures above are based on the Group's unaudited financial statement for HY2019. The figures and computations above are subject to rounding.*
- (2) *The figures are computed based on the Company's issued Share capital of 212,333,525 Shares as at the Latest Practicable Date.*
- (3) *The exchange rate used US\$1:S\$1.3648*

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From the table above, we note that the Group's unaudited Net Liabilities and NTL attributable to the owners of the Company as at 30 June 2019 amounted to approximately US\$3.6 million and approximately US\$4.7 million respectively. Hence, the comparison and analysis of the Subscription Price and the Group's Net Liabilities or NTL per Share are not meaningful. Notwithstanding, we note that the Subscription Price is favourable taking into account the Group's Net Liabilities per Share and/or NTL per Share as at 30 June 2019.

### Adjusted NAV and/or Adjusted NTA

As stated in the Circular, pursuant to the Subscription Agreement, the Company undertakes to commence the Debt Restructuring which would include, *inter alia*, the Company's issuance of the Settlement Shares. As such, for illustrative purpose only, we have adjusted the Group's Net Liabilities and/or NTL with the impact of the issuance of the Settlement Shares (assuming the completion of the issuance and allotment of the Settlement Shares).

<b>Adjusted NAV and/or Adjusted NTA<sup>(1)</sup></b>	<b>US\$'000</b>
Group's Net Liabilities as at 30 June 2019	(3,586)
Add: effect of completion of issuance of Settlement Shares <sup>(2)</sup>	4,435
<b>Group's adjusted NAV ("Adjusted NAV")</b>	<b>849</b>
Less: Intangible assets	(1,161)
<b>Group's adjusted NTL ("Adjusted NTL")</b>	<b>(312)</b>
<b>Adjusted NAV per Share (US\$)<sup>(2)</sup></b>	<b>0.0022</b>
<b>Adjusted NTL per Share (US\$)<sup>(2)</sup></b>	<b>(0.0008)</b>
<b>Subscription Price (S\$)</b>	<b>0.01125</b>
<b>Subscription Price (US\$)<sup>(3)</sup></b>	<b>0.00824</b>
<b>Premium of the Subscription Price over the Group's Adjusted NAV per Share</b>	<b>282.5%</b>
<b>Premium/(discount) of the Subscription Price over/from the Group's Adjusted NTL per Share</b>	<b>n.m.</b>

**Notes:**

- (1) *The figures and computations above are subject to rounding.*
- (2) *The figures are provided and confirmed by the Management (assuming completion of the issuance of 181,852,521 Settlement Shares for the settlement of the Group's liabilities of approximately US\$4.86 million.*
- (3) *The exchange rate used US\$1:S\$1.3648*

From the table above, we note that assuming completion of the issuance of 181,852,521 Settlement Shares, the Group's Adjusted NAV amounted to approximately US\$0.8 million or approximately US\$0.0022 per Share. The Subscription Price represents a substantial premium of approximately 282.5% over the Group's Adjusted NAV per Share. In addition, assuming completion of the issuance of 181,852,521 Settlement Shares, the Group would still be in the NTL position of approximately US\$0.3 million. Hence, the comparison and analysis of the Subscription Price and the Group's Adjusted NTL per Share are not meaningful. Notwithstanding, we note that the Subscription Price is favourable taking into account the Group's Adjusted NTL per Share.

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

- (i) there are any material events that may have an impact on the unaudited consolidated statement of financial position of the Group from 30 June 2019 to the Latest Practicable Date to determine whether adjustments need to be made to the Net Liabilities and/or NTL per Share as

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at 30 June 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 June 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 June 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 June 2019; and

- (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 June 2019. The Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, they are of the view that on aggregate basis, save as disclosed in the unaudited financial statements of the Group as at 30 June 2019, the announcements released by the Company on SGXNET and the Circular, there are no material differences between the estimated market value of the assets and their respective book values as at 30 June 2019 which would have a material impact on the Group's Net Liabilities and/or NTL as at 30 June 2019.

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

We further note from the Circular that pursuant to the Subscription Agreement, the Company undertakes that it shall, as soon as practicable, commence the Debt Restructuring to, *inter alia*, take other further steps to reduce the liabilities of the Company (whether actual or contingent) to not more than S\$500,000 (the "**Balance Liabilities**"). The Directors confirmed that the proposed issuance of the Settlement Shares are part of actions undertaken to fulfil the Balance Liabilities requirement and that the Company will need to take further actions including but not limited to conversion of amounts due to creditors into equity, settlement via cash and novation of amount owed to a subsidiary. This is still tentative and subject to negotiation with the creditors. Accordingly, we expressed no views with regards to the impact of the Debt Restructuring and the Balance Liabilities requirement on the NTA of the Group or the Company and our assessment, opinion and recommendations are necessarily limited and subject to it.

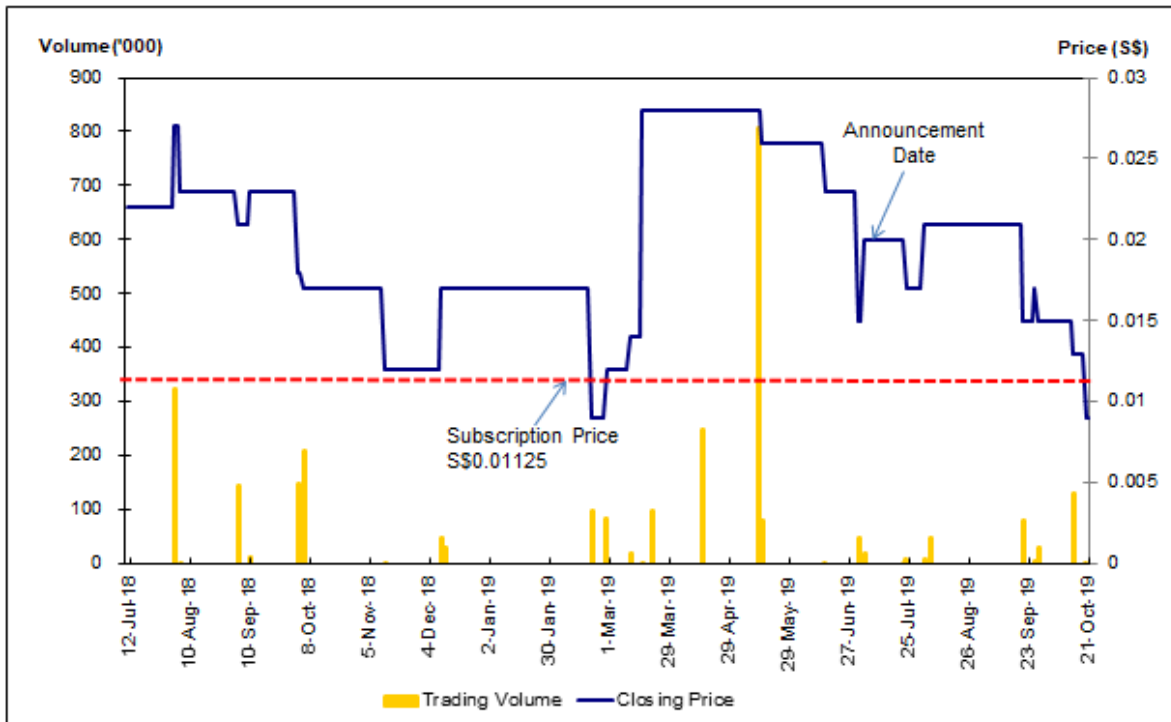
The above computations and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Group is as stated above. It also does not imply that the assets or properties of the Group can be disposed of at the estimated values indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated is realisable or distributable to Shareholders. It should be noted that the NTA basis of valuation provides an estimate of the value of a hypothetical sale of all its tangible assets over a reasonable period of time and is only relevant in the event that the Group decides to change the nature of its business or to release or convert the uses of all its assets. The NAV or the NTA basis of valuation, however, does not necessarily reflect the value of the Group as a going concern nor can it capture or illustrate any value for the Group's goodwill or branding. In addition, it does not illustrate the values at which the assets may actually be realized or disposed.

#### 4.4 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 11 July 2018, being the Market Day 12 months prior to 10 July 2019 (being the Announcement Date) and ending on the Latest Practicable Date is set out below:



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Source: Bloomberg

For the period commencing from 11 July 2018 and ending on the Announcement Date (both dates inclusive), we note that the Shares were only traded on 20 Market Days out of a total 251 Market Days (or approximately 8.0%). The closing prices for the Shares were higher than the Subscription Price for 246 Market Days out of the 251 Market Days (or approximately 98.0%) and were below the Subscription Price for 5 Market Days out of the 251 Market Days (or approximately 2.0%). For the period commencing from 11 July 2018 and ending on the Announcement Date, the closing price for the Shares declined by approximately 9.1% to close at S\$0.020 on the Announcement Date.

We note that for the period commencing from 11 July 2019 (being the Market Day immediately after the Announcement Date) till the Latest Practicable Date, the Shares were traded on 9 Market Days out of a total 71 Market Days. The closing prices for the Shares were higher than the Subscription Price for 69 Market Days out of 71 Market Days (or approximately 97.2%) and were below the Subscription Price for 2 Market Days out of 71 Market Days (or approximately 2.8%). As at the Latest Practicable Date, the Shares closed at S\$0.009 which is lower than the Subscription Price. For the period commencing from 11 July 2019 (being the Market Day immediately after the Announcement Date) till the Latest Practicable Date, the closing price for the Shares decreased by approximately 55.0% to close at S\$0.009 as at the Latest Practicable Date.

As a general market comparison and observation, the Catalist Index (“**Catalist Index**”) declined by approximately 28.2% for the period commencing from 11 July 2018 and ending on 10 July 2019 and subsequently further declined by approximately 8.8% from the Announcement Date till the Latest Practicable Date. We observed that the Shares appear to have outperformed the Catalist Index for the period commencing from 11 July 2018 and ending on 10 July 2019, but underperformed the Catalist Index for the period commencing from the Market Day immediately after the Announcement Date till the Latest Practicable 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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	VWCP per Share (S\$) <sup>(1)</sup>	Premium/ (discount) of Subscription Price over/ from the VWCP 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 <sup>(3)</sup> (%)
<b>For the period prior to the Announcement Date (10 July 2019)</b>						
Last 12 months	0.024	(52.4)	0.009	0.028	9,710	0.01
Last 6 months	0.025	(55.0)	0.009	0.028	12,296	0.02
Last 3 months	0.027	(58.6)	0.015	0.028	19,790	0.02
Last 1 month	0.016	(31.8)	0.015	0.026	3,236	0.004
Last transacted price on 4 July 2019 (being the Last Trading Day prior to the Announcement Date) <sup>(4)</sup>	0.020	(43.8)	0.020	0.020	21,000	0.03
<b>For the period commencing on the Market Day immediately after the Announcement Date up to the Latest Practicable Date (21 October 2019)</b>						
Till the Latest Practicable Date	0.015	(26.8)	0.009	0.021	4,452	0.006
Last transacted price on 18 October 2019 (being the Last Trading Day preceding the Latest Practicable Date) <sup>(5)</sup>	0.009	25.0	0.009	0.009	1,000	0.001

**Source:** SGX-ST

**Notes:**

- (1) The VWCP had been weighted based on the last transacted 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 refers to approximately 80,877,174 Shares or approximately 38.09% of the issued Shares (other than treasury Shares) held by Public Shareholders (being 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) as at the Latest Practicable Date and as enumerated in Section 5.4 of the Circular.
- (4) This represents the last transacted price instead of VWCP for the Shares on 4 July 2019, being the Last Trading Day preceding the Announcement Date.
- (5) This represents the last transacted price instead of VWCP for the Shares on 18 October 2019, being the Last Trading Day preceding Latest Practicable Date. There was no trading for the Shares on the Latest Practicable Date.

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 the Subscription Price:

- (i) represents a discount of approximately 43.8% from the last transacted price of S\$0.020 per Share for the Shares on the SGX-ST on 4 July 2019, being the Last Trading Day immediately preceding the Announcement Date ;
- (ii) represents a discount of approximately 52.4%, 55.0%, 58.6% and 31.8% from the VWCP for the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Announcement Date respectively;

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- (iii) represents a discount of approximately 26.8% from the VWCP for the Shares for the period commencing on the Market Day immediately after the Announcement Date and ending on the Latest Practicable Date; and
- (iv) represents a premium of approximately 25.0% over the last transacted price of S\$0.009 per Share on the SGX-ST on 18 October 2019, being the Last Trading Day preceding the Latest Practicable Date.

For illustrative purpose only, based on the number of Shares traded on a daily basis during the period commencing from 11 July 2018 and ending on the Latest Practicable Date, we note that:

- (i) from 11 July 2018 to 10 July 2019, being the Market Day 12 months prior to and ending on the Announcement Date (both dates inclusive), the Shares were traded on 20 Trading Days (approximately 8.0%) out of the total 251 Market Days during the period, with the total number of Shares traded being approximately 2.4 million Shares and an average daily trading volume (based on a total of 251 Market Days) of approximately 9,710 Shares, which represents approximately 0.005% of the issued Shares (other than treasury Shares) as at the Latest Practicable Date or approximately 0.012% of the issued Shares (other than treasury Shares) held by Public Shareholders as at the Latest Practicable Date.
- (ii) for the period commencing from 11 July 2019, being the Market Day immediately after the Announcement Date, till the Latest Practicable Date (both dates inclusive), the Shares were only traded on 9 Trading Days out of the total 71 Market Days during the period, with the total number of Shares traded being approximately 316.1 thousand Shares and an average daily trading volume of approximately 4,452 Shares, which represents approximately 0.002% of the issued Share capital (other than treasury Shares) as at the Latest Practicable Date or approximately 0.006% of the issued Share (other than treasury Shares) held by Public Shareholders as at the Latest Practicable Date.

We note that trading for the Shares is erratic and that the number of Shares traded for the 1 year period prior to the Announcement Date is relatively low as compared to the number of issued Shares as at the Latest Practicable Date whilst for the period immediately after the Announcement Date until the Latest Practicable Date, the number of Shares traded is significantly low as compared to the number of issued Shares as at the Latest Practicable Date. We note that the number of Shares that were traded on a daily basis for the period commencing after the Announcement Date till the Latest Practicable Date is lower than the number of Shares that were traded on a daily basis during the 12-months period prior to the Announcement Date. In addition, the Shares were only traded on 20 Trading Days out of the total 251 Market Days for the period 12-months prior to the Announcement Date and 9 Trading Days out of the total 71 Market Days for the period commencing from the Market Day immediately after the Announcement Date to the Latest Practicable 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. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value in view of the lack of liquidity for the Shares (in terms of number of Shares traded on daily basis), they nonetheless represent the prices for transactions between willing buyer and willing seller.

