

CIRCULAR DATED 20 OCTOBER 2020

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, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of TT International Limited ("**Company**"), you should immediately forward this Circular (as defined herein), the Notice of Extraordinary General Meeting (as defined herein) and the enclosed Proxy Form (as defined herein) 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.

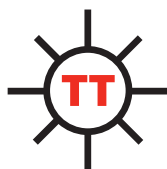
Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the (i) listing and quotation of the Rights Shares (as defined herein) and the Conversion Shares (as defined herein) on the Mainboard of the SGX-ST; and (ii) resumption of trading of its Shares (as defined herein) on the Mainboard of the SGX-ST, subject to certain conditions. The Rights Shares and the Conversion Shares will be admitted to the Mainboard of the SGX-ST and official quotation is expected to commence after all conditions are satisfied, all certificates relating thereto having been issued and the notification letters from The Central Depository (Pte) Limited ("**CDP**") having been despatched. The Shares will resume trading on the SGX-ST on a date before the launch of the Proposed Rights Issue (as defined herein).

Approval in-principle by the SGX-ST is not to be taken as an indication of the merits of the Proposed Rights Issue (as defined herein), the Rights (as defined herein), the Rights Shares (as defined herein), the Proposed Convertible Loan (as defined herein), the Conversion Shares (as defined herein), and the Company and/or its subsidiaries.

This Circular does not constitute an offer to sell or a solicitation of an offer to buy shares nor shall there be any sale of any shares in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under any securities laws of such jurisdiction. This Circular is issued to Shareholders (as defined herein) solely for the purpose of providing Shareholders with the information pertaining to, and seeking Shareholders' approval for the resolutions to be proposed at the Extraordinary General Meeting. Shareholders are authorised to use this Circular solely for the purpose of considering the approvals sought. Persons to whom a copy of this Circular has been issued shall not circulate to any other person, reproduce or otherwise distribute this Circular or any information herein for any purpose whatsoever nor permit or cause the same to occur.

The distribution of this Circular and/or transfer of the Rights and the Rights Shares into jurisdictions other than Singapore may be prohibited or restricted by law. Persons into whose possession this Circular comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, opinions expressed or reports contained in this Circular.



TT INTERNATIONAL LIMITED

(Company Registration Number 198403771D)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

- (1) **THE PROPOSED CONVERTIBLE LOAN HAVING A PRINCIPAL VALUE OF S\$48,000,000 FROM THE INVESTOR (AS DEFINED HEREIN) TO THE COMPANY AND THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 5,280,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE "CONVERSION SHARES") AT AN ISSUE PRICE OF S\$0.01 PER CONVERSION SHARE TO THE INVESTOR AS REPAYMENT OF THE PRINCIPAL AND INTEREST UNDER THE PROPOSED CONVERTIBLE LOAN PURSUANT TO THE CONVERTIBLE LOAN AGREEMENT (AS DEFINED HEREIN);**
- (2) **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY THE INDEPENDENT SHAREHOLDERS (AS DEFINED HEREIN) OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM THE INVESTOR FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY IT AS A RESULT OF THE ALLOTMENT AND ISSUE OF THE CONVERSION SHARES;**
- (3) **THE POTENTIAL TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO THE INVESTOR ARISING FROM THE PROPOSED ISSUE OF CONVERSION SHARES;**
- (4) **THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 349,463,972 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE "RIGHTS SHARES") AT AN ISSUE PRICE OF S\$0.01 FOR EACH RIGHTS SHARE, ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY THREE (3) EXISTING ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY THE SHAREHOLDERS OF THE COMPANY AS AT A RECORD DATE (AS DEFINED HEREIN); AND**
- (5) **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY THE INDEPENDENT SHAREHOLDERS OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM THE MAJOR SHAREHOLDERS (AS DEFINED HEREIN) FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY THEM AS A RESULT OF THE ALLOTMENT AND ISSUE OF RIGHTS SHARES.**

Independent Financial Adviser to the Recommending Directors in respect of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution



Novus Corporate Finance Pte. Ltd.

(Company Registration Number 201723484W)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form : 2 November 2020 at 1.00 p.m.
Date and time of Extraordinary General Meeting : 4 November 2020 at 1.00 p.m.

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DEFINITIONS

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

“9MFY2019”	: Nine-month period ended 31 December 2018
“9MFY2020”	: Nine-month period ended 31 December 2019
“ACRA”	: The Accounting and Corporate Regulatory Authority of Singapore
“Act”	: The Companies Act (Chapter 50) of Singapore, as may be amended or modified from time to time
“Additional Payable Interest”	: Has the meaning ascribed to it in paragraph 3.8.3 of this Circular
“Aggregate Payable Sum”	: Has the meaning ascribed to it in paragraph 3.8.1 of this Circular
“Anti-dilution Adjustments”	: Has the meaning ascribed to it in paragraph 3.2 of this Circular, and the term “Anti-dilution Adjustment” shall be construed accordingly
“ARE”	: Application form for Rights Shares and Excess Rights Shares to be issued to an Entitled Depositor in respect of the provisional allotment of Rights Shares of such Entitled Depositor under the Proposed Rights Issue
“ARS”	: Application form for Rights Shares to be issued to purchasers of the provisional allotments of Rights Shares under the Proposed Rights Issue traded on the SGX-ST through the book-entry (scripless) settlement system
“Assessed Amount”	: Has the meaning ascribed to it in paragraph 2.7 of this Circular
“ATM”	: Automated teller machine(s) of a Participating Bank
“Audit Committee”	: Raymond Koh Bock Swi, Ng Leok Cheng and Yo Nagasue
“Authority”	: The Monetary Authority of Singapore
“BBPL”	: Big Box Pte Ltd, a special purpose joint venture investment vehicle for the development of the Property
“Board”	: The board of Directors of the Company
“Bridging Loan”	: Has the meaning ascribed to it in paragraph 2.5 of this Circular
“Business Day”	: Means a day (other than a Saturday, Sunday, or gazetted public holiday) on which commercial banks are open for business in Singapore
“CDP”	: The Central Depository (Pte) Limited
“Charged Companies”	: Has the meaning ascribed to it in paragraph 2.10 of this Circular
“Circular”	: This circular to Shareholders dated 20 October 2020