We observed that the closing prices for the Shares has decreased by approximately 9.1% for the period commencing from 11 July 2018 and ending on 10 July 2019 (being the Announcement Date) and decreased by approximately 55.0% from the Market Day immediately after the Announcement Date to the Latest Practicable Date. As mentioned earlier, the prices for the Shares had outperformed the Catalist Index for the period 12-months prior to the Announcement Date but underperformed the Catalist Index for the period commencing from the Market Day immediately after the Announcement Date till the Latest Practicable Date. Subsequent to the Announcement Date, the market prices for the Shares appear to be on the declining trend but remain higher than the Subscription Price until it declined to S\$0.009 on 18 October 2019, being the Last Trading Day preceding the Latest Practicable Date.

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The performance of the Shares as compared to the Catalist Index and the continued lack of liquidity for the Shares for the period from the Announcement Date to the Latest Practicable Date may, *inter alia*, be a reflection of the Proposed Subscription and the developments within the Group as announced in the SGXNET as well as prospects or demand for the Shares on or after the Announcement Date.

Recommending 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 Subscription (or if the Proposed Subscription lapses) will be at the same levels prevailing during the period commencing from the Announcement Date and ending on the Latest Practicable Date.

**Recommending Directors should also note that past trading performance for the Shares may not be relied upon as an indication or promise of its future trading performance.**

### 4.5 Relative valuation analysis

In evaluating the Subscription 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 existing core business of the Group prior to the transaction, which are principally engaged in the provision of engineering and contracting services for offshore and marine.

The Selected Comparable Companies have been identified after a search was carried out on the SGX-ST and evaluation of the companies operating in the same industry as the Group. We have had discussions with the Directors about the suitability and reasonableness of these Selected Comparable Companies acting as a basis for comparison with the core businesses of the Group prior to the transaction. Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. The Selected Comparable Companies may or may not have similar business operations or similar assets as the Group, accounting policies with respect to the values for which the assets or the revenue and cost are recorded or the relevant financial period compared may differ from the Group.

We advise Recommending 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, 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 business of these companies, their 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.

Recommending 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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Selected Comparable Companies	Market Capitalisation (\$ million)	Principal Activities
Civmec Limited (“Civmec”)  <i>Listed on the SGX-ST</i>	185.4	The group is principally engaged in provision of a range of in-house complementary heavy construction and engineering services to the oil and gas, metals and minerals, infrastructure and defense markets.
MTQ Corporation Limited (“MTQ”)  <i>Listed on the SGX-ST</i>	44.3	The group is principally engaged in Oilfield engineering, engine systems and neptune oilfield engineering segment provides engineering services for servicing, manufacturing, assembly and fabrication of oilfield equipment, such as valves and blow-out-preventers used in the oil and gas industry, and operates primarily out of Singapore, Kingdom of Bahrain, Australia and Indonesia. Neptune segment provides engineering services to offshore oil and gas, marine and renewable energy industries.
IEV Holdings Limited (“IEV”)  <i>Listed on the SGX –ST</i>	12.4	The group is principally engaged in specialized technologies and turnkey services to construct, repair, maintain, rejuvenate and remove offshore oil and gas production facilities in the offshore engineering segment. The Company operates through four segments: Offshore engineering, mobile natural gas, exploration and production, and renewable Energy.

*Source: Bloomberg, SGX-ST and respective companies’ website*

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

Selected Comparable Companies	LTM ROE <sup>(1)</sup> (%)	LTM net profit margin <sup>(2)</sup> (%)	LTM asset turnover <sup>(3)</sup> (times)	Total liabilities <sup>(4)</sup> / shareholder equity (times)	Total borrowings <sup>(6)</sup> / shareholder equity <sup>(5)</sup> (times)
Civmec	3.5	1.2	1.1	1.5	0.7
MTQ	n.m. <sup>(7)</sup>	n.m. <sup>(7)</sup>	1.0	1.1	0.6
IEV	n.m. <sup>(8)</sup>	n.m. <sup>(8)</sup>	0.3	n.m. <sup>(9)</sup>	n.m. <sup>(9)</sup>
<b>MAXIMUM</b>	<b>3.5</b>	<b>1.2</b>	<b>1.1</b>	<b>1.5</b>	<b>0.7</b>
<b>MINIMUM</b>	<b>3.5</b>	<b>1.2</b>	<b>0.3</b>	<b>1.1</b>	<b>0.6</b>
<b>MEDIAN</b>	<b>3.5</b>	<b>1.2</b>	<b>1.0</b>	<b>1.3</b>	<b>0.6</b>
<b>SIMPLE AVERAGE</b>	<b>3.5</b>	<b>1.2</b>	<b>0.8</b>	<b>1.3</b>	<b>0.6</b>
<b>The Group</b>	<b>n.m. <sup>(10)</sup></b>	<b>n.m. <sup>(10)</sup></b>	<b>0.5</b>	<b>n.m. <sup>(11)</sup></b>	<b>n.m. <sup>(11)</sup></b>

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

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### 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 equity holders 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 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 all the liabilities of the respective companies but exclude any contingent liabilities, if any.*
- (5) *Shareholders’ equity is the consolidated shareholders’ funds excluding minority interest of the respective companies.*
- (6) *Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts, loans from directors, loans from employees where applicable.*
- (7) *MTQ incurred a loss after tax attributable to owners of the Company of approximately S\$643 thousand for the LTM ended 30 June 2019. Hence, MTQ’s LTM ROE and LTM net profit margin ratios are negative and not meaningful.*
- (8) *IEV incurred a loss after tax attributable to owners of the Company of approximately RM8.0 million for the LTM ended 30 June 2019. Hence, IEV’s LTM ROE and LTM net profit margin ratios are negative and not meaningful.*
- (9) *IEV recorded negative shareholders’ equity attributable to equity holders of approximately RM8.4 million as at 30 June 2019. Hence, IEV’s total liabilities to shareholders’ equity and total borrowings to shareholders’ equity ratios are negative and not meaningful.*
- (10) *The Group incurred a loss after tax attributable to owners of the Company of approximately US\$2.3 million for the LTM ended 30 June 2019. Hence, the Group’s LTM ROE and LTM net profit margin ratios are negative and not meaningful.*
- (11) *The Group recorded negative shareholders’ equity attributable to equity holders of approximately US\$3.6 million as at 30 June 2019. Hence, the Group’s total liabilities to shareholders’ equity and total borrowings to shareholders’ equity ratios are negative and not meaningful.*

For illustrative purposes only, we note the following:-

- (i) The Group incurred a loss after tax attributable to owners of the Company of approximately US\$2.3 million for the LTM ended 30 June 2019. Hence, the Group’s LTM ROE is not meaningful and LTM net profit margin is negative. For illustrative purpose only, we note that two (2) out of three (3) Selected Comparable Companies (save for Civmec), were also loss making with negative LTM net profit margin and not meaningful LTM ROE.
- (ii) The Group’s LTM asset turnover is within the range but lower than both the median and simple average for the Selected Comparable Companies.
- (iii) The Group recorded a negative equity attributable to owners of the Company of approximately US\$3.6 million as at 30 June 2019. Hence, the Group’s total liabilities to shareholders’ equity ratio and total borrowings to shareholders’ equity ratio are negative and not meaningful. For illustrative purpose only, we note that as at 30 June 2019, IEV was also having negative shareholder’s equity, hence it’s total liabilities to shareholders’ equity ratio and total borrowings to shareholders’ equity ratio is not meaningful.

In summary, the historical financial performance (based on LTM ROE and LTM net profit margin) and financial position (in terms of total liabilities to shareholders’ equity ratio and total borrowings to shareholders’ equity ratio) of the Group are negative and not meaningful. For the Selected Comparable Companies, we note that only Civmec recorded positive earnings with ROE and net profit margin of approximately 3.5% and 1.2% respectively. In terms of financial position, similar to the Group, IEV recorded negative shareholder’s equity, hence it’s total liabilities to shareholders’ equity ratio and total borrowings to shareholders’ equity ratio is not meaningful. The Group’s LTM asset turnover is within the range but lower than both the median and simple average for the Selected Comparable Companies.

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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 Subscription Price. 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 (as may be applicable) 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.

Selected Comparable Companies	Market capitalisation (S\$ m)	LTM EV/EBITDA <sup>(1)</sup> (times)	LTM PER <sup>(2)</sup> (times)	P/NAV <sup>(3)</sup> (times)	P/NTA <sup>(3)</sup> (times)	Premium/ (Discount) over/from NTA (%)
Civmec	185.4	11.8	32.6	1.1	1.1	13.8
MTQ	44.3	9.4	n.m. <sup>(4)</sup>	0.6	0.7	(29.5)
IEV	12.4	n.m. <sup>(5)</sup>	n.m. <sup>(5)</sup>	n.m. <sup>(6)</sup>	n.m. <sup>(6)</sup>	n.m. <sup>(6)</sup>
<b>MAXIMUM</b>	<b>185.4</b>	<b>11.8</b>	<b>32.6</b>	<b>1.1</b>	<b>1.1</b>	<b>13.8%</b>
<b>MINIMUM</b>	<b>12.4</b>	<b>9.4</b>	<b>32.6</b>	<b>0.6</b>	<b>0.7</b>	<b>(29.5)%</b>
<b>MEDIAN</b>	<b>44.3</b>	<b>10.6</b>	<b>32.6</b>	<b>0.9</b>	<b>0.9</b>	<b>(7.8)%</b>
<b>SIMPLE AVERAGE</b>	<b>80.7</b>	<b>10.6</b>	<b>32.6</b>	<b>0.9</b>	<b>0.9</b>	<b>(7.8)%</b>
<b>Group (implied by the Subscription Price)</b>	<b>4.4</b>	<b>n.m.<sup>(7)</sup></b>	<b>n.m.<sup>(7)</sup></b>	<b>3.8<sup>(8)</sup></b>	<b>n.m.<sup>(8)</sup></b>	<b>n.m.<sup>(8)</sup></b>

**Notes:**

- (1) The LTM EV/EBITDA for the Selected Comparable Companies are based on the most recent twelve months EBITDA as reported by the respective companies. The LTM EBITDA for MTQ and IEV are based on the most recent twelve months period ended 30 June 2019. The EBITDA for Civmec is based on the financial year ended 30 June 2019.
- (2) The LTM PER for the Selected Comparable Companies are based on the most recent twelve months earnings after tax as reported by the respective companies. The earnings after tax for MTQ and IEV are based on the most recent twelve months period ended 30 June 2019. The earnings after tax for Civmec is based on the financial year ended 30 June 2019.
- (3) The P/NAV and P/NTA ratios for the Selected Comparable Companies are based on their respective NAV and NTA values as set out in their latest available announced audited or unaudited financial statements. The NAV and NTA for MTQ and IEV are based on the most recent twelve months period ended 30 June 2019. The NAV and NTA for Civmec is based on the financial year ended 30 June 2019.
- (4) MTQ incurred a loss after tax attributable to owners of the Company of approximately S\$643 thousand for the LTM ended 30 June 2019.
- (5) IEV incurred a loss after tax attributable to owners of the Company of approximately RM8.0 million and negative EBITDA of approximately RM7.1 million for the LTM ended 30 June 2019. Hence, IEV's LTM PER and LTM EV/EBITDA ratios are negative and not meaningful.
- (6) IEV recorded negative NAV and NTA of approximately RM8.4 million and RM8.5 million respectively as at 30 June 2019. Hence, IEV's P/NAV and P/NTA ratios are negative and not meaningful.
- (7) The Group incurred a loss after tax attributable to owners of the Company of approximately US\$2.3 million and negative EBITDA of approximately US\$924 thousand for the LTM ended 30 June 2019. Hence, the Group's LTM PER and LTM EV/EBITDA ratios are negative and not meaningful.
- (8) The Group's P/NAV and P/NTA is based on the Subscription Price to the Group's Adjusted NAV and Subscription price to the Group's Adjusted NTL respectively. Please refer to Section 4.3 of this Letter.

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For illustrative purposes only, we note the following:-

- (i) The market capitalisation of the Group (as implied by the Subscription Price multiplied by the issued share capital after issuance of Settlement Shares) is below the range of the Selected Comparable Companies. We note that the trading statistics for companies with higher capitalisation may be different from those with lower market capitalisation and this may be attributable to relative liquidity in terms of number or value of shares traded as well as relative interest in shares of companies with larger market capitalisations.
- (ii) The valuation of the Group in terms of LTM PER and LTM EV/EBITDA are negative and not meaningful in view of the Group's loss after tax attributable to owners of the Company and negative EBITDA. We also note that the valuation of one (1) out of three (3) Selected Comparable Companies and two (2) out of three (3) Selected Comparable Companies in terms of LTM EV/EBITDA and LTM PER respectively are negative and not meaningful.
- (iii) The valuation of the Group in terms of P/Adjusted NAV (as implied by the Subscription Price and based on the Group's Adjusted NAV per Share) is 3.8 times, which is higher than the P/NAV ratios for Civmec and MTQ. IEV recorded negative shareholder's equity attributable to equity holders of approximately RM8.4 million as at 30 June 2019, hence its P/NAV ratio is negative and not meaningful.
- (iv) As mentioned in Section 4.3 of this Letter, assuming completion of the issuance of 181,852,521 Settlement Shares, the Group would still be in the NTL position of approximately US\$0.3 million. Hence, the valuation of the Group in terms of P/Adjusted NTL (as implied by the Subscription Price) is negative and not meaningful. This is similar to IEV. Meanwhile Civmec and MTQ are traded at P/NTA of approximately 1.1 times and 0.7 times respectively.

In summary, the valuation of the Group as implied by the Subscription Price in terms of LTM PER, LTM EV/EBITDA, and P/NTA are negative and not meaningful. The valuation of the Group as implied by the Subscription Price in terms of P/Adjusted NAV is 3.8 times which is higher than the P/NAV ratios for Civmec and MTQ.

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 Company 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.

Recommending 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.

### 4.6 Analysis of selected comparable transactions

In our assessment of the reasonableness of the Subscription Price, the discount from the last transacted prices prior to the Announcement Date as implied by the Subscription Price and the effects of the dilution on the voting rights for Independent Shareholders, we have reviewed transactions which involves issuance of shares for cash by companies listed on the SGX-ST, wherein a whitewash



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resolution was sought from shareholders (the “**Selected Comparable Transactions**”) and similar to the Whitewash Resolution sought.

We have tabulated the Selected Comparable Transactions to illustrate the typical issue or placement price to NTA, premium/discount represented by the issue or placement price to the last traded price for the relevant share on the market day immediately preceding the date of the relevant announcement, wherein the shares were last traded. Shareholders should note that some of these Selected Comparable Transactions are more than 5 years old and as such references or observation made herein is necessarily limited.

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Company	Date of announcement	Resultant shareholding of incoming shareholder in the company	Issue/ placement Price (\$)	Premium over/(discount to) last transacted price prior to announcement (%)	Issue/placement Price to NTA <sup>(1)</sup> (times)
GSH Corporation Limited	30-Mar-12	From 14.99% to 57.76%	0.007	(36.4)	0.5
Scintronix Corporation Limited	17-Sep-12	From 0% to 53.31%	0.014	(35.7)	0.6
Metax Engineering Corporation Limited	25-Oct-12	From 0% to 41.00%	0.053	(41.1)	1.9
China New Town Development Company Limited	18-Jan-13	From 0% to 54.32%	0.044	(44.0)	0.4
CarrierNet Global Ltd	25-Feb-13	From 33.32% to 53.72%	0.011	(38.9)	4.1
KLW Holdings Limited	15-Nov-13	From 0% to 50.6%	0.020	(20.0)	2.1
Edition Ltd. <i>(formerly known as Oniontech Limited)</i>	21-Feb-14	From 0% to 68.13%	0.030	11.1	0.3
ChinaVision Media Group Limited	11-Mar-14	From 0% to 59.83%	HK\$0.50	(21.9)	2.5
Cacola Furniture International Limited	02-Oct-14	From 0% to 79.43%	n.a. <sup>(2)</sup>	(10.0)	n.m. <sup>(3)</sup>
Xpress Holdings Limited	05-Dec-14	From 0.58% to 57.66%	0.007	(22.2)	21.2
Asiatravel.com Holdings Ltd	27-Nov-15	From 11.41% to 77%	0.200	(14.9)	6.5
Eucon Holding Limited	11-Dec-15	From 0% to 88.54%	0.018	(35.7)	n.m. <sup>(4)</sup>
Singapore eDevelopment Limited	29-Jan-16	From 28.31% to 48.41%	0.060	100.0	0.9

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Company	Date of announcement	Resultant shareholding of incoming shareholder in the company	Issue/ placement Price (\$)	Premium over/(discount to) last transacted price prior to announcement (%)	Issue/placement Price to NTA <sup>(1)</sup> (times)
Huan Hsin Holdings Ltd	24-Feb-16	From 0% to up to 90.1%	0.022	10.0	n.m. <sup>(5)</sup>
OKH Global Ltd	05-Apr-16	From 0% to 43.0%	0.100	(19.4)	0.4 <sup>(6)</sup>
Swee Hong Limited	14-Mar-16	From 0% to 50.62%	0.003	(97.7)	n.m. <sup>(7)</sup>
Jason Holdings Limited	21-Dec-16	From 19.81% to 92.18%	0.0005	(99.2)	0.04
SunMoon Food Company Limited	3-Jan-17	From 0% to 51.12%	0.045	(53.1)	1.5
SIIC Environment Holdings Ltd.	16-Jan-17	From 37.56% to 45.94%	0.630	11.5	n.m. <sup>(8)</sup>
AEI Corporation Ltd	8-Aug-17	From 0% to 68.31%	0.800	35.6	0.5 <sup>(9)</sup>
Gaylin Holdings Limited	23-Oct-17	From 0% to 75.64%	0.050	(47.4)	0.2 <sup>(10)</sup>
Atlantic Navigation Holdings (Singapore) Limited	16-Jul-18	From 0% to 50.22%	0.135	10.5	0.6 <sup>(11)</sup>
LionGold Corp Ltd	28-Dec-18	From 0% to 72.57%	0.001	0.0	0.8 <sup>(12)</sup>
Sitra Holdings (International) Limited	27-Feb-19	From 9.2% to 54% <sup>(13)</sup>	0.011	10.0	0.8
<b>MAXIMUM</b>				<b>100.0</b>	<b>21.2</b>
<b>MINIMUM</b>				<b>(99.2)</b>	<b>0.04</b>
<b>MEDIAN</b>				<b>(20.9)</b>	<b>0.7</b>
<b>SIMPLE AVERAGE</b>				<b>(10.1)</b>	<b>1.4</b>
<b>The Group</b>	<b>10-Jul-19</b>	<b>From 0% to 50.37%<sup>(14)</sup></b>	<b>0.01125</b>	<b>(43.8)</b>	<b>Negative<sup>(15)</sup></b>

*Source: Circulars for the respective companies*

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**Notes:**

- (1) *The NTA of the respective companies are based on their respective NTA values as set out in their respective circular for their above mentioned transactions. For the purpose of our analysis, we have excluded Xpress Holdings Limited's P/NTA of approximately 21.2.*
- (2) *Subscription Price is determined to be at a discount of ten percent (10%) to VWAP of the price traded on the day the company received the subscription request.*
- (3) *Cacola Furniture International Limited's P/NTA is deemed not meaningful as the computation will require many assumptions including reference price.*
- (4) *Eucon Holding Limited recorded a negative NTA of approximately S\$3.0 million and negative revalued NTA of S\$1.0 million as at 30 June 2016.*
- (5) *Based on the Adjusted NTL per Share. To note that the transaction for Huan Hsin Holdings Ltd has not been completed but has obtained shareholders' approval on 8 June 2018.*
- (6) *Based on revalued NTA as at 31 March 2016.*
- (7) *Swee Hong Limited recorded a negative NAV of approximately S\$47.1 million as at 31 March 2016.*
- (8) *SIIC Environment Holdings Ltd. recorded a negative NTA of approximately RMB466.5 million as at 31 December 2016.*
- (9) *Based on revalued NTA as at 31 December 2017.*
- (10) *Based on revalued NTA as at 30 September 2017.*
- (11) *Based on revalued NTA as at 30 September 2018.*
- (12) *Based on unaudited NTA as at 30 June 2019.*
- (13) *The resultant shareholding is based on post-option shares completion share capital.*
- (14) *The resultant shareholding of 50.37% is based on the enlarged issued and paid up share capital of 794,186,046 shares (excluding treasury Shares and subsidiary holdings) immediately after the completion of the Proposed Subscription and issuance of Settlement Shares.*
- (15) *Based on the Group's Adjusted NTL, calculated after the issuance of the Settlement Shares but prior to the issuance of the Subscription Shares.*

For illustrative purposes only, the valuation of the Group, in terms of the Subscription Price is favourable considering the Adjusted NTL position. It is noted that upon issuance and allotment of the 400,000,000 Subscription Shares pursuant to the Proposed Subscription and the issuance of 181,852,521 Settlement Shares in relation to the Debt Restructuring, the Subscriber's shareholding in the Company will increase from nil to approximately 50.37%. We wish to highlight that in the event only Selected Comparable Transactions whereby the shareholding of the incoming shareholders increased from 0% to more than 50% (similar to the Proposed Subscription) are considered, the simple average and the median of issue/placement price to NTA is approximately 1.0 times and 0.6 times respectively.

We wish to highlight that the discount of approximately 43.8% as implied by the Subscription Price over the last transacted price for the Shares prior to the Announcement Date is higher than the median and the simple average discount for the Selected Comparable Transactions, which are at discount of approximately 20.9% and 10.1% respectively, but it is still within the range of premiums and discounts for the Selected Comparable Transactions. The relatively higher discount of the Subscription Price from the last transacted price for the Shares prior to the Announcement Date as compared to the median and the simple average discount for the Selected Comparable Companies should be assessed in the context of: (a) the low liquidity for the Shares commencing from 12 months prior to the Announcement Date (where the average daily trading volume for the Shares were only approximately 9.7 thousand or approximately 0.01% of the total outstanding Shares as at the Latest Practicable Date and Shares were only traded on 20 Trading Days out of the total 251 Market Days); and (b) as the Company's going concern assumption hinges on its ability to secure additional funding from third parties as mentioned in Section 4.2, it is more than likely the Proposed Subscription will

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need to be done at a steeper discount. It is generally accepted that the less actively traded the shares, the lesser the reliance on market prices as a determination of the fair value of the shares. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value, they represent for prices for transactions between willing buyer and willing seller. Independent Shareholders should note that as the circumstances for each of the companies listed and the transactions outlined above are unique and as the companies may not be identical to the Group in terms of business activities, size of operations, market capitalisation, asset base, risk profile, track record, future prospects and other relevant criteria, the analysis is limited. Further, the list of Selected Comparable Transactions is by no means exhaustive and information relating to the said companies was compiled from publicly available information. Accordingly, any comparison between the Proposed Subscription and the Selected Comparable Transactions serves as an illustrative guide only.

### **5. OTHER RELEVANT CONSIDERATIONS**

#### **5.1 No Alternative offers to the Proposed Subscription**

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

We also understand from Directors that they had considered other fund raising alternatives, including but not limited to search for other strategic investors/partners, and obtaining external borrowings from financial institutions, before eventually deciding to proceed with the Proposed Subscription. The Directors note that the Group's currently weak financial performance and position (in particular, the losses recorded during the past two consecutive financial years and net current liabilities position for the Group) with material uncertainty related to going concern issued by the Independent Auditor for FY2018 makes it difficult to seek any meaningful amount of external borrowing from financial institutions or funds from investor without a significant discount to the Share price.

#### **5.2 Dilution Impact**

It is important to note that upon Completion of the Proposed Subscription and issuance of the Subscription Shares, the shareholdings of existing Independent Shareholders will be affected. In evaluating the dilution impact of the Proposed Subscription on the existing Independent Shareholders, we have considered the following:

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	As at the Latest Practicable Date <sup>1</sup> (Before the Proposed Subscription)						Immediately after issuance of the Settlement Shares <sup>2</sup>						Immediately after issuance of Settlement Shares and the Subscription Shares <sup>3</sup>					
	Number of Shares			%			Number of Shares			%			Number of Shares			%		
	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest
<b>Directors</b>																		
Lim How Teck	150,600	-	150,600	0.07	-	0.07	11,984,979	-	11,984,979	3.04	-	3.04	11,984,979	-	11,984,979	1.51	-	1.51
John Grønbech	82,088,000	-	82,088,000	38.66	-	38.66	98,307,162	-	98,307,162	24.94	-	24.94	98,307,162	-	98,307,162	12.38	-	12.38
Teo Lek Hong	-	-	-	-	-	-	1,299,686	-	1,299,686	0.33	-	0.33	1,299,686	-	1,299,686	0.16	-	0.16
Tay Kee Liat	-	-	-	-	-	-	1,251,795	-	1,251,795	0.32	-	0.32	1,251,795	-	1,251,795	0.16	-	0.16
<b>Substantial Shareholders (not being Directors)</b>																		
KSH <sup>4</sup>	48,360,000	-	48,360,000	22.78	-	22.78	69,614,641	-	69,614,641	17.66	-	17.66	69,614,641	-	69,614,641	8.77	-	8.77
Tan Fuh Gih <sup>5</sup>	857,751	48,360,000	49,217,751	0.40	22.78	23.18	3,086,702	69,614,641	72,701,343	0.78	17.66	18.44	3,086,702	69,614,641	72,701,343	0.39	8.77	9.15
Tan Kim Seng <sup>6</sup>	-	48,360,000	48,360,000	-	22.78	22.78	-	69,614,641	69,614,641	-	17.66	17.66	-	69,614,641	69,614,641	-	8.77	8.77
Tan Hoo Lang <sup>7</sup>	-	48,360,000	48,360,000	-	22.78	22.78	-	69,614,641	69,614,641	-	17.66	17.66	-	69,614,641	69,614,641	-	8.77	8.77
<b>Public Shareholders<sup>8</sup></b>																		
Galway Petroleum Pte Ltd	-	-	-	-	-	-	33,714,916	-	33,714,916	8.55	-	8.55	33,714,916	-	33,714,916	4.25	-	4.25
The Kirk Family Trust	-	-	-	-	-	-	31,235,947	2,125,463	33,361,410	7.92	0.54	8.46	31,235,947	2,125,463	33,361,410	3.93	0.27	4.20
The Mills Family Trust	-	-	-	-	-	-	16,659,172	-	16,659,172	4.23	-	4.23	16,659,172	-	16,659,172	2.10	-	2.10
Airserve Marine Travel Pte Ltd	-	-	-	-	-	-	6,376,392	-	6,376,392	1.62	-	1.62	6,376,392	-	6,376,392	0.80	-	0.80
David Jonathan Kirk	-	-	-	-	-	-	2,125,463	31,235,947	33,361,410	0.54	7.92	8.46	2,125,463	31,235,947	33,361,410	0.27	3.93	4.20
Kevin Raymond Lay	1,282,500	-	1,282,500	0.60	-	0.60	6,894,312	-	6,894,312	1.75	-	1.75	6,894,312	-	6,894,312	0.87	-	0.87
William Henry Lee Darlison	-	-	-	-	-	-	1,275,278	-	1,275,278	0.32	-	0.32	1,275,278	-	1,275,278	0.16	-	0.16
John Ure	1,016,000	-	1,016,000	0.48	-	0.48	3,212,672	-	3,212,672	0.82	-	0.82	3,212,672	-	3,212,672	0.40	-	0.40
Lo Ming Hoi David	-	-	-	-	-	-	1,275,278	-	1,275,278	0.32	-	0.32	1,275,278	-	1,275,278	0.16	-	0.16
Yak Thian Huat	527,000	-	527,000	0.25	-	0.25	4,862,785	-	4,862,785	1.23	-	1.23	4,862,785	-	4,862,785	0.61	-	0.61
Riza Maria Clout	324,268	-	324,268	0.15	-	0.15	1,645,466	-	1,645,466	0.42	-	0.42	1,645,466	-	1,645,466	0.21	-	0.21
Tim Green	-	-	-	-	-	-	695,966	-	695,966	0.18	-	0.18	695,966	-	695,966	0.09	-	0.09
Chu Voon Thart	8,516,020	-	8,516,020	4.01	-	4.01	9,850,425	-	9,850,425	2.50	-	2.50	9,850,425	-	9,850,425	1.24	-	1.24
SAC Capital Private Limited	-	-	-	-	-	-	4,674,897	-	4,674,897	1.19	-	1.19	4,674,897	-	4,674,897	0.59	-	0.59
Meta Fusion Pte Ltd	-	-	-	-	-	-	205,929	-	205,929	0.05	-	0.05	205,929	-	205,929	0.03	-	0.03
Ajai Mitter	825,245	-	825,245	0.39	-	0.39	1,869,350	-	1,869,350	0.47	-	0.47	1,869,350	-	1,869,350	0.24	-	0.24
Julien Jean Bernard Franchise	1,649,755	-	1,649,755	0.78	-	0.78	2,125,033	-	2,125,033	0.54	-	0.54	2,125,033	-	2,125,033	0.27	-	0.27
Kane Michael Rawsthorn	157,400	-	157,400	0.07	-	0.07	1,258,848	-	1,258,848	0.32	-	0.32	1,258,848	-	1,258,848	0.16	-	0.16
Klaus Haugsted	353,161	-	353,161	0.17	-	0.17	819,048	-	819,048	0.21	-	0.21	819,048	-	819,048	0.10	-	0.10
Louren David Woolf	3,199,683	-	3,199,683	1.51	-	1.51	7,587,131	-	7,587,131	1.92	-	1.92	7,587,131	-	7,587,131	0.96	-	0.96
Elo Yde	1,696,571	-	1,696,571	0.80	-	0.80	5,955,938	-	5,955,938	1.51	-	1.51	5,955,938	-	5,955,938	0.75	-	0.75
Chong Siu Peng	1,188,808	-	1,188,808	0.56	-	0.56	3,563,339	-	3,563,339	0.90	-	0.90	3,563,339	-	3,563,339	0.45	-	0.45
Hindmarsh Farrow Pty Ltd	-	-	-	-	-	-	616,733	-	616,733	0.16	-	0.16	616,733	-	616,733	0.08	-	0.08
Dr Chirasak Chiyachantana	-	-	-	-	-	-	-	-	-	-	-	-	400,000,000	-	400,000,000	50.37	-	50.37
Other Public Shareholders	60,140,763	-	60,140,763	28.32	-	28.32	60,140,763	-	60,140,763	15.26	-	15.26	60,140,763	-	60,140,763	7.57	-	7.57
<b>Total</b>	<b>212,333,525</b>			<b>100.00</b>			<b>394,186,046</b>			<b>100.00</b>			<b>794,186,046</b>			<b>100.00</b>		