DEFINITIONS

“Claim”	: Any claim or right in connection with any indebtedness or any other liability of the Company to any person arising directly or indirectly out of any and all agreements, leases, transactions, dealings and matters effected or entered into or occurring at any time on or prior to the Cut-Off Date, including without limitation (a) the amount secured by the Corporate Guarantee or a contribution claim by a co-surety in respect of an indebtedness or liability jointly and severally secured by the Corporate Guarantee; and (b) any claim against the Company in respect of any breach, loss or damage occurred, suffered or incurred in relation to or in connection with any and all agreements, leases, transactions, dealings and matters effected or entered into with the Company, whether accepted, arising before, at or after the Cut-Off Date, and including, for the avoidance of doubt, any and all claims whether present or contingent or whether liquidated, or sounding only in damages and whether in contract or tort or howsoever arising valued as on the Cut-Off Date, interest, default interest, premium, principal, additional amounts, make whole amounts, fees and commissions accruing on, or payable in respect of, or any other accretions whatsoever arising in respect of, such claims or rights whether before, at or after the Cut-Off Date
“Closing Date”	: The time and date to be determined by the Directors, being the last time and date for acceptance of and (if applicable) excess application and payment for (and in the case of Entitled Scripholders, renunciation of and payment for) the Rights Shares under the Proposed Rights Issue
“Company”	: TT International Limited (Company Registration No. 198403771D), a company incorporated in Singapore
“Consideration”	: Has the meaning ascribed to it in paragraph 2.5 of this Circular
“Controlling Shareholder”	: A person who: (a) holds directly or indirectly 15.0% or more of the total number of issued shares excluding treasury shares in a company. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or (b) in fact exercises control over a company
“Conversion Price”	: S\$0.01 per Share
“Conversion Regulatory Approval”	: All required regulatory approval(s) for the Proposed Issue of Conversion Shares and the listing of the Conversion Shares on the SGX-ST, including but not limited to a listing and quotation notice approval from the SGX-ST
“Conversion Shareholders Approval”	: Shareholders’ approval for the Proposed Convertible Loan, the Proposed Issue of Conversion Shares and, where applicable, the Proposed CS Whitewash Waiver Resolution

DEFINITIONS

“Conversion Shares”	: Up to 5,280,000,000 new Shares to be allotted and issued by the Company pursuant to the Proposed Convertible Loan (subject to any Anti-dilution Adjustments), and the term “Conversion Share” shall be construed accordingly
“Conversion Whitewash Waiver”	: The waiver from the SIC from the requirements under Rule 14 of the Takeover Code for the Investor to make an offer for the Shares or other securities of the Company arising from the allotment and issue of the Conversion Shares
“Convertible Loan Agreement”	: Has the meaning ascribed to it in paragraph 3.2 of this Circular
“Corporate Guarantee”	: Any corporate guarantee granted by the Company to a Creditor in respect of the indebtedness or indemnity or other document under which the Company incurs an obligation to assure to a creditor the payment of the indebtedness of the (direct or indirect) subsidiary of the Company
“Court”	: The High Court of the Republic of Singapore
“CPF”	: Central Provident Fund
“CPF Funds”	: CPF account savings
“CPFIS”	: Central Provident Fund Investment Scheme
“Creditor”	: A creditor of the Company in respect of a Claim and includes (for the avoidance of doubt, but without double counting in each case) any Creditors except Excluded Creditors
“Creditor Standstill”	: Has the meaning ascribed to it in paragraph 2.7 of this Circular
“Cut-Off Date”	: 27 July 2018
“Debenture”	: Has the meaning ascribed to it in paragraph 2.1(a) of this Circular
“Directors”	: The directors of the Company as at the date of this Circular
“EGM” or “Extraordinary General Meeting”	: The extraordinary general meeting of the Company to be held on 4 November 2020 at 1.00 p.m., notice of which is set out on pages N-1 to N-4 of this Circular
“EGM Resolutions”	: Has the meaning ascribed to it in paragraph 1.5 of this Circular
“Entitled Depositors”	: Shareholders with Shares standing to the credit of their Securities Accounts and whose registered addresses with CDP are in Singapore as at the Record Date or who have, at least three (3) Market Days prior to the Record Date, provided CDP with addresses in Singapore for the service of notices and documents
“Entitled Scripholders”	: Shareholders whose share certificates have not been deposited with the CDP and who have tendered to the Share Transfer Agent valid transfers of their Shares and the certificates thereto for registration up to the Record Date and whose registered addresses with the Company are in Singapore as at the Record

DEFINITIONS

	Date or who have, at least three (3) Market Days prior to the Record Date, provided the Share Transfer Agent with addresses in Singapore for the service of notices and documents
“Entitled Shareholders”	: Entitled Depositors and Entitled Scripholders
“EPS”	: Earnings per Share
“Excess Rights Shares”	: Additional Rights Shares in excess of an Entitled Shareholder’s provisional allotments of Rights Shares under the Proposed Rights Issue
“Excluded Creditor”	: Any creditor of the Company that is described in Appendix 5 to the New Scheme
“Existing Issue Share Capital”	: The existing issued and paid up share capital of the Company comprising 1,048,391,917 Shares (excluding treasury shares) as at the Latest Practicable Date
“Existing Major Shareholders Shares”	: Has the meaning ascribed to it in paragraph 6.4.1 of this Circular
“Existing Scheme”	: The scheme of arrangement under Section 210 of the Act, which is sanctioned by the Singapore Court of Appeal on 13 October 2010, with the effective date on 19 April 2010
“Existing Scheme Claims”	: Claims in connection with the Existing Scheme and/or arising from the termination of the Existing Scheme
“Existing Scheme Creditors”	: Creditors of the Company with Existing Scheme Claims
“Existing Scheme Debts”	: Has the meaning ascribed to it in paragraph 2.1(b) of this Circular
“Foreign Shareholders”	: Has the meaning ascribed to it in paragraph 6.10.1(h) of this Circular
“FY”	: Financial year ended or ending on 31 March, as the case may be
“General Offer”	: The requirement under Rule 14 of the Takeover Code for any person to make a mandatory general offer to acquire all the issued shares (other than those already owned, controlled or agreed to be acquired by him or persons acting in concert with him)
“Group”	: The Company and its subsidiaries
“IFA”	: Novus Corporate Finance Pte. Ltd., the independent financial adviser to the Recommending Directors in respect of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution
“IFA Letter”	: The letter dated 20 October 2020 from the IFA to the Recommending Directors in relation to the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution as set out in Appendix B to this Circular

DEFINITIONS

“Independent Shareholders”	: Shareholders who are independent for the purposes of the Proposed CS Whitewash Resolution and/or the Proposed RS Whitewash Resolution, as the case may be
“Investor”	: Celestial Palace Limited
“Irrevocable Instructions”	: Has the meaning ascribed to it in paragraph 6.4.6 of this Circular
“Irrevocable Undertaking”	: The irrevocable undertaking dated 9 December 2019 given by the Major Shareholders to the Company, further details of which are set out in paragraph 6.4 of this Circular
“Last Trading Day”	: 3 August 2017, being the last trading day prior to the voluntary suspension of trading of the Shares on the Mainboard of the SGX-ST
“Latest Practicable Date”	: 9 October 2020, being the latest practicable date prior to the printing of this Circular
“Loan”	: Has the meaning ascribed to it in paragraph 2.10 of this Circular
“Loan Agreement”	: Has the meaning ascribed to it in paragraph 2.10 of this Circular
“Mainboard Rules”	: The listing manual of the SGX-ST (Section A: Rules of Mainboard) as amended, varied or supplemented from time to time
“Major Shareholders”	: Sng Sze Hiang, our Chairman and Chief Executive Officer, and Tong Jia Pi Julia, our Executive Director
“Management Services Agreement”	: Has the meaning ascribed to it in paragraph 2.5 of this Circular
“Mandatory Conversion Date”	: The date falling 36 months after the listing and quotation of the Rights Shares on the SGX-ST or such other date as may be agreed between the Company and the Investor, provided always that such date is prior to the date falling 60 months from the date of the Convertible Loan Agreement
“Market Day”	: A day on which the SGX-ST is open for trading in securities
“Net Proceeds”	: Has the meaning ascribed to it in paragraph 6.9.4 of this Circular
“New Scheme”	: The scheme under Section 211I of the Act which is approved by the Company’s Creditors on 20 December 2018 and sanctioned by the Court on 26 March 2019 and subsequently amended and sanctioned by the Court on 29 July 2019
“Non-Existing Scheme Claims”	: Claims other than Existing Scheme Claims
“Non-Existing Scheme Creditors”	: Has the meaning ascribed to it in paragraph 2.3 of this Circular
“Non-sustainable Debt”	: Has the meaning ascribed to it in paragraph 2.1(b) of this Circular
“Notice of EGM”	: Has the meaning ascribed to it in paragraph 1.3 of this Circular

DEFINITIONS

“NTA”	: Net tangible assets
“Offer Information Statement”	: The offer information statement referred to in Section 277 of the SFA, together with the PAL, the ARE, the ARS, and all other accompanying documents (where applicable, including any supplement or replacement document thereof to be issued by the Company and to be lodged with the Authority in connection with the Proposed Rights Issue)
“Original Repayment Date”	: Has the meaning ascribed to it in paragraph 2.5 of this Circular
“PAL”	: The provisional allotment letter to be issued to an Entitled Scripholder, setting out the provisional allotment of Rights Shares of the Entitled Scripholder under the Proposed Rights Issue
“Participating Bank”	: A bank that will be participating in the Proposed Rights Issue by making available its ATMs to Entitled Depositors and persons purchasing the “nil-paid” Rights through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore, for acceptances of the Rights Shares and/or applications for Excess Rights Shares, and to be set out in the Offer Information Statement in due course
“Potential Transfer of Controlling Interest”	: The potential transfer of Controlling Interest in the Company to the Investor arising from the Proposed Issue of Conversion Shares, details of which are set out in paragraph 5 of this Circular
“Property”	: A property situated at Private Lot A3001156 at Jurong East Street 11, Mk 5 and situated in Singapore, estimated to contain an area of approximately 56,359 square metres
“Proposed Convertible Loan”	: The proposed convertible loan having a principal value of S\$48,000,000 granted by the Investor to the Company with an interest payable of 10.0%, details of which are set out in paragraph 3 of this Circular
“Proposed CS Whitewash Resolution”	: The proposed ordinary resolution for the Independent Shareholders to waive their rights to receive a General Offer for the Company from the Investor following the Proposed Issue of the Conversion Shares, details of which are set out in paragraph 4 of this Circular
“Proposed Disposal”	: Has the meaning ascribed to it in paragraph 2.5 of this Circular
“Proposed Issue of Conversion Shares”	: The proposed allotment and issue of the Conversion Shares, details of which are set out in paragraph 3 of this Circular
“Proposed Rights Issue”	: The proposed renounceable non-underwritten rights issue of up to 349,463,972 Rights Shares at an issue price of S\$0.01 for each Rights Share, on the basis of one (1) Rights Share for every three (3) existing Shares held by the Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded, details of which are set out in paragraph 6 of this Circular