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**Notes:**

- (1) *Based on the Existing Share Capital of 212,333,525 Shares.*
- (2) *Based on the enlarged share capital of 394,186,046 Shares.*
- (3) *Based on the Enlarged Share Capital of 794,186,046 Shares.*
- (4) *Kim Seng Holdings Pte Ltd is an investment holding company incorporated in Singapore. Tan Kim Seng, Tan Fuh Gih and Tan Hoo Lang hold 24.0%, 22.0% and 22.0% of the issued and paid-up share capital of Kim Seng Holdings Pte Ltd respectively and are each deemed interested in the shares held by Kim Seng Holdings Pte Ltd. The remaining shareholders of Kim Seng Holdings Pte Ltd are Tan Wei Min (20%), Tan Ah Ling (5.0%), Loh Sok Beng (5.0%) and Tan Ah Moy (2.0%). Tan Kim Seng, Tan Fuh Gih, Tan Hoo Lang, Tan Wei Min, Tan Ah Ling, Loh Sok Beng and Tan Ah Moy are siblings. Tan Kim Seng, Tan Fuh Gih and Tan Hoo Lang are directors of Kim Seng Holdings Pte Ltd.*
- (5) *“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 the following the issuance and allotment of 181,852,521 Settlement Shares and 400,000,000 Subscription Shares pursuant to the Proposed Subscription, the number of Shares in issue will increase from 212,333,525 Shares to 794,186,046 Shares (excluding treasury Shares and subsidiary holdings, where applicable). We note from the Circular that as at the Latest Practicable Date, the Subscriber does not hold any Shares in the Company and his shareholding interest in the Company will increase to approximately 50.37% immediately after completion of the issuance and allotment of 181,852,521 Settlement Shares and 400,000,000 Subscription Shares. Existing Shareholders will collectively suffer a reduction of approximately 73.26% of their percentage shareholding interests in the Company following the issuance and allotment of 181,852,521 Settlement Shares and 400,000,000 Subscription 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 38.09% to approximately 10.18% after the issuance and allotment of 181,852,521 Settlement Shares and 400,000,000 Subscription Shares, the collective interest of the Existing Public Shareholders to vote on certain matters will be significantly affected.

We note that the existing Shareholders’ and the Existing Public Shareholders’ ability to influence the outcome of resolutions will be significantly reduced after issuance and allotment of the Settlement Shares and the Subscription Shares.

**Shareholders should note that Ordinary Resolutions 12 and 13 (collectively, the “Inter-conditional Resolutions”) relating to the proposed issuance and allotment of the Subscription Shares and the proposed Whitewash Resolution, are inter-conditional upon each other. Accordingly, in the event that the Whitewash Resolution is not approved by the Independent Shareholders, the proposed issuance and allotment of the Subscription Shares will not proceed.**

**Independent Shareholders should also note that by voting for the Whitewash Resolution, they will be waiving their rights to receive a general offer for their Shares from the Subscriber at the highest price paid by the Subscriber and its concert parties 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.**

**Upon the completion of the Proposed Subscription, the Subscriber and its concert parties will hold shares carrying over 49% of the voting rights of the Company based on the Enlarged Share Capital and accordingly, will be free to, as a group, acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer.**

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### 5.3 Pro forma financial effects of the Proposed Subscription

The pro forma financial effects of the Proposed Subscription and its underlying assumptions can be found in Section 4 of the Circular. We recommend that the Recommending Directors advise the Independent Shareholders to read those pages of the Circular carefully.

For illustrative purpose only, we note from Section 4 of the Circular that the Group's NTA per Share would improve from approximately negative 1.99 US\$ cents as at 31 December 2018 to approximately negative 0.19 US\$ cents (after issuance of the Subscription Shares but before issuance of the Settlement Shares) and approximately positive 0.46 US\$ cents (after issuance of the Subscription Shares and the Settlement Shares). Likewise, the Group's loss per Share ("LPS") would improve from approximately 2.14 US\$ cent for FY2018 to approximately 0.75 US\$ cents (after issuance of the Subscription Shares but before issuance of the Settlement Shares) and approximately 0.58 US\$ cent (after issuance of the Subscription Shares and the Settlement Shares). It is noted that the Group was loss making and we understand from the Management that the improvement in the Group's loss per Share after the issuance of the Subscription Shares and the Settlement Shares was mainly caused by the dilution arising from the issuance of the Subscription Shares and the Settlement Shares. 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 issuance of the Subscription Shares (which the Company intends to use 88% for working capital funding and investment via business diversification and acquisitions).

### 5.4 No assurance of profitability or prices for Shares

We would like to highlight that there is no assurance that the injection of new funds from the proceeds of the Proposed Subscription and/or the steps taken or to be taken by the Company subsequent to the Proposed Subscription to improve its financial position and performance, including, *inter alia*, the Proposed Diversification, will be successful or would result in an enhancement of Shareholders' value.

### 5.5 Inter-conditionality of the Proposed Subscription and the Whitewash Resolution

Shareholders should note that Ordinary Resolutions 12 and 13 relating to the proposed issuance and allotment of the Subscription Shares and the proposed Whitewash Resolution, are inter-conditional upon each other. Accordingly, in the event that the Whitewash Resolution is not approved by the Independent Shareholders, the proposed issuance and allotment of the Subscription Shares will not proceed.

Shareholders should note that Ordinary Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14 and 15 relating to the Debt Restructuring, Proposed Diversification and the Proposed Change of Auditors, are independent and the passing of Ordinary Resolutions 12 and 13 shall not be conditional on the passing of any other Ordinary Resolutions tabled at the EGM.

Shareholders should also note that the completion of the Debt Restructuring (save that the issue and allotment of the Settlement Shares shall be done simultaneously with the Completion of the Proposed Subscription) is one of the Conditions Precedent to the Completion of the Proposed Subscription.

### 5.6 Proposed Diversification of Business

As set out in Section 3.6 of the Circular, the Company intends to use 88% of the Net Proceeds for business diversification and acquisitions and the remaining 12% for repayment of the Balance Liabilities.

We would like to highlight that our scope does not require us to express, and we do not express, a view on the track record of the Subscriber, including whether he can perform or achieve similar results



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based on his previous track record, given the minimum disclosure or details about his plans for the Company in the F&B Business.

The rationale for the Proposed Diversification of Business has been extracted from Section 11.1 of the Circular and is set out below in italics. We recommend that Independent Shareholders read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

### **“11. RATIONALE FOR THE PROPOSED DIVERSIFICATION**

11.1 *The Company intends to undertake the Proposed Diversification for the following reasons:*

(a) *New business opportunities for the Group*

*The Existing Core Business has been facing challenging market conditions such as pricing pressure from customers and rising operational costs. In turn, such adverse conditions had limited the Group’s growth and financial performance in recent years. While the Company remains focused on enhancing operational efficiency to improve profitability of the Existing Core Business, the Company is considering undertaking the Proposed Diversification as the F&B Business may potentially offer new opportunities for the Group to access new business opportunities.*

*The Board believes that, despite macroeconomic uncertainties, the potential for greater economic growth worldwide continues to offer unique opportunities for F&B Business related investments. The Board believes that potential investments in this area will be beneficial and will continue to be sustainable.*

(b) *More diversified business and income base, reducing reliance on Existing Core Business*

*The Proposed Diversification may provide the Group with a more diversified business and income base for future growth and reduce the Group’s reliance on its Existing Core Business for its revenue streams. As the Group explores more opportunities in the F&B Business, the prospects and financial performance of the Group may be improved and the Group may build a sustainable business in the future.*

(c) *Enhance Shareholders’ value*

*The Proposed Diversification forms part of the Group’s corporate strategy to provide Shareholders with diversified returns and long term growth. The Directors believe that the Proposed Diversification will reduce the Group’s reliance on its Existing Core Business, offer new business opportunities, provide the Group with new revenue streams and improve its prospects, so as to enhance Shareholders’ value for the Company.”*

The background information on the Subscriber has been extracted from Section 3.9 of the Circular and is set out below in italics. We recommend that Independent Shareholders read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

### **“3.9 Details of the Subscriber**

*The Subscriber is an established entrepreneur with business interests in real estate, education, F&B and finance. The Subscriber is currently the chairman and chief executive officer of World Corporation Public Company Limited, a company incorporated in Thailand and is listed on the Stock Exchange of Thailand. World Corporation Public Company Limited is principally engaged in investment in real estate and real estate development. He is also currently the president of Western U Education Company Limited. The Subscriber graduated*

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*from the University of Manila with a Bachelor of Science in civil engineering and obtained his MBA from Oklahoma City University. He also holds a Ph.D in leadership and human behaviour from the United States International University.*

*The Subscriber was introduced to the Company by UOB Kay Hian Private Limited. In consideration of procuring the Subscriber on a best effort basis for the Subscription Shares, the Company shall pay a commission of 2.5% of the Subscription Price for every Subscription Share to UOB Kay Hian Private Limited.*

*The Company confirms that none of the Directors or substantial shareholders of the Company has, to the best of their knowledge, any connection (including business relationship) with the Subscriber.”*

Our scope does not require us to express and we do not express, a view on the sufficiency of the Group’s working capital or the ability of the Group to continue as a going concern or the future growth prospects of the Company or the Group before and after the transactions stipulated in the Circular or the Whitewash Resolution or the prospects of the F&B Business or the expected returns or profit from the F&B Business. In the absence of information on specific F&B Business to be undertaken (including but not limited to type of F&B Business, geographical coverage, size and timing), we are unable to comment on the prospects and financial impacts of the F&B Business to the Group and to evaluate whether the F&B Business would be beneficial to the Shareholders. Independent Shareholders should note that the Group does not currently have any definitive commitment for the F&B Business.

Lastly, information on the risk factors pertaining to, *inter alia*, the F&B Business can be found in Section 12 of the Circular. Should any of the considerations and uncertainties highlighted in the aforementioned risk factors develop into actual events, the business, financial condition or results of the operations of the Company and the Group could be materially adversely affected. We advise Recommending Directors to note for themselves that section and also highlight the section to Independent Shareholders.

### **5.7 Implication of the Subscriber’s controlling interest in the Company**

Shareholders should note that after passing of all the ordinary resolution(s) for the Proposed Subscription and the Whitewash Resolution during the EGM, the Subscriber’s interest in the Company will increase from nil to approximately 50.37% (upon issuance of the Subscription Shares and Settlement Shares). In such event, the Subscriber and its concert parties will be in a position to exercise statutory control (shareholding exceeding 50% upon issuance of the Subscription Shares and Settlement Shares). Statutory control will put the Subscriber and its concert parties in a position to be able to pass all ordinary resolutions on matters in which the Subscriber and its concert parties do not have an interest in and which are tabled for Shareholders’ approval at general meetings to be convened by the Company.

### **5.8 Past attempted placement**

#### 2016 Proposed Placement

On 16 June 2016, the Company announced that it had entered into a subscription agreement with HARPS Holdings Pte. Ltd. (“**HARPS**”) to issue 15,000,000 new Shares (“**2016 Proposed Placement**”) at an issue price of S\$0.174 per new Share (“**2016 Issue Price**”), thereby raising gross proceeds of approximately S\$2.61 million. The 2016 Issue Price represents a premium of approximately 20.0% to the volume weighted average price (“**VWAP**”) of S\$0.1450 per Share for trades done on the Catalist of the SGX-ST on 10 June 2016, being the full market day on which trades were recorded on the Catalist of the SGX-ST preceding the date on which the subscription agreement for the 2016 Proposed Placement was signed. The 15,000,000 new Shares to be issued pursuant to the 2016 Proposed Placement represent approximately 7.85% of the then existing Share capital and

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approximately 7.28% of the enlarged Share capital of the Company.

On 3 January 2017, the Company announced that the 2016 Proposed Placement has lapsed as it has not received the subscription proceeds by the due date.

### 2019 Proposed Placement

On 22 January 2019, the Company announced that it had entered into a placement agreement with each of Zhongtai International Securities (Singapore) Pte. Ltd. (“**ZT**”) (the “**ZT Placement Agreement**”) and Soochow CSSD Capital Markets (Asia) Pte. Ltd. (“**SCCM**”) (the “**SCCM Placement Agreement**”) to procure subscribers for an aggregate of up to 705,882,353 new Shares (“**2019 Proposed Placement**”) at an issue price of S\$0.017 per new Share (“**2019 Issue Price**”), which will amount to an aggregate gross consideration of up to S\$12.0 million. The 2019 Issue Price represents a discount of approximately 15.0% to the VWAP of S\$0.020 per share based on trades done on the Catalist of the SGX-ST on 11 December 2018, being the full market day on which trades were traded immediately preceding the date on which the Placement Agreement was signed. The 705,882,353 new Shares to be issued pursuant to the 2019 Proposed Placement represent approximately 221.5% of the then existing Share capital and approximately 68.9% of the enlarged Share capital of the Company.

On 10 July 2019, the Company announced that both the ZT Placement Agreement and the SCCM Placement Agreement have lapsed and the parties have mutually agreed not to proceed with the 2019 Proposed Placement.

For illustrative purpose only, we note the following:-

- (i) In nominal terms, the Subscription Price is lower than the 2016 Issue Price and the 2019 Issue Price.
- (ii) The discount implied by the Subscription Price from the VWAP for the Shares prior to the Announcement is worse off than the 2016 Issue Price (which was at premium) and the 2019 Issue Price (which was at smaller discount).
- (iii) The gross proceeds to be raised from the Proposed Subscription is higher than the gross proceeds to be raised from the 2016 Proposed Placement, but lower than the gross proceeds to be raised from the 2019 Proposed Placement.
- (iv) The 2016 Issue Price represents approximately 3.7 times of the Group's audited NTA per Share as at 31 December 2015, whilst the 2019 Issue Price represents approximately 2.8 times of the Group's unaudited NTA as at 30 June 2018. We note that the Subscription Price is favourable taking into account the Group's NTL per Share and Adjusted NTL per Share as at 30 June 2019.

The unfavourable pricing for the Proposed Subscription as compared to the 2016 Proposed Placement and the 2019 Proposed Placement in terms of the nominal terms and comparison with the VWAP for the Shares prior to the respective announcement should be assessed in the context of the fact that (a) the 2016 Proposed Placement and the 2019 Proposed Placement were lapsed; (b) the Group's latest announced NTA prior to the 2016 Proposed Placement and the 2019 Proposed Placement were positive as compared to the Group's NTL and Adjusted NTL position as at 30 June 2019; and (c) the material uncertainty related to going concern highlighted by the Independent Auditors for FY2017 and FY2018.

Independent Shareholders should note that the 2016 Proposed Placement and the 2019 Proposed Placement were lapsed and as the circumstances (including the purpose) for the 2016 Proposed Placement and the 2019 Proposed Placement outlined above including but not limited to the Company, business and market conditions as at the time of announcement of the 2016 Proposed

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Placement and the 2019 Proposed Placement may be different from those for the Proposed Subscription (current weak financial performance and position with deficit in shareholders' equity and net current liabilities position as well as material uncertainty related to going concern highlighted in the AR2018), the analysis is necessarily limited. Accordingly, any comparison between the Proposed Subscription and the 2016 and 2019 Proposed Placement serves as an illustrative guide only.

### 5.9 Debt Restructuring

The salient information on the Debt Restructuring including, *inter alia*, issuance and allotment of the Settlement Shares have been extracted from Section 2 of the Circular and is set out in italics below. We recommend that the Recommending 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:

#### **"2. THE DEBT RESTRUCTURING**

- 2.1 *Pursuant to the Subscription Agreement, the Company undertakes that it shall, as soon as practicable, commence a debt and capital restructuring exercise (the "**Debt Restructuring**") to, inter alia:*
- (a) *cancel all Employee Share Options;*
  - (b) *extinguish and terminate Bond A and Bond B; and*
  - (c) *take other further steps to reduce the liabilities of the Company (whether actual or contingent) to not more than S\$500,000 (the "**Balance Liabilities**").*
- 2.2 *Under the Subscription Agreement, the Company may pursuant to the Debt Restructuring, issue an aggregate of up to 181,852,521 Shares (the "**Settlement Shares**") as partial capitalisation of the liabilities of the Company such that upon completion of the Debt Restructuring and before the Completion, the total number of Shares in the capital of the Company shall be up to 394,186,046 Shares (excluding treasury shares and subsidiary holdings). Immediately after issuance of the Settlement Shares and the Completion, the enlarged issued and paid-up share capital of the Company shall be up to 794,186,046 Shares (excluding treasury shares and subsidiary holdings). The Settlement Shares shall be issued free from all claims, charges, liens and other Encumbrances whatsoever and shall rank, *pari passu*, in all respects with the existing Shares save that they will not rank for any dividend, rights, allotments or other distributions, the record date of which falls on or before the date of issue.*
- 2.3 *Pursuant to the Debt Restructuring, the Company shall:*
- (A) *procure that a meeting of the Board is held or a resolution of the Board is passed to authorise (i) the Debt Restructuring; (ii) subject to shareholders' approval, the allotment and issue of the Settlement Shares; and (iii) the convening by the Company of an extraordinary general meeting to seek the shareholders' approval for the allotment and issue of the Settlement Shares, on or before the Long Stop Date;*
  - (B) *submit an application through the Sponsor to the SGX-ST for the Listing and Quotation Notice and do all such acts and things as may be necessary for such purposes to procure the listing and quotation of the Settlement Shares on the Catalist Board of the SGX-ST; and*
  - (C) *do all acts and things, and to procure the delivery and the furnishing of such forms, documents, information and undertakings as may be required under the SFA or*

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*otherwise and the doing of all acts and things as may be necessary or advisable in order to allot and issue the Settlement Shares.*

### 2.4 **Bond A**

2.4.1 *As announced by the Company on 7 August 2018, the Company had on the same day, entered into Convertible Loan Agreements with the Bond A Bondholders.*

2.4.2 *As announced by the Company on 18 September 2018, the convertible loan of the following principal amounts had been drawn down on 17 September 2018:*

<b>Name</b>	<b>Amount (US\$)</b>
<i>Galway Petroleum Pte Ltd</i>	<i>400,000</i>
<i>The Kirk Family Trust</i>	<i>750,000</i>
<i>The Mills Family Trust</i>	<i>400,000</i>
<b>Total</b>	<b>1,550,000</b>

2.4.3 *As announced by the Company on 31 January 2019, additional convertible loan of the principal amount of US\$400,000 had been drawn down from Galway Petroleum Pte Ltd.*

2.4.4 *Pursuant to Bond A, the loans are convertible at the option of the Bond A Bondholders, at any time after the drawdown on 17 September 2018 up to 5:00 p.m. (Singapore time) on the maturity date falling 3 years from the drawdown on 17 September 2018. Pursuant to Bond A, subject to any adjustments under Bond A, the conversion price was fixed at US\$0.02675.*

### 2.5 **Bond B**

2.5.1 *As announced by the Company on 20 March 2017 and 29 May 2017, the Company had, on entered into Convertible Notes Agreements with KSH on 17 March 2017 and with Mr Lim How Teck, an Independent Director of the Company, and Mr John Grønbech, an Executive Director and CEO of the Company on 29 May 2017. The subscription and issue of the convertible notes to KSH, Mr Lim How Teck and Mr John Grønbech and the issue of Shares upon conversion of the convertible notes was approved by Shareholders in an extraordinary general meeting on 15 June 2017.*

2.5.2 *As announced by the Company on 23 June 2017, the Company had on the same day, entered into Convertible Notes Agreements with John Ure, David Jonathan Kirk, Airserve Marine Travel Pte Ltd, Kevin Raymond Lay, Lo Ming Hoi David and William Henry Lee Darlison.*

2.5.3 *As announced by the Company on 17 October 2017, Bond B was completed on the same day with the issue of the notes of the following principal amounts:*

<b>Name</b>	<b>Amount (US\$)</b>
<i>KSH</i>	<i>500,000</i>
<i>John Grønbech</i>	<i>50,000</i>
<i>Lim How Teck</i>	<i>125,000</i>
<i>John Ure</i>	<i>30,000</i>
<i>David Jonathan Kirk</i>	<i>50,000</i>
<i>Airserve Marine Travel Pte Ltd</i>	<i>150,000</i>
<i>Kevin Raymond Lay</i>	<i>35,000</i>
<i>Lo Ming Hoi David</i>	<i>30,000</i>
<i>William Henry Lee Darlison</i>	<i>30,000</i>
<b>Total</b>	<b>1,000,000</b>

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2.5.4 Pursuant to Bond B, the notes are convertible at the option of the Bond B Bondholders, at any time after the second anniversary of the completion date on 17 October 2017 up to 14 business days after the maturity date falling 3 years from the completion date on 17 October 2017. Pursuant to Bond B, the conversion price was fixed at S\$0.15.

### 2.6 Settlement of Bond A and Bond B

2.6.1 As announced by the Company on 24 September 2019, the Company had entered into the Bond A Settlement Agreements, KSH Bond B Settlement Agreement, JG Bond B Settlement Agreement, LHT Bond B Settlement Agreement and Other Bond B Settlement Agreements. Pursuant to the Bond A Settlement Agreements, KSH Bond B Settlement Agreement, JG Bond B Settlement Agreement, LHT Bond B Settlement Agreement and Other Bond B Settlement Agreements, the Company shall issue the following number of Settlement Shares to the Bond A Bondholders and Bond B Bondholders in full and final settlement of the relevant Settlement Amount due to the Bond A Bondholders and Bond B Bondholders pursuant to Bond A and Bond B respectively:

#### Bond A

Name of Bondholder	Principal Amount  (US\$)	Interest payable  (US\$)	Relevant Settlement Amount and Relevant Settlement Amount capitalised (US\$)	Number of Settlement Shares to be issued
Galway Petroleum Pte Ltd	800,000	101,874	901,874	33,714,916
The Kirk Family Trust	750,000	85,562	835,562	31,235,947
The Mills Family Trust	400,000	45,633	445,633	16,659,172
<b>Total</b>	<b>1,950,000</b>	<b>233,069</b>	<b>2,183,069</b>	<b>81,610,035</b>

#### Bond B

Name of Bondholder	Principal Amount  (US\$)	Interest payable  (US\$)	Relevant Settlement Amount and Relevant Settlement Amount capitalised (US\$)	Number of Settlement Shares to be issued
KSH	500,000	68,562	568,562	21,254,641
John Grønbech	50,000	6,856	56,856	2,125,463
Lim How Teck	125,000	17,140	142,140	5,313,660
John Ure	30,000	4,114	34,114	1,275,278
David Jonathan Kirk	50,000	6,856	56,856	2,125,463
Airserve Marine Travel Pte Ltd	150,000	20,568	170,568	6,376,392
Kevin Raymond Lay	35,000	4,799	39,799	1,487,825
Lo Ming Hoi David	30,000	4,114	34,114	1,275,278
William Henry Lee Darlison	30,000	4,114	34,114	1,275,278
<b>Total</b>	<b>1,000,000</b>	<b>137,123</b>	<b>1,137,123</b>	<b>42,509,278</b>

Thereafter Bond A and Bond B shall be extinguished and terminated.

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- 2.6.2 Pursuant to the Bond A Settlement Agreements, KSH Bond B Settlement Agreement, JG Bond B Settlement Agreement, LHT Bond B Settlement Agreement and Other Bond B Settlement Agreements, the relevant Settlement Shares shall be allotted, issued and distributed by 31 December 2019. The settlement therein is conditional upon the obtaining of all necessary approvals required by any applicable law, regulation, rules or the like in Singapore. If such approval is not obtained by 31 December 2019, the parties shall engage in good faith discussions on how the relevant Settlement Amount is to be dealt with for a period of at least 3 months from 31 December 2019. During this period, the Bond A Bondholders, KSH, Mr John Grønbech, Mr Lim How Teck and the Other Bond B Bondholders shall not commence any claims against the Company in respect of any part of the Settlement Amount. Upon the issuance of Settlement Shares, the Bond A Bondholders and Bond B Bondholders will release and forever discharge the Company from all claims and liabilities.
- 2.6.3 Further Bond A Settlement Agreements and the Other Bond B Settlement Agreements are conditional upon the completion of the Proposed Subscription.
- 2.6.4 The Settlement Shares will be issued at a price of US\$0.02675 (S\$0.03667) per Settlement Share. Accordingly there is no change in the conversion price for Bond A but the conversion price for Bond B would change from S\$0.15 to US\$0.02675 (S\$0.03667) effectively. The price of US\$0.02675 (S\$0.03667) represents a premium of approximately 144.5% to the volume-weighted average price of S\$0.0150 per Share, based on the trades done on the SGX-ST on 19 September 2019, being the last full market day which the Shares were traded immediately preceding the date and up to the time the Bond A Settlement Agreements, KSH Bond B Settlement Agreement, JG Bond B Settlement Agreement, LHT Bond B Settlement Agreement and Other Bond B Settlement Agreements were signed. The issue price of the Settlement Shares was commercially agreed between the Company, the Bond A Bondholders and Bond B Bondholders, after arm's length negotiations and taking into account the conversion price under Bond A.
- 2.6.5 In accordance to Rule 829(3) of the Catalist Rules, any material alteration to the terms of the convertible securities after issue to the advantage of the holders of such securities is to be approved by shareholders. Accordingly, the Bond A Settlement Agreements, KSH Bond B Settlement Agreement, JG Bond B Settlement Agreement, LHT Bond B Settlement Agreement and Other Bond B Settlement Agreements and the issue of the Settlement Shares provided therein are conditional upon the approval of Shareholders.
- 2.7 **Settlement Shares to Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong, Mr Tay Kee Liat and Other Creditors**
- 2.7.1 As announced by the Company on 24 September 2019, the Company has entered into TFG Creditors Settlement Agreement, JG Creditors Settlement Agreement, LHT Creditors Settlement Agreement, TLH Creditors Settlement Agreement and TKL Creditors Settlement Agreement with Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong and Mr Tay Kee Liat. Pursuant to the TFG Creditors Settlement Agreement, JG Creditors Settlement Agreement, LHT Creditors Settlement Agreement, TLH Creditors Settlement Agreement and TKL Creditors Settlement Agreement, the Company shall issue the following number of Settlement Shares to Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong and Mr Tay Kee Liat:

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<b>Name of Creditor</b>	<b>Relevant Settlement Amount (US\$)</b>	<b>Relevant Settlement Amount payable in cash (US\$)</b>	<b>Relevant Settlement Amount capitalised (US\$)</b>	<b>Number of Settlement Shares to be issued</b>
Tan Fuh Gih	59,624	-	59,624	2,228,951
John Grønbech	659,280	282,273	377,006	14,093,699
Lim How Teck	424,773	250,344	174,429	6,520,719
Teo Lek Hong	70,834	41,747	29,087	1,087,373
Tay Kee Liat	68,373	40,296	28,077	1,049,592
<b>Total</b>	<b>1,282,884</b>	<b>614,660</b>	<b>668,223</b>	<b>24,980,334</b>

- 2.7.2 As announced by the Company on 24 September 2019, the Company has entered into the Other Creditors Settlement Agreements with various other creditors listed below (“**Other Creditors**”). Pursuant to the Other Creditors Settlement Agreements, the Company shall, inter alia, issue the following number of Settlement Shares to the Other Creditors:

<b>Name of Creditor</b>	<b>Relevant Settlement Amount (US\$)</b>	<b>Relevant Settlement Amount payable in cash (US\$)</b>	<b>Relevant Settlement Amount capitalised (US\$)</b>	<b>Number of Settlement Shares to be issued</b>
Yak Thian Huat	115,982	-	115,982	4,335,785
Riza Maria Clout	35,342	-	35,342	1,321,198
Hindmarsh Farrow Pty Ltd	16,498	-	16,498	616,733
SAC Capital Private Limited	312,634	187,580	125,054	4,674,897
Meta Fusion Pte Ltd	13,771	8,263	5,509	205,929
Tim Green	93,085	74,468	18,617	695,966
John Ure	60,021	35,374	24,647	921,394
Julien Jean Bernard Frachisse	31,784	19,071	12,714	475,278
Kane Michael Rawsthorn	71,751	42,287	29,464	1,101,448
Klaus Haugsted	30,349	17,886	12,462	465,887
Kevin Raymond Lay	268,645	158,328	110,317	4,123,987
Louren David Woof	285,807	168,443	117,364	4,387,448
Elo Yde	277,464	163,526	113,938	4,259,367
Chu Voon Thart	86,926	51,231	35,695	1,334,405
Chong Siu Peng	154,682	91,163	63,519	2,374,531
Ajai Mitter	68,015	40,085	27,930	1,044,105
<b>Total</b>	<b>1,922,756</b>	<b>1,057,705</b>	<b>865,052</b>	<b>32,338,358</b>

Upon the issuance of Settlement Shares, Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong and Mr Tay Kee Liat and the Other Creditors will release and forever discharge the Company from all claims and liabilities.