DEFINITIONS

“Proposed RS Whitewash Resolution”	: The proposed ordinary resolution for the Independent Shareholders to waive their rights to receive a General Offer for the Company from the Major Shareholders following the Proposed Issue of the Rights Shares, details of which are set out in paragraph 7 of this Circular
“Proposed Shares Issue”	: Has the meaning ascribed to it in paragraph 9 of this Circular
“Proposed Transactions”	: Proposed Convertible Loan, Proposed Issue of Conversion Shares, Proposed CS Whitewash Resolution, Potential Transfer of Controlling Interest, Proposed Rights Issue, and Proposed RS Whitewash Resolution
“Proxy Form”	: The proxy form in respect of the EGM as attached to this Circular
“Purchaser Loan”	: Has the meaning ascribed to it in paragraph 2.5 of this Circular
“RCB”	: Redeemable convertible bonds
“Recommending Directors”	: In relation to: <ul style="list-style-type: none"> (a) the Proposed CS Whitewash Waiver Resolution, the recommending directors are (i) Sng Sze Hiang, (ii) Tong Jia Pi Julia, (iii) Yap Hock Soon, (iv) Raymond Koh Bock Swi, (v) Ng Leok Cheng and (vi) Yo Nagasue; and (b) the proposed RS Whitewash Waiver Resolutions, the recommending directors are (i) Yap Hock Soon (ii) Raymond Koh Bock Swi, (iii) Ng Leok Cheng and (iv) Yo Nagasue
“Record Date”	: The time and date to be determined by the Directors at and on which, subject to the approval of the Proposed Rights Issue being obtained at the Extraordinary General Meeting, the Register of Members and Share Transfer Books of the Company will be closed to determine the provisional allotments of Rights Shares of Entitled Shareholders under the Proposed Rights Issue
“Register of Members”	: The register of members of the Company
“Requisite Majority”	: Majority in number representing three-fourths in value of the Creditors present and voting in person or by proxy at the meeting of the Creditors
“Rights”	: The “nil-paid” rights (evidenced by the provisional allotments of Rights Shares)
“Rights Issue Regulatory Approval”	: All required regulatory approval(s) for the proposed allotment and issue for Rights Shares and the listing of the Rights Shares on the SGX-ST, including but not limited to a listing and quotation from the SGX-ST
“Rights Issue Price”	: The issue price of the Rights Shares, being S\$0.01 for each Rights Share

DEFINITIONS

“Rights Issue Shareholders Approval”	: Shareholders’ approval for the Rights Issue, and, where applicable, the Proposed RS Whitewash Waiver Resolution
“Rights Issue Whitewash Waiver”	: The waiver from the SIC from the requirements under Rule 14 of the Takeover Code for the Major Shareholders to make an offer for the Shares or other securities of the Company arising from the allotment and issue of the Rights Shares
“Rights Shares”	: Up to 349,463,972 new Shares to be allotted and issued by the Company pursuant to the Proposed Rights Issue, and the term “Rights Share” shall be construed accordingly
“Sale Companies”	: Has the meaning ascribed to it in paragraph 2.5 of this Circular
“Scheme Fund”	: The fund to be used to discharge both the Existing Scheme Claims as well as the Non-Existing Scheme Claims
“Scheme Manager”	: The scheme manager who will administer the New Scheme, being Mr Abuthahir Abdul Gafoor of AAG Corporate Advisory Pte Ltd
“Scheme Payment”	: Has the meaning ascribed to it in paragraph 2.4 of this Circular
“Securities Account”	: A securities account maintained by a Depositor with CDP, but does not include securities sub-accounts maintained with a Depository Agent
“Security Interest”	: Any mortgage, pledge, lien, charge, assignment, debenture, hypothecation or other security interest given by any persons from time to time as security
“SFA”	: The Securities and Futures Act (Chapter 289) of Singapore, as may be amended or modified from time to time
“SGX-ST”	: The Singapore Exchange Securities Trading Limited
“SGXNET”	: Singapore Exchange Network, a system network used by companies listed on SGX-ST in sending information and announcements to SGX-ST or any other system networks prescribed by SGX-ST for the purpose of SGX-ST making that information available to the market
“Share Transfer Agent”	: The Company’s Singapore share transfer agent, being M&C Services Private Limited
“Share Transfer Books”	: The share transfer books of the Company
“Shareholders”	: Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholder” shall, where the context admits, mean the persons named as Depositors in the Depository Register maintained by the CDP and to whose Securities Accounts such Shares are credited
“Shares”	: Ordinary shares in the capital of the Company
“SIC”	: Securities Industry Council