The cash portion of the Settlement Amount shall be transferred to our wholly owned subsidiary, Nautec Group Pte Ltd, and shall be payable in accordance with a payment instalment plan. Upon the payment of the cash portion of the Settlement Amount, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong and Mr Tay Kee Liat and the relevant Other Creditors will release and forever discharge Nautec Group Pte Ltd from all claims and/or liabilities.



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- 2.7.3 Pursuant to the TFG Creditors Settlement Agreement, JG Creditors Settlement Agreement, LHT Creditors Settlement Agreement, TLH Creditors Settlement Agreement, TKL Creditors Settlement Agreement and the Other Creditors Settlement Agreements, the relevant Settlement Shares shall be allotted, issued and distributed by 31 December 2019. The settlement therein is conditional upon the obtaining of all necessary approvals required by any applicable law, regulation, rules or the like in Singapore. If such approval is not obtained by 31 December 2019, the parties shall engage in good faith discussions on how the relevant Settlement Amount is to be dealt with for a period of at least 3 months from by 31 December 2019. During this period, Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong and Mr Tay Kee Liat and the Other Creditors shall not commence any claims against the Company in respect of any part of the Settlement Amount.
- 2.7.4 The Other Creditors Settlement Agreements is conditional upon the completion of the Proposed Subscription.
- 2.7.5 The Settlement Shares will be issued at a price of US\$0.02675 (S\$0.03667) per Settlement Share. The price of US\$0.02675 (S\$0.03667) represents a premium of approximately 144.5% to the volume-weighted average price of S\$0.0150 per Share, based on the trades done on the SGX-ST on 19 September 2019, being the last full market day which the Shares were traded immediately preceding the date and up to the time the TFG Creditors Settlement Agreement, JG Creditors Settlement Agreement, LHT Creditors Settlement Agreement, TLH Creditors Settlement Agreement, TKL Creditors Settlement Agreement and the Other Creditors Settlement Agreements were signed. The issue price of the Settlement Shares was commercially agreed between the Company, Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong, Mr Tay Kee Liat and the Other Creditors, after arm's length negotiations and taking into account the conversion price under Bond A.
- 2.8 **Issue of Settlement Shares to KSH, Mr John Grønbech, Mr Lim How Teck, Mr Tan Fuh Gih, Mr Teo Lek Hong and Mr Tay Kee Liat**
- 2.8.1 Rule 812 of the Catalist Rules provide as follows:
- (1) An issue must not be placed to any of the following persons: (a) the issuer's directors and substantial shareholders; (b) immediate family members of the directors and substantial shareholders; (c) substantial shareholders, related companies (as defined in Section 6 of the Companies Act), associated companies and sister companies of the issuer's substantial shareholders; (d) corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10%; or (e) any person who, in the opinion of the SGX-ST, falls within category (a) to (d).
  - (2) Rule 812(1) will not apply if specific shareholder approval for such a placement has been obtained. The person, and its associates, must abstain from voting on the resolution approving the placement.
- 2.8.2 As at the Latest Practicable Date, KSH holds 22.78% of the issued and paid-up capital of the Company and is therefore a Substantial Shareholder of the Company. Mr Tan Fuh Gih owns 22% of the total shareholding in KSH and as such is deemed interested in the Shares owned by KSH. He also holds 0.40% of the total shareholding in the Company directly. Accordingly Mr Tan Fuh Gih is a Substantial Shareholder of the Company. Mr Lim How Teck, Mr John Grønbech, Mr Teo Lek Hong and Mr Tay Kee Liat are Directors of the Company.
- 2.8.3 In accordance with Rule 812(2) of the Catalist Rules, specific approval from Shareholders is required for the issue of the Settlement Shares to KSH, Mr John Grønbech and Mr Lim How Teck pursuant to the KSH Bond B Settlement Agreement, JG Bond B Settlement Agreement and LHT Bond B Settlement Agreement respectively. The issue of Shares pursuant to Bond B

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to KSH, Mr John Grønbech and Mr Lim How Teck was previously approved by Shareholders in an extraordinary general meeting on 15 June 2017.

2.8.4 In accordance with Rule 812(2) of the Catalist Rules, specific approval from Shareholders is required for the issue of the Settlement Shares to Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong and Mr Tay Kee Liat pursuant to the TFG Creditors Settlement Agreement, JG Creditors Settlement Agreement, LHT Creditors Settlement Agreement, TLH Creditors Settlement Agreement and TKL Creditors Settlement Agreement respectively.

2.8.5 Accordingly (i) KSH and Mr Tan Fuh Gih, and their respective Associates will be abstaining from voting on Ordinary Resolutions 2 and 6; (ii) Mr John Grønbech and his respective Associates will be abstaining from voting on Ordinary Resolutions 3 and 7; (iii) Mr Lim How Teck and his respective Associates will be abstaining from voting on Ordinary Resolutions 4 and 8; (iv) Mr Teo Lek Hong and his respective Associates will be abstaining from voting on Ordinary Resolution 9; and (v) Mr Tay Kee Liat and his respective Associates will be abstaining from voting on Ordinary Resolution 10.

### 2.9 **Other Settlement Shares**

2.9.1 The Settlement Shares to be issued to the Bond A Bondholders, Bond B Bondholders, Mr Tan Fuh Gih, Mr John Grønbech, Mr Lim How Teck, Mr Teo Lek Hong, Mr Tay Kee Liat and the Other Creditors as described in Sections 2.4 - 2.8 above amounts to a total of 181,438,005 Settlement Shares.

2.9.2 The balance number of 414,516 Settlement Shares from the total of 181,852,521 Settlement Shares allowed under the Subscription Agreement, would be issued to Independent Directors Mr Teo Lek Hong and Mr Tay Kee Liat which was previously approved by Shareholders in an extraordinary general meeting on 15 June 2017. As such no further approval is required for the issue of the balance number of 414,516 Settlement Shares. More information can be found in the Company's circular dated 31 May 2017.

### 2.10 **Rationale for the issuance of Settlement Shares for the Debt Restructuring**

2.10.1 Pursuant to the Subscription Agreement, the Company undertakes that it shall, as soon as practicable, commence the Debt Restructuring to, inter alia, take other further steps to reduce the liabilities of the Company (whether actual or contingent) to not more than S\$500,000.

2.10.2 Pursuant to the Subscription Agreement, it is a condition precedent to Completion of the Proposed Subscription that is, at the Completion Date, no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any respect any of the warranties.

2.10.3 Amongst others, the Company has warranted to and undertaken with the Subscriber under the Subscription Agreement that upon the completion of the Debt Restructuring and at Completion, the liabilities of the Company (whether actual and contingent), shall not exceed S\$500,000.

2.10.4 The issuance of Settlement Shares as a partial capitalisation of the liabilities of the Company, including the full settlement of liabilities under Bond A and Bond B, and partial capitalisation of the liabilities to some creditors of the Company, drastically reduces the cash outlay required by the Company to complete the Debt Restructuring.”

We wish to highlight that our scope does not require us to express, and we do not express, a view on the Debt Restructuring, Bond A Settlement Agreements, KSH Bond B Settlement Agreement, JG Bond B Settlement Agreement, LHT Bond B Settlement Agreement, Other Bond B Settlement Agreements, TFG Creditors Settlement Agreement, JG Creditors Settlement Agreement, LHT

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Creditors Settlement Agreement, TLH Creditors Settlement Agreement, TKL Creditors Settlement Agreement and the Other Creditors Settlement Agreements.

For illustrative purpose only, we note the following:-

- (i) The Subscription Price of S\$0.01125 is substantially lower than the Settlement Price of US\$0.02675 (S\$0.03667).
- (ii) The discount of approximately 43.8% as implied by the Subscription Price from the last transacted price for the Shares prior to the Announcement Date is worse off than the premium of approximately 144.5% as implied by the Settlement Price from the last transacted price prior to the Announcement Date.

The unfavourable pricing for the Proposed Subscription *vis-à-vis* the Settlement Price should be assessed in conjunction with the fact that unlike the issuance of the Settlement Shares pursuant to the Debt Restructuring, the Proposed Subscription involves injection of fresh funds worth S\$4.5 million into the Company; and (b) the Proposed Subscription was entered into when the Company's financial performance and position was weak (losses since FY2017, deficit in shareholders' equity and net current liabilities position, and material uncertainty related to going concern).

Independent Shareholders should note that the circumstances (including the purpose) for the issuance of the Settlement Shares outlined above may be different from those for the Proposed Subscription, hence the analysis is necessarily limited. Accordingly, any comparison between the issuance of the Settlement Shares and the Proposed Subscription serves as an illustrative guide only.

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### 6. OPINION

In arriving at our recommendation in respect of the 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 or the prices at which the Shares would trade after the completion of the Proposed Subscription and/or the Proposed Transactions 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 Subscription can be materialised or the prospects of the F&B Business or the expected returns or profit from the F&B Business.

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 (including without limitation, property, plant and equipment) and we have relied on the Directors' confirmation that, *inter alia*, on aggregate basis, save as disclosed in the pro-forma financial statements of the Group as at 30 June 2019, the announcements released by the Company on the SGX-Net and the Circular, there are no material differences between the estimated market value of the assets and their respective book values as at 30 June 2019 which would have a material impact on the Group's Net Liabilities and/or NTL as at 30 June 2019. 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 Subscription and the use of proceeds as described in Section 3.10 and 3.6 of the Circular respectively. We note from Section 3.10 of the Circular that the Net Proceeds from the Proposed Subscription is intended to be used for the settlement of the Balance Liabilities, the funding of potential growth and expansion or diversification and general working capital of the Company. The Board believes the Company can leverage on the experience and network of the Subscriber for the Proposed Diversification which the Board believes to be beneficial to the Group.

In addition, the Board is of the opinion that the continuing use of the going concern assumption is dependent on, *inter alia*, completion of the Proposed Subscription. Lastly, we note from the Circular that the Directors having considered, *inter alia*, the terms of the Subscription Agreement, the financial effects and rationale of the Proposed Subscription, and after discussion with the Management of the Company, are of the view that the Proposed Subscription is in the best interests of the Company and its Shareholders.

- (b) The current weak financial position and performance of the Group. The Group reported profit after tax attributable to owners of the Company of approximately US\$0.7 million in FY2016 but subsequently it recorded loss after tax attributable to owners of the Company of approximately US\$6.9 million, US\$5.0 million and US\$0.4 million in FY2017, FY2018, and HY2019 respectively. In terms of the financial position, the Group recorded net current liabilities during the period reviewed (HY2019: negative US\$5.0 million) and deficit in the shareholders' equity of the Group of approximately US\$3.6 million as at the end of HY2019 (hence, its gearing ratio is also not meaningful). 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 HY2019, there has been no material changes to the assets and liabilities, financial position, condition and performance of the Group.
- (c) The material uncertainty related to 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 for the next 12 months

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and the ability of the Group to continue as going concern will depend on, *inter alia*, the successful completion of the Proposed Subscription, obtain continued support from its existing banks, and secured new contracts from customers.

We note that as represented and confirmed by the Directors, following completion of the proposed issuance of Settlement Shares and the Proposed Subscription, the Group's total liabilities and total borrowings would be reduced from approximately US\$15.7 million and US\$8.4 million respectively as at 30 June 2019 to approximately US\$11.2 million and US\$5.5 million respectively, on a pro-forma basis. The Management represented and confirmed that following completion of the proposed issuance of Settlement Shares and the Proposed Subscription, the shareholders' equity of the Group would improve from approximately negative US\$3.6 million as at 30 June 2019 to approximately positive US\$3.9 million, on a pro-forma basis. As such, the gearing of the Group would be approximately 1.4 times, on a pro-forma basis.

- (d) The historical financial performance and position of the Group appear to be weaker and less favourable than the Selected Comparable Companies which, in general, operate in the same industry that the Group operates in.
- (e) The Subscription Price (as set out in Section 4 of this Letter) after taking into account, *inter alia*, the following factors:-
- (i) The Subscription Price is favourable taking into account the Group's Net Liabilities per Share and/or NTL per Share as at 30 June 2019.
  - (ii) The Subscription Price represents a premium of approximately 282.5% over the Group's Adjusted NAV per Share (assuming completion of the issuance of the Settlement Shares). Recommending Directors are advised to assess the evaluation of the Subscription Price *vis-à-vis* the Group's Adjusted NAV per Share in conjunction with the Group's weak financial performance (with losses since FY2017 and declining core business activities in terms of revenue) and financial position with net current liabilities as at 30 June 2019, and the matters highlighted in the AR2018 pertaining to, *inter alia*, material uncertainty related to going concern.
  - (iii) The Subscription Price is favourable taking into account the Group's Adjusted NTL per Share (assuming completion of the issuance of the Settlement Shares).
  - (iv) The comparison of the Subscription Price and the historical prices for the Shares:-
    - The Subscription Price represents a discount of approximately 43.8% from the last transacted price of S\$0.020 per Share for the Shares on the SGX-ST on 4 July 2019, being the Last Trading Day immediately preceding the Announcement Date;
    - The Subscription Price represents a discount of approximately 52.4%, 55.0%, 58.6% and 31.8% from the VWCP for the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Announcement Date respectively;
    - The Subscription Price represents a discount of approximately 26.8% from the VWCP for the Shares for the period commencing on the Market Day immediately after the Announcement Date and ending on the Latest Practicable Date; and
    - The Subscription Price represents a premium of approximately 25.0% from the last transacted price of S\$0.009 per Share on the SGX-ST on 18 October 2019, being the Last Trading Day preceding the Latest Practicable Date.

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- (v) The valuation of the Group in terms of LTM EV/EBITDA, LTM PER, and P/NTA (as implied by the Subscription Price) are negative and as such the comparison with the valuation multiples for the Selected Comparable Companies is not meaningful. Meanwhile, the valuation of the Group in terms of P/Adjusted NAV (as implied by the Subscription Price and based on the Group's Adjusted NAV) is 3.8 times and this is higher than the P/NAV ratios for Civmec and MTQ.