DEFINITIONS

“SRS”	: Supplementary Retirement Scheme
“SRS Account”	: Has the meaning ascribed to it in paragraph 6.3 of this Circular
“SRS Members”	: Has the meaning ascribed to it in paragraph 6.3 of this Circular
“subsidiary holdings”	: Has the meaning ascribed to it in the Mainboard Rules
“Substantial Shareholder”	: A person (including a corporation) who holds, directly or indirectly, 5.0% or more of the total issued shares (excluding treasury shares and subsidiary holdings) of the Company
“Sustainable Debt”	: Has the meaning ascribed to it in paragraph 2.1(b) of this Circular
“S\$3m Tranche”	: Has the meaning ascribed to it in paragraph 3.4(b) of this Circular
“S\$3m Tranche Repayment Date”	: Has the meaning ascribed to it in paragraph 3.8.1 of this Circular
“S\$3m Utilisation Preconditions”	: Has the meaning ascribed to it in paragraph 3.5(a) of this Circular
“S\$45m Tranche”	: Has the meaning ascribed to it in paragraph 3.4(a) of this Circular
“S\$45m Utilisation Preconditions”	: Has the meaning ascribed to it in paragraph 3.5(b) of this Circular
“Takeover Code”	: The Singapore Code on Takeovers and Mergers, as may be amended or modified from time to time
“United States”	: United States of America

Currencies, Units and Others

“%” or “per cent.”	: Per centum or percentage
“S\$” and “cents”	: Singapore dollars and cents, respectively, the lawful currency of the Republic of Singapore

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

The term **“subsidiary”** shall have the same meaning ascribed to it in Section 5 of the Act.

The terms **“acting in concert”** and **“Concert Parties”** shall have the same meanings ascribed to them respectively in the Takeover Code.

Other capitalised terms are defined where they appear and have the respective meanings there indicated.

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, where applicable, include corporations.

DEFINITIONS

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Takeover Code, the SFA, the Mainboard Rules or any statutory modification thereof, and used in this Circular shall, where applicable, have the meaning ascribed to it under the Act, the Takeover Code, the SFA, the Mainboard Rules or such statutory modification thereof, as the case may be, unless the context requires otherwise.

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

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

Any discrepancies in figures included in this Circular between the listed amounts and the 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.

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

LETTER TO SHAREHOLDERS

TT INTERNATIONAL LIMITED

Company Registration Number 198403771D
(Incorporated in Singapore)

Board of Directors:

Sng Sze Hiang (Chairman and CEO)
Tong Jia Pi Julia (Executive Director)
Yap Hock Soon (Executive Director)
Raymond Koh Bock Swi (Independent Director)
Ng Leok Cheng (Independent Director)
Yo Nagasue (Independent Director)

Registered Office:

49 Sungei Kadut Avenue
#03-01
Singapore 729673

20 October 2020

To: The Shareholders of TT International Limited

Dear Sir/Madam

- (1) THE PROPOSED CONVERTIBLE LOAN HAVING A PRINCIPAL VALUE OF S\$48,000,000 FROM THE INVESTOR TO THE COMPANY AND THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 5,280,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE “CONVERSION SHARES”) AT AN ISSUE PRICE OF S\$0.01 PER CONVERSION SHARE TO THE INVESTOR AS REPAYMENT OF THE PRINCIPAL AND INTEREST UNDER THE PROPOSED CONVERTIBLE LOAN PURSUANT TO THE CONVERTIBLE LOAN AGREEMENT (AS DEFINED HEREIN);
 - (2) THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY THE INDEPENDENT SHAREHOLDERS OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM THE INVESTOR FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY IT AS A RESULT OF THE ALLOTMENT AND ISSUE OF THE CONVERSION SHARES;
 - (3) THE POTENTIAL TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO THE INVESTOR ARISING FROM THE PROPOSED ISSUE OF CONVERSION SHARES;
 - (4) THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 349,463,972 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE “RIGHTS SHARES”) AT AN ISSUE PRICE OF S\$0.01 FOR EACH RIGHTS SHARE, ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY THREE (3) EXISTING ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY THE SHAREHOLDERS OF THE COMPANY AS AT A RECORD DATE (AS DEFINED HEREIN); AND
 - (5) THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY THE INDEPENDENT SHAREHOLDERS OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM THE MAJOR SHAREHOLDERS (AS DEFINED HEREIN) FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY THEM AS A RESULT OF THE ALLOTMENT AND ISSUE OF RIGHTS SHARES,
- (COLLECTIVELY, THE “PROPOSED TRANSACTIONS”).

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1. INTRODUCTION

- 1.1 The Directors are convening an EGM to seek the Shareholders' approval for the Proposed Transactions. The Company has appointed Drew & Napier LLC as the legal adviser to the Company for the Proposed Transactions.
- 1.2 The purpose of this Circular is to provide the Shareholders with the relevant information relating to the Proposed Convertible Loan, Proposed Issue of Conversion Shares, Potential Transfer of Controlling Interest, Proposed CS Whitewash Resolution, Proposed Rights Issue, and Proposed RS Whitewash Resolution.
- 1.3 The notice of the EGM is set out on page N-1 to N-4 of this Circular ("**Notice of EGM**").
- 1.4 This Circular has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than the Shareholders) or for any other purpose.
- 1.5 The Shareholders should note that ordinary resolutions 1 to 5 (collectively, the "**EGM Resolutions**") are inter-conditional upon the passing of one another, such that if any of the EGM Resolutions is not approved by the Shareholders, all of the EGM Resolutions shall be deemed not approved.

2. BACKGROUND OF THE PROPOSED TRANSACTIONS

- 2.1 The Company was placed under the Existing Scheme since 2010 for the restructuring of its debts that were owed to certain creditors under the Existing Scheme. The Existing Scheme provides, *inter alia*, for the following:
 - (a) the Existing Scheme Creditors were granted a fixed and floating charge over all the assets of the Company, excluding the Company's shareholding in BBPL, debt owing by BBPL to the Company, and the Company's interest in the Property ("**Debenture**");
 - (b) the debts of the Company under the Existing Scheme were classified into two categories:
 - (i) a sustainable debt amounting to S\$150,000,000 for a term of five (5) years ("**Sustainable Debt**"); and
 - (ii) debt that was deemed to be unsustainable ("**Non-sustainable Debt**") which was converted into RCB issued by the Company to the Existing Scheme Creditors,(collectively referred to as "**Existing Scheme Debts**");
 - (c) at the end of the term of the Sustainable Debt, the Company would either: (a) repay the Sustainable Debt in full; (b) procure new investors for the purposes of refinancing the Sustainable Debt; and/or (c) reach an agreement with the Existing Scheme Creditors to roll-over the Sustainable Debt; and
 - (d) the RCB were with zero coupon and had a term of ten (10) years in accordance with the terms of the Existing Scheme and the RCB were convertible at the option of bondholders into new Shares of the Company on a yearly basis, subject to the terms of the Existing Scheme. At the end of the term of the Non-sustainable Debt, for any outstanding RCB not converted into Shares of the Company, the Company would either: (a) repay the Non-sustainable Debt in full; (b) refinance the Non-sustainable Debt; or (c) reach an agreement with the Existing Scheme Creditors to roll-over the Non-sustainable Debt associated with the outstanding RCB.
- 2.2 A great portion of the Company's revenue had gone to servicing its obligations under the Existing Scheme. However, the Group's operating environment remained challenging against a backdrop of a weak and deteriorating retail industry over the years, and volatile exchange rates in major markets, increasing margin pressures, rising costs across geographical regions, as well as manpower tightening policies in Singapore, and especially the lack of working capital and resources.

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- 2.3 Following that, there remained a substantial amount scheduled to be paid to the Existing Scheme Creditors. As at 27 July 2018, the total indebtedness due to the Existing Scheme Creditors (as assessed and certified by the scheme manager appointed under the Existing Scheme) was approximately S\$268,200,000. In addition, the total indebtedness due to other creditors of the Company (the **"Non-Existing Scheme Creditors"**) as at 27 July 2018 was approximately S\$193,800,000. Given that the liabilities of the Company owing to its Existing Creditors and its Non-Existing Scheme Creditors were not sustainable, the Company has proposed the New Scheme to both its Existing Scheme Creditors and the Non-Existing Scheme Creditors to restructure the Company's liabilities as announced by the Board on SGXNET on 31 July 2018.
- 2.4 Pursuant to the terms of the New Scheme, the Creditors will receive an aggregate of S\$45,000,000 (**"Scheme Payment"**). In return for the Scheme Payment under the New Scheme, all liabilities due to the Existing Scheme Creditors and Non-Existing Scheme Creditors, and other Security Interest granted or created pursuant to the Existing Scheme are to be irrevocably, permanently, unconditionally, completely and absolutely released and discharged in accordance with the terms of the New Scheme.
- 2.5 In order to fund the New Scheme, the Company had previously entered into a sale and purchase agreement dated 30 July 2018, as amended and restated on 2 November 2018 to dispose certain furniture companies and consumer electronics companies which are directly or indirectly owned by the Company, namely (a) Furniture & Furnishing Pte. Ltd., (b) Castilla Design Pte Ltd, (c) Novena Furnishing Centre Pte. Ltd., (d) Akira Corporation Pte. Ltd., (e) Aki Habara Electric Corporation Pte. Ltd., (f) Tainahong Trading Limited, (g) TT Middle East FZE, (h) JSA Gulf FZE and (i) Intracorp (B) Sdn Bhd (**"Sale Companies"**) to the Investor for an aggregate consideration of S\$40,447,746 (**"Consideration"**) of which up to S\$37,447,746 would be set aside from the Consideration and used to discharge the Company's obligations under the New Scheme (**"Proposed Disposal"**). Separately, to make up the S\$45,000,000 required to fund the New Scheme, the Company has also entered into a loan agreement dated 17 December 2018 (**"Purchaser Loan"**), for the Investor to lend the Company up to S\$7,552,254 to discharge the Company's obligations under the New Scheme. Interest of 12% per annum is chargeable on the Purchaser Loan and the Purchaser Loan was to be repaid within 36 months from 17 December 2018 (**"Original Repayment Date"**) or a further 24 months from the Original Repayment Date, if the Company exercises its option to extend the Original Repayment Date. The Purchaser Loan may be repaid from, *inter alia*, any fees or other sums due from the Investor to the Company under a management services agreement dated 28 November 2018 under which the Company will provide management services in respect of the Sale Companies (**"Management Services Agreement"**). In addition, the Company's wholly-owned subsidiary, International Tradelogistics Pte Ltd, had entered into a loan agreement dated 17 December 2018 with the Investor for the extension of a bridging loan of up to S\$3,000,000 from the Investor (**"Bridging Loan"**).
- 2.6 The implementation of the New Scheme would allow the Company to resolve its unsustainable liabilities and the right-sizing of its balance sheet which would allow the Company to pursue post-restructuring business directions as a going concern. The New Scheme was approved by the Requisite Majority of the Creditors and sanctioned by the Court on 20 December 2018 and 26 March 2019 respectively.
- 2.7 As announced by the Board on the SGXNET on 27 March 2019, the Court had approved the New Scheme, subject to a creditor of the Company to be deemed to be an Excluded Creditor under the New Scheme and the amendment of the long stop date for the implementation of the New Scheme. The said creditor had, on the basis that the Company would provide information prescribed by the Court to the said creditor in relation to payments (if any) by the Company to another Excluded Creditor, provided an undertaking to the Court that it shall not, without the leave of Court or prior consent in writing of the Company, levy any execution proceedings in respect of the fees assessed by the Court to be payable for work done by the said creditor for the Company, i.e. the sum of S\$1,276,735.40 subject to goods and services tax (**"Assessed Amount"**), commence winding up proceedings against the Company or serve a statutory demand upon the Company based upon the Assessed Amount, or commence judicial management proceedings against the Company (**"Creditor Standstill"**).