In our assessment, we have also considered the following: (a) the Group's generally weaker financial performance with losses since FY2017 and declining core business activities (in terms of revenue) and financial position with net current liabilities position and deficit in the shareholders' equity as compared to the Selected Comparable Companies; (b) the matters highlighted in the AR2018 pertaining to, *inter alia*, material uncertainty related to going concern; and (c) the confirmation from the Directors 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 Subscription, obtain continued support from its existing banks, and secured new contracts from customers.

It is noted that upon the issuance of the Subscription Shares, the Subscriber's interest in the Company will increase to approximately 50.37%. Hence, the Proposed Subscription involves the Subscriber acquiring control of the Company while the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in an acquisition of control.

- (vi) Comparison with the Selected Comparable Transactions which shows that the discount of approximately 43.8% as implied by the Subscription Price over the last transacted price for the Shares prior to the Announcement Date is within the range of premiums and discounts for the Selected Comparable Transactions but less favourable as compared to the simple average and the median for the Selected Comparable Transactions.

The relatively higher discount of the Subscription Price in terms of the comparison with the last transacted price for the Shares prior to the Announcement Date may, *inter alia*, be assessed in the context of the low liquidity for the Shares commencing from 12 months period prior to the Announcement Date (where the average daily trading volume for the Shares were only approximately 9.7 thousand or approximately 0.01% of the total outstanding Shares as at the Latest Practicable Date and Shares were only traded on 20 Trading Days out of the total 251 Market Days). It is generally accepted that the less actively traded the shares, the lesser the reliance on market prices as a determination of the fair value of the shares. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value, they represent for prices for transactions between willing buyer and willing seller.

- (f) The pro-forma financial effects of the Proposed Subscription as outlined in Section 4 of the Circular. The approval of the Whitewash Resolution will allow the Company to raise gross proceeds of up to approximately S\$4.5 million (before deducting estimated expenses incurred in connection with the Proposed Subscription) with favourable financial effects on the on the Group's NTA per Share and LPS as outlined in the Circular as well as providing the Company with the necessary funding for satisfying the Company's settlement of the Balance Liabilities, the funding of potential growth and expansion or diversification and general working capital of the Company. In addition, as highlighted in Section 4.2 of this Letter, following completion of the proposed issuance of the Settlement Shares and the Proposed Subscription, the Group's total liabilities and total borrowings would be reduced from approximately US\$15.7 million and US\$8.4 million respectively as at 30 June 2019 to approximately US\$11.2 million and US\$5.5 million respectively, on a pro-forma basis. The Management represented and confirmed that following the completion of the proposed issuance of the Settlement Shares and the Proposed Subscription, the shareholders' equity of the Group would improve from approximately negative

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US\$3.6 million as at 30 June 2019 to approximately positive US\$3.9 million, on a pro-forma basis. As such, the gearing of the Group would be approximately 1.4 times, on a pro-forma basis.

- (g) The dilutive impact of the Proposed Subscription, set out in Section 5.4 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 Proposed Subscription which should be viewed in conjunction with the Group's weak financial performance (loss making since FY2017 with declining core business activities in terms of revenue) and financial position with net current liabilities position as at 30 June 2019, and the matters highlighted in the AR2018 pertaining to, *inter alia*, material uncertainty related to going concern.
- (h) The Directors have confirmed that whilst significant efforts have been made by the Directors and Management to source for alternative offer for investment in the Company, as at the Latest Practicable Date, they are not aware of any alternative offers for investment in the Company, which is comparable in nature, size and scope to the Proposed Subscription and with injection of cash proceeds into the Group which would strengthen the Group's financial position, so as to enhance Shareholders' value.
- (i) The passing of the Ordinary Resolutions relating to the Proposed Subscription and the Whitewash Resolution set out in the Circular are inter-conditional. This means that if any of the Ordinary Resolutions is not approved, the other Ordinary Resolutions will not be passed.
- (j) Other relevant considerations as set out in Section 5 of this Letter.

In summary, having regard to our analysis and the consideration in this Letter (including its limitation and constraints stated above, *inter alia*, there being no valuation reports for the assets owned by the Group) 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 Subscription, being the subject of the 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 Subscription, being the subject of the Whitewash Resolution, we have adopted the approach that the term "fair" and "reasonable" comprises two distinct concepts:

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

We consider the Proposed Subscription (which is the subject of the Whitewash Resolution) to be **FAIR** after factoring in, *inter alia*, the following:-

- (a) The Group's current weak financial performance (loss making since FY2017 with declining core business activities in terms of revenue in view of, *inter alia*, market and industry condition) and financial position of the Group (with deficit in shareholders' equity and net current liabilities position as at 30 June 2019 as well as the matters highlighted in the AR2018 pertaining to, *inter alia*, material uncertainty related to going concern).

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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 HY2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

- (b) The Subscription Price is favourable taking into account the Group's Net Liabilities per Share and/or NTL per Share as at 30 June 2019. In addition, the Subscription Price represents a substantial premium of approximately 282.5% over the Group's Adjusted NAV.

Assuming completion of the issuance of 181,852,521 Settlement Shares, the Group would still be in the NTL position of approximately US\$0.3 million. Hence, the comparison and analysis of the Subscription Price and the Group's Adjusted NTL per Share are not meaningful. Notwithstanding, we note that the Subscription Price is favourable taking into account the Group's Adjusted NTL per Share.

- (c) Whilst the Subscription 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 the low liquidity for the Shares (in terms of number of Shares traded on daily basis as well as number of Trading Days).
- (d) Fair comparison of the valuation of the Group as implied by the Subscription Price with the Selected Comparable Companies after taking into account the relatively weaker financial performance and position of the Group *vis-à-vis* the Selected Comparable Companies and the assessment of the Issue Price considering the Group's Adjusted NAV and/or Adjusted NTL position.
- (e) Fair comparison with the Selected Comparable Transactions – in particular, the Subscription Price is favourable considering the Adjusted NTL position and the discount of approximately 43.8% as implied by the Issue Price from the last transacted price for the Shares prior to the Announcement Date is higher than the median and the simple average, but still within the range of premiums and discounts for the Selected Comparable Transactions.

We also consider the Proposed Subscription, being the subject of the 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 favourable financial impact of the Proposed Subscription on the Group's NTA per Share, LPS, shareholders' equity and gearing, which we have viewed in the context that the approval of the Whitewash Resolution will allow the Company to raise gross proceeds of up to approximately S\$4.5 million (before deducting estimated expenses incurred in connection with the Proposed Subscription) as well as providing the Company with the required funding to, *inter alia*, strengthen its financial position and business expansion or diversification. .
- (ii) The rationale of the Proposed Subscription as described in Section 3.10 of the Circular. The Proposed Subscription is intended to be used for the settlement of the Balance Liabilities, the funding of potential growth and expansion or diversification and general working capital of the Company.
- (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 Subscription.
  - Whilst significant efforts have been made by the Directors and Management to source for alternative offer with better pricing, as at the Latest Practicable Date, they are not aware



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of any alternative offers, which is comparable in nature, size and scope to the Proposed Subscription.

### Recommendation

Based on our assessment of the Proposed Subscription, being the subject of the Whitewash Resolution as set out above, we advise the Recommending Directors to recommend that Independent Shareholders vote **in favour of** the Whitewash Resolution to be proposed at the EGM. We advise the Recommending Directors to highlight to Independent Shareholders the matters as stated in our Letter, including, *inter alia*, our limitation in analysis (including but not limited to the absence of valuation of the Group's assets and the prospects and financial impacts of the F&B Business to the Group in view of the absence of information on specific F&B Business to be undertaken), evaluation, comments and opinion in this Letter. We advise the Recommending Directors to recommend the Independent Shareholders to exercise caution in their decision in voting in favour of or against the 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 Subscription 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 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) Independent Shareholders should note that Ordinary Resolutions 12 and 13 relating to the proposed issuance and allotment of the Subscription Shares and the proposed Whitewash Resolution, are inter-conditional upon each other. Accordingly, in the event that the Whitewash Resolution is not approved by the Independent Shareholders, the proposed issuance and allotment of the Subscription Shares will not proceed.
- (2) Independent Shareholders should also note that by voting for the Whitewash Resolution, they will be waiving their rights to receive a general offer for their Shares from the Subscriber at the highest price paid by the Subscriber and its concert parties 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.
- (3) Upon the completion of the Proposed Subscription, the Subscriber and its concert parties will hold shares carrying over 49% of the voting rights of the Company based on the Enlarged Share Capital and accordingly, will be free to, as a group, acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer.
- (4) 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 (including without limitation, property, plant and equipment) or contracts entered into 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 without limitation, property, plant and equipment) including, *inter alia*, the contracts or agreements that the Group has embarked upon or are

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about to embark upon 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 condition of the Company and the Group as reflected in the unaudited financial statements for the Company and the Group as at 30 June 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 HY2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

- (5) 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 transactions stipulated in the Circular or the Whitewash Resolution or the sufficiency of the Group's working capital or the ability of the Group to continue as a going concern.
- (6) Our scope does not require us to express and we do not express, a view on the sufficiency of the Group's working capital or the ability of the Group to continue as a going concern or the future growth prospects of the Company or the Group before and after the transactions stipulated in the Circular or the Whitewash Resolution or the prospects of the F&B Business or the expected returns or profit from the F&B Business. In the absence of information on specific F&B Business to be undertaken (including but not limited to, *inter alia*, the type of F&B Business, geographical coverage, size and timing), we are unable to comment on the prospects and financial impacts of the F&B Business to the Group and to evaluate whether the F&B Business would be beneficial to the Shareholders. Independent Shareholders should note that the Group does not currently have any definitive commitment for the F&B Business.

### 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.

### 7. 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 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 reach the registered office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898, not less than 48 hours before the time appointed for the holding of the EGM. The completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes. In such event, the Proxy Form will be deemed to be revoked.

A Depositor shall not be entitled to attend, speak and vote at the EGM unless he is shown to have Shares entered against his name in the Depository Register as certified by CDP not less than 72 hours before the time appointed for the holding of the EGM.

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In addition, Independent Shareholders are advised to read Section 20 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.

This Letter has been prepared pursuant to Rule 14 and Appendix 1 of the Takeover Code as well as addressed to the Recommending Directors in connection with and for the sole purpose of their evaluation of the 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 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 Whitewash Resolution, whether pursuant to the Contracts (Rights of Third Parties) Act Chapter 53B of Singapore or otherwise.

The recommendations made by the Recommending Directors to the Independent Shareholders in relation to the 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 Recommending 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

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### NAUTICAWT LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 201108075C)

*Unless otherwise defined, all capitalised terms used herein shall bear the same meanings as ascribed in the circular to shareholders dated 4 November 2019 issued by NauticAWT Limited (“Circular”).*

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of NauticAWT Limited (the “Company”) will be held at 12 Tai Seng Link #05-01A Singapore 534233 on 19 November 2019 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendment, the following ordinary resolutions:

#### **ORDINARY RESOLUTION 1 - THE BOND A SETTLEMENT AGREEMENTS AND THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 81,610,035 NEW SHARES TO BOND A BONDHOLDERS PURSUANT THERETO**

##### **RESOLVED THAT,; -**

- (a) approval be granted to the Company to enter into the Bond A Settlement Agreements subject to and otherwise in accordance with the terms and conditions therein;
- (b) approval be and is hereby given for the issuance and allotment of issuance of up to 81,610,035 Shares to the Bond A Bondholders pursuant to the Bond A Settlement Agreements; and
- (c) the Directors of the Company and each of them be and is hereby authorised to implement, execute, perfect or give effect to complete and do all such acts and things (including executing all such documents as may be required) as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to complete the proposed allotment and issuance and to give effect to this Ordinary Resolution 1.

#### **ORDINARY RESOLUTION 2 - THE KSH BOND B SETTLEMENT AGREEMENT AND THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 21,254,641 NEW SHARES TO KSH PURSUANT THERETO**

##### **RESOLVED THAT,; -**

- (a) approval be granted to the Company to enter into the KSH Bond B Settlement Agreement subject to and otherwise in accordance with the terms and conditions therein;
- (b) approval be and is hereby given for the issuance and allotment of issuance of up to 21,254,641 Shares to KSH pursuant to the KSH Bond B Settlement Agreement; and
- (c) the Directors of the Company and each of them be and is hereby authorised to implement, execute, perfect or give effect to complete and do all such acts and things (including executing all such documents as may be required) as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to complete the proposed allotment and issuance and to give effect to this Ordinary Resolution 2.

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### **ORDINARY RESOLUTION 3 - THE JG BOND B SETTLEMENT AGREEMENT AND THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 2,125,463 NEW SHARES TO MR JOHN GRØNBECH PURSUANT THERETO**

**RESOLVED THAT,; -**

- (a) approval be granted to the Company to enter into the JG Bond B Settlement Agreement subject to and otherwise in accordance with the terms and conditions therein;
- (b) approval be and is hereby given for the issuance and allotment of issuance of up to 2,125,463 Shares to Mr John Grønbech pursuant to the JG Bond B Settlement Agreement; and
- (c) the Directors of the Company and each of them be and is hereby authorised to implement, execute, perfect or give effect to complete and do all such acts and things (including executing all such documents as may be required) as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to complete the proposed allotment and issuance and to give effect to this Ordinary Resolution 3.

### **ORDINARY RESOLUTION 4 - THE LHT BOND B SETTLEMENT AGREEMENT AND THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 5,313,660 NEW SHARES TO MR LIM HOW TECK PURSUANT THERETO**

**RESOLVED THAT,; -**

- (a) approval be granted to the Company to enter into the LHT Bond B Settlement Agreement subject to and otherwise in accordance with the terms and conditions therein;
- (b) approval be and is hereby given for the issuance and allotment of issuance of up to 5,313,660 Shares to Mr Lim How Teck pursuant to the LHT Bond B Settlement Agreement; and
- (c) the Directors of the Company and each of them be and is hereby authorised to implement, execute, perfect or give effect to complete and do all such acts and things (including executing all such documents as may be required) as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to complete the proposed allotment and issuance and to give effect to this Ordinary Resolution 4.

### **ORDINARY RESOLUTION 5 - THE OTHER BOND B SETTLEMENT AGREEMENTS AND THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 13,815,514 NEW SHARES TO THE OTHER BOND B BONDHOLDERS PURSUANT THERETO**

**RESOLVED THAT,; -**

- (a) approval be granted to the Company to enter into the Other Bond B Settlement Agreements subject to and otherwise in accordance with the terms and conditions therein;
- (b) approval be and is hereby given for the issuance and allotment of issuance of up to 13,815,514 Shares to the Other Bond B Bondholders pursuant to the Other Bond B Settlement Agreements; and

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## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

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- (c) the Directors of the Company and each of them be and is hereby authorised to implement, execute, perfect or give effect to complete and do all such acts and things (including executing all such documents as may be required) as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to complete the proposed allotment and issuance and to give effect to this Ordinary Resolution 5.