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- 2.8 As further announced by the Board on the SGXNET on 17 July 2019, the Company and the Investor had discussed the impact arising from the Creditor Standstill and the amendment to the New Scheme on the completion of the Proposed Disposal and the New Scheme, and agreed to terminate the Proposed Disposal, the Management Services Agreement, the Purchaser Loan and the Bridging Loan, and neither the Company nor the Investor is to have any claim of any nature whatsoever against each other in connection with the Proposed Disposal, the Management Services Agreement, the Purchaser Loan and the Bridging Loan.
- 2.9 Notwithstanding the foregoing, the Investor had agreed to provide alternative funding for the implementation of the New Scheme via a proposed investment that would allow the Company to release and discharge all liabilities due to the Existing Scheme Creditors and Non-Existing Scheme Creditors and other Security Interest granted or created pursuant to the Existing Scheme and to provide working capital to the Group. This proposed investment would include the Investor providing the Company with the Proposed Convertible Loan having a principal value of S\$48,000,000 to be used for the funding of the implementation of the New Scheme, and a condition subsequent to the Proposed Convertible Loan for the Company to carry out the Rights Issue to be used for, amongst others, the settlement of the liabilities owed to Excluded Creditors including but not limited to nTan Corporate Advisory Pte Ltd, Wong Partnership LLP, the Inland Revenue Authority of Singapore and SP Services Ltd and as working capital and/or other requirements of the Group. Details of the Proposed Convertible Loan and the Rights Issue are set out in paragraphs 3 and 6 of this Circular respectively.
- 2.10 In addition to the Proposed Convertible Loan, the Investor and two wholly-owned subsidiaries of the Company, namely Akira Corporation Pte. Ltd. and Furniture & Furnishings Pte. Ltd. have, on 9 December 2019, entered into a loan agreement (“**Loan Agreement**”). Under the Loan Agreement, the Investor will provide the designated subsidiaries of the Company a loan of a principal amount of up to S\$25,000,000 (“**Loan**”) which bears interest at 12% per annum. The Loan and all accrued interests will be paid in cash by the first year anniversary of such date the Loan is first disbursed, with an option for the designated subsidiaries to extend the repayment date of the Loan for a further two (2) years. The Loan is secured by a charge over all the shares in the Sale Companies (“**Charged Companies**”). In addition, the Company would grant to the Investor as security for the Loan a call option to purchase the shares in the Charged Companies which is exercisable if (a) an event of default (as defined in the Loan Agreement), which includes but not limited to the failure to repay the Loan on the due date, has occurred and is continuing; (b) the outstanding amount of the defaulted Loan is at the time of exercise of the call option equal to or more than the aggregate market value of the shares held by the Company in the Charged Companies to which the call option applies; and (c) security to be granted by the Company in favour of the Investor over all the shares legally and beneficially held by the Company in the Charged Companies has not been enforced. Upon exercise of the call option to purchase the shares in the Charged Companies, the outstanding amount of the defaulted Loan shall be set-off against the purchase price of the shares in the Charged Companies, with any remaining outstanding amount to be repaid in cash. Details of the call option will be announced in due course. The Company will consult SGX-ST on the applicability of Chapter 10 of the Mainboard Rules prior to the grant of the call option to the Investor and will apply for waiver or seek shareholders’ approval, if Chapter 10 of the Mainboard Rules is applicable. As at the Latest Practicable Date, the Company has not drawn down from the Loan.
- 2.11 Upon the completion of the New Scheme, the Company will continue its current consumer electronics business, furniture business and supply chain management business.

3. THE PROPOSED CONVERTIBLE LOAN AND PROPOSED ISSUE OF CONVERSION SHARES

3.1 Details of the Investor

- 3.1.1 The name of the Investor is Celestial Palace Limited. The Investor is a company incorporated in Victoria, Seychelles, with its registered address at Vistra Corporate Services Centre, Second Floor, Suite 23, 1st Floor Eden Plaza, Eden Island, Mahe, Republic of Seychelles. The Investor’s business includes investment and investment holding activities in Southeast Asia, with a focus on investments in consumer electronics products, furniture as well as mid to high-end luxury goods. The Investor is an independent third party. The shareholder and sole director of the Investor is Mr Calvin Yuen Wai Leung who is a financial investor. Mr Yuen manages his own investments

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as well as investments for private investors and family office funds. As at the Latest Practicable Date, the Investor has no plan to inject any of its business into the Group and Mr Yuen has no plan to be involved in the day-to-day operation of the Group. In the event that the Group will be entering into any transaction with the Investor, Mr Yuen and/or their related parties, the Company will, in compliance with the relevant requirements under the Mainboard Rules, make the relevant announcement.

- 3.1.2 The Investor was identified and introduced to the Company through Beyond Capital Pte Ltd which is not related to any of the Directors or Substantial Shareholders. Beyond Capital Pte Ltd is a company which provides management and consultancy services for matters in relation to corporate debt and finance & restructuring. The success fee payable for such introduction is negotiated between the Company and Beyond Capital Pte Ltd and would be not more than 1% of the principal value of the Proposed Convertible Loan, i.e. not more than S\$480,000. The success fee will be payable from the proceeds to be raised from the Proposed Convertible Loan as set out in paragraph 3.4(b)(i) of this Circular.

3.2 Key terms of the Convertible Loan Agreement

Pursuant to the convertible loan agreement entered into by the Company and the Investor on 9 December 2019 (“**Convertible Loan Agreement**”), the Company and the Investor have agreed that the Proposed Convertible Loan shall be on, amongst others, the following terms:

- Principal amount** : S\$48,000,000
- Interest** : The Proposed Convertible Loan shall bear interest at 10.0% of the amount drawn down under the Proposed Convertible Loan, subject to the payment of Additional Payable Interest if the certain conditions of repayment of the Proposed Convertible Loan are not met as set out under paragraph 3.8 of this letter. For example, if the Company draws down S\$48,000,000, the interest payable will be S\$4,800,000. For the avoidance of doubt, the interest of 10.0% is fixed and will remain the same despite any extension of the Mandatory Conversion Date. Please refer to paragraph 3.8.3 of this Circular for more details.
- Conversion** : Subject to the receipt of the Conversion Shareholders Approval, the Conversion Regulatory Approval, upon resumption of trading of Shares on the SGX-ST and as set out under paragraph 3.8 of this letter, the Investor may at its option convert the full amount of the drawn down Proposed Convertible Loan of up to S\$48,000,000 and the interest payable of up to S\$4,800,000 into Conversion Shares at the Conversion Price by the Mandatory Conversion Date.
- Conversion Price** : S\$0.01 per Share. The Conversion Price of S\$0.01 per Share represents a discount of approximately 28.6% to the price of S\$0.014 per Share listed on the Mainboard of the SGX-ST on the Last Trading Day.
- Mandatory Conversion Date** : The date falling 36 months after the listing and quotation of the Rights Shares on the SGX-ST or such other later date as may be agreed between the Company and the Investor, provided always that such date is prior to the date falling 60 months from the date of the Convertible Loan Agreement. For the avoidance of doubt, the determination of the Mandatory Conversion Date shall be agreed between the Company and the Investor, and no approval from the Shareholders is required for the determination of the Mandatory Conversion Date. As the interest is fixed and remains the same despite any extension of the Mandatory Conversion Date, the extension of the Mandatory Conversion Date will not be prejudicial to the interests of the Company and the Shareholders.

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- Status of the Conversion Shares** : The Conversion 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.
- Anti-dilution Adjustments** : Appropriate anti-dilution adjustments on a proportionate basis shall be made to the Conversion Price or the number of Conversion Shares in the event of a subdivision of shares, share consolidation, or other changes to the capital structure of the Company prior to the date of conversion such that the total number of Conversion Shares that the Investor would be entitled to receive pursuant to the terms under the Convertible Loan Agreement shall constitute the same percentage of the total share capital of the Company that the Investor would have received as if such subdivision of shares, share consolidation, or other changes to the capital structure of the Company did not occur ("**Anti-dilution Adjustments**"). Please refer to paragraph 3.9 of this Circular for details on the Anti-dilution Adjustments. **For the avoidance of doubt, the Proposed Rights Issue is not an event which will require an Anti-dilution Adjustment.**
- Assignment** : No party may assign any of its rights or transfer any of its rights or obligations without the prior written consent of the other party.
- Default Interest** : 2.0% per annum shall be chargeable on any cash payment that is outstanding. Please refer to paragraph 3.8.3 of this Circular for more details.

3.3 Rationale for the Proposed Convertible Loan

An amount of up to S\$45,000,000 from the proceeds of the Proposed Convertible Loan will be used as Scheme Fund under the New Scheme to irrevocably, permanently, unconditionally, completely and absolutely release and discharge all liabilities due to the Existing Scheme Creditors and Non-Existing Scheme Creditors and other Security Interest granted or created pursuant to, arising from or in connection with the Existing Scheme.

3.4 Use of proceeds from the Proposed Convertible Loan

The Company will use the proceeds to be raised from the Proposed Convertible Loan in the following manner:

- (a) an amount of up to S\$45,000,000 or 93.75% of the proceeds from the Proposed Convertible Loan ("**S\$45m Tranche**"), will be used as Scheme Fund to discharge the Company's obligations under the New Scheme, including without limitation, the discharge of Existing Scheme Claims and Non-Existing Scheme Claims, such payment shall be in accordance with the written instructions to be provided by the manager of the New Scheme; and
- (b) an amount of up to S\$3,000,000 or 6.25% of the proceeds from the Proposed Convertible Loan ("**S\$3m Tranche**") in the following order of priority:
 - (i) for the settlement of any success fee, legal fees, advisor fees and/or other expenses incurred by the Company, in relation to or in connection with the Restructuring (as defined in the New Scheme); and
 - (ii) for working capital and/or any other requirements of the Group.

As at the date of this Circular, the Company intends to draw down the entire amount of the Proposed Convertible Loan, i.e. S\$48,000,000.

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3.5 Conditions precedents for the utilisation of the Proposed Convertible Loan

(a) Conditions precedent to utilisation of S\$3m Tranche

The Company may utilise the S\$3m Tranche upon, *inter alia*, the following conditions having been fulfilled and/or waived by the Investor ("**S\$3m Utilisation Preconditions**"):

- (i) the submission of Conversion Regulatory Approval; and
- (ii