### **ORDINARY RESOLUTION 6 - THE TFG CREDITORS SETTLEMENT AGREEMENT AND THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 2,228,951 NEW SHARES TO MR TAN FUH GIH PURSUANT THERETO**

**RESOLVED THAT,; -**

- (a) approval be granted to the Company to enter into the TFG Creditors Settlement Agreement subject to and otherwise in accordance with the terms and conditions therein;
- (b) approval be and is hereby given for the issuance and allotment of issuance of up to 2,228,951 Shares to the Mr Tan Fuh Gih pursuant to the TFG Creditors Settlement Agreement; and
- (c) the Directors of the Company and each of them be and is hereby authorised to implement, execute, perfect or give effect to complete and do all such acts and things (including executing all such documents as may be required) as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to complete the proposed allotment and issuance and to give effect to this Ordinary Resolution 6.

### **ORDINARY RESOLUTION 7 - THE JG CREDITORS SETTLEMENT AGREEMENT AND THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 14,093,699 NEW SHARES TO MR JOHN GRØNBECH PURSUANT THERETO**

**RESOLVED THAT,; -**

- (a) approval be granted to the Company to enter into the JG Creditors Settlement Agreement subject to and otherwise in accordance with the terms and conditions therein;
- (b) approval be and is hereby given for the issuance and allotment of issuance of up to 14,093,699 Shares to the Mr John Grønbech pursuant to the JG Creditors Settlement Agreement; and
- (c) the Directors of the Company and each of them be and is hereby authorised to implement, execute, perfect or give effect to complete and do all such acts and things (including executing all such documents as may be required) as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to complete the proposed allotment and issuance and to give effect to this Ordinary Resolution 7.

### **ORDINARY RESOLUTION 8 - THE LHT CREDITORS SETTLEMENT AGREEMENT AND THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 6,520,719 NEW SHARES TO MR LIM HOW TECK PURSUANT THERETO**

**RESOLVED THAT,; -**

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- (a) approval be granted to the Company to enter into the LHT Creditors Settlement Agreement subject to and otherwise in accordance with the terms and conditions therein;
- (b) approval be and is hereby given for the issuance and allotment of issuance of up to 6,520,719 Shares to the Mr Lim How Teck pursuant to the LHT Creditors Settlement Agreement; and
- (c) the Directors of the Company and each of them be and is hereby authorised to implement, execute, perfect or give effect to complete and do all such acts and things (including executing all such documents as may be required) as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to complete the proposed allotment and issuance and to give effect to this Ordinary Resolution 8.

### **ORDINARY RESOLUTION 9 - THE TLH CREDITORS SETTLEMENT AGREEMENT AND THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 1,087,373 NEW SHARES TO MR TEO LEK HONG PURSUANT THERETO**

#### **RESOLVED THAT,; -**

- (a) approval be granted to the Company to enter into the TLH Creditors Settlement Agreement subject to and otherwise in accordance with the terms and conditions therein;
- (b) approval be and is hereby given for the issuance and allotment of issuance of up to 1,087,373 Shares to the Mr Teo Lek Hong pursuant to the LHT Creditors Settlement Agreement; and
- (c) the Directors of the Company and each of them be and is hereby authorised to implement, execute, perfect or give effect to complete and do all such acts and things (including executing all such documents as may be required) as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to complete the proposed allotment and issuance and to give effect to this Ordinary Resolution 9.

### **ORDINARY RESOLUTION 10 - THE TKL CREDITORS SETTLEMENT AGREEMENT AND THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 1,049,592 NEW SHARES TO MR TAY KEE LIAT PURSUANT THERETO**

#### **RESOLVED THAT,; -**

- (a) approval be granted to the Company to enter into the TKL Creditors Settlement Agreement subject to and otherwise in accordance with the terms and conditions therein;
- (b) approval be and is hereby given for the issuance and allotment of issuance of up to 1,049,592 Shares to the Mr Tay Kee Liat pursuant to the TKL Creditors Settlement Agreement; and
- (c) the Directors of the Company and each of them be and is hereby authorised to implement, execute, perfect or give effect to complete and do all such acts and things (including executing all such documents as may be required) as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to complete the proposed allotment and issuance and to give effect to this Ordinary Resolution 10.

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### **ORDINARY RESOLUTION 11 - THE OTHER CREDITORS SETTLEMENT AGREEMENTS AND THE PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 32,338,358 NEW SHARES TO THE OTHER CREDITORS PURSUANT THERETO**

**RESOLVED THAT,; -**

- (a) approval be granted to the Company to enter into the Other Creditors Settlement Agreements subject to and otherwise in accordance with the terms and conditions therein;
- (b) approval be and is hereby given for the issuance and allotment of issuance of up to 32,338,358 Shares to the Other Creditors pursuant to the Other Creditors Settlement Agreements; and
- (c) the Directors of the Company and each of them be and is hereby authorised to implement, execute, perfect or give effect to complete and do all such acts and things (including executing all such documents as may be required) as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to complete the proposed allotment and issuance and to give effect to this Ordinary Resolution 11.

### **ORDINARY RESOLUTION 12 - THE PROPOSED ISSUANCE AND ALLOTMENT OF 400,000,000 NEW SHARES AT S\$0.01125 PER SHARE TO DR CHIRASAK CHIYACHANTANA PURSUANT TO THE PROPOSED SUBSCRIPTION**

**RESOLVED THAT,** subject to and contingent upon the passing of Ordinary Resolution 13: -

- (a) approval be and is hereby given for the issuance and allotment of 400,000,000 Shares (“**Subscription Shares**”) at the subscription price of approximately S\$0.01125 for each Subscription Share to Dr Chirasak Chiyachantana (the “**Subscriber**”), subject to and otherwise in accordance with the terms and conditions of the Subscription Agreement; and
- (b) the Directors of the Company and each of them be and is hereby authorised to take such steps, approve all matters, implement, execute, perfect or give effect to complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to complete the proposed allotment and issuance and/or to give effect to this Ordinary Resolution 12.

### **ORDINARY RESOLUTION 13 - THE WHITEWASH RESOLUTION FOR WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM DR CHIRASAK CHIYACHANTANA AND HIS CONCERT PARTIES**

**RESOLVED THAT,** subject to and contingent upon the passing of Ordinary Resolution 12, the conditions in the letter from the SIC dated 23 August 2019 being fulfilled, the Independent Shareholders, do hereby unconditionally and irrevocably waive their rights to receive a general offer from the Subscriber and its concert parties in accordance with Rule 14 of the Code, for all the Shares not already owned by the Subscriber and its concert parties, as a result of the allotment and issue of 400,000,000 Subscription Shares to the Subscriber pursuant to the Proposed Subscription.



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## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

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### **ORDINARY RESOLUTION 14 - THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS INTO THE F&B BUSINESS**

#### **RESOLVED THAT: -**

- (a) approval be and is hereby given for the Company to expand the Group's business into the F&B Business (the "**Proposed Diversification**"); and
- (b) the Directors of the Company and each of them be and is hereby authorised to take such steps, approve all matters, implement, execute, perfect or give effect to complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to give effect to the Proposed Diversification and/or this Ordinary Resolution 14.

### **ORDINARY RESOLUTION 15 - THE PROPOSED CHANGE OF AUDITORS**

#### **RESOLVED THAT: -**

- (a) Messrs Foo Kon Tan LLP ("**FKT**") having consented to act, be and are hereby appointed as Auditors of the Company in place of Messrs Deloitte & Touche 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 of the Company with FKT; and
- (b) the Directors of the Company and each of them be and is hereby authorised to take such steps, approve all matters, implement, execute, perfect or give effect to complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to give effect to the Proposed Change of Auditors and/or this Ordinary Resolution 15.

**SHAREHOLDERS SHOULD NOTE THAT ORDINARY RESOLUTIONS 12 and 13 (COLLECTIVELY, THE "INTER-CONDITIONAL RESOLUTIONS") ARE INTER-CONDITIONAL UPON EACH OTHER. ACCORDINGLY, IN THE EVENT THAT ANY OF THESE INTER-CONDITIONAL RESOLUTIONS IS NOT APPROVED, THE OTHER INTER-CONDITIONAL RESOLUTION WOULD NOT BE PASSED.**

By Order of the Board

John Grønbech  
Executive Director and CEO  
4 November 2019

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### Explanatory Notes on Resolution 15 to Shareholders:

In accordance with the requirements of Rule 712(3) of the Catalist Rules, the Company confirms that:

- (a) Messrs Deloitte & Touche LLP (“**Deloitte**”) has informed FKT that it is not aware of any professional reasons why FKT should not accept the appointment as auditors of the Company;
- (b) there were no disagreements with Deloitte on accounting treatments within the last 12 months from the date of this Circular;
- (c) 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 this Circular;
- (d) the specific reasons for the Proposed Change of Auditors are disclosed in Paragraph 14.1 of this Circular above; and
- (e) it is in compliance with Rules 712 and 716 of the Catalist Rules in relation to the proposed appointment of FKT as its new Auditors.

### Notes:

1. A member of the Company (other than a Relevant Intermediary) entitled to attend and vote at the EGM is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.  
  
A Relevant Intermediary is:
  - (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
2. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy in the instrument appointing the proxies, failing which the nomination shall be alternative.
3. A member who is a Relevant Intermediary entitled to attend the EGM and vote, is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.
4. If the member is a corporation, the instrument appointing the proxy must be under its common seal or under the hand of an officer or attorney duly authorised in writing.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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5. If a proxy is to be appointed, the instrument appointing the proxy must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, at 80 Robinson Road #11-02 Singapore 068898, not less than forty-eight (48) hours before the time appointed for the EGM.
6. In the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at seventy-two (72) hours before the time appointed for holding the EGM as certified by The Central Depository (Pte) Limited to the Company.
7. In the case of joint shareholders, all holders must sign the form of proxy.

### **Personal data privacy:**

**"Personal data"** in this Notice of EGM has the same meaning as "personal data" in the Personal Data Protection Act 2012 ("PDPA"), which includes a member's name and his/her proxy's and/or representative's name, address and NRIC/Passport number. Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. The member's personal data and the 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.

## PROXY FORM

### NAUTICAWT LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 201108075C)

### PROXY FORM EXTRAORDINARY GENERAL MEETING

**IMPORTANT:**

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the EGM in person. CPF and SRS Investors who are unable to attend the EGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and 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 No.),  
of \_\_\_\_\_ (Address)

being a member/members of NAUTICAWT LIMITED (the "Company") hereby appoint:

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

and/or\*

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the EGM, as my/our\* proxy/proxies\* to vote for me/us\* on my/our\* behalf at the EGM to be held at 12 Tai Seng Link #05-01A Singapore 534233 on 19 November 2019 at 10:30 a.m. and at any adjournment thereof. I/We\* direct my/our\* proxy/proxies\* to vote for or against the ordinary resolutions as set out in the Notice of EGM. If no specific direction as to voting is given or in the event of any other matter arising at the EGM and at any adjournment thereof, my/our\* proxy/proxies\* will vote or abstain from voting at his/their discretion.

*(If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.)*

No.	Ordinary Resolution	No. of votes for	No. of votes against
1.	The Bond A Settlement Agreements and the Proposed Issuance and Allotment of up to 81,610,035 New Shares to Bond A Bondholders Pursuant Thereto		
2.	The KSH Bond B Settlement Agreement and the Proposed Issuance and Allotment of up to 21,254,641 New Shares to KSH Pursuant Thereto		
3.	The JG Bond B Settlement Agreement and the Proposed Issuance and Allotment of up to 2,125,463 New Shares to Mr John Grønbech Pursuant Thereto		
4.	The LHT Bond B Settlement Agreement and the Proposed Issuance and Allotment of up to 5,313,660 New Shares to Mr Lim How Teck Pursuant Thereto		
5.	The Other Bond B Settlement Agreements and the Proposed Issuance and Allotment of up to 13,815,514 New Shares to Other Bond B Bondholders Pursuant Thereto		
6.	The TFG Creditors Settlement Agreement and the Proposed Issuance and Allotment of up to 2,228,951 New Shares to Mr Tan Fuh Gih Pursuant Thereto		
7.	The JG Creditors Settlement Agreement and the Proposed Issuance and Allotment of up to 14,093,699 New Shares to Mr John Grønbech Pursuant Thereto		
8.	The LHT Creditors Settlement Agreement and the Proposed Issuance and Allotment of up to 6,520,719 New Shares to Mr Lim How Teck Pursuant Thereto		
9.	The TLH Creditors Settlement Agreement and the Proposed Issuance and Allotment of up to 1,087,373 New Shares to Mr Teo Lek Hong Pursuant Thereto		

## PROXY FORM

10.	The TKL Creditors Settlement Agreement and the Proposed Issuance and Allotment of up to 1,049,592 New Shares to Mr Tay kee Liat Pursuant Thereto		
11.	The Other Creditors Settlement Agreements and the Proposed Issuance and Allotment of up to 32,338,358 New Shares to the Other Creditors Pursuant Thereto		
12.	The Proposed Issuance and Allotment of 400,000,000 New Shares at S\$0.01125 per Share to Dr Chirasak Chiyachantana pursuant to the Proposed Subscription		
13.	The Whitewash Resolution for Waiver by Independent Shareholders of their rights to receive a Mandatory General Offer from Dr Chirasak Chiyachantana and his Concert Parties		
14.	The Proposed Diversification of the Group's Business into the F&B Business		
15.	The Proposed Change of Auditors		

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

<b>Total no. of Shares</b>

\_\_\_\_\_  
Signature(s) of Shareholder(s)/Common Seal  
of Corporate Shareholder

**\*Delete where inapplicable**

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

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## PROXY FORM

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### Notes:

1. A member should insert the total number of ordinary shares held by him/her. If the member has ordinary shares entered against his/her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he/she should insert that number. If the member has ordinary shares registered in his/her name in the Register of Members, he/she should insert that number. If the member has ordinary shares entered against his/her name in the Depository Register and ordinary shares registered in his/her name in the Register of Members, he/she should insert the aggregate number. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the ordinary shares held by the member.
2. A member of the Company (other than a Relevant Intermediary) entitled to attend and vote at the EGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead, subject to note 4 below. A proxy need not be a member of the Company.

### A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. Where a member (other than a Relevant Intermediary) appoints two (2) proxies, the member shall specify the proportion of his/her shares (expressed as a percentage of the whole) to be represented by each proxy, failing which the nomination shall be alternative.
  4. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
  5. Subject to Note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
  6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898, not less than 48 hours before the time appointed for the EGM.
  7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
  8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
  9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the EGM.

### General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his/her name in the

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## PROXY FORM

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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 member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of EGM dated 4 November 2019.

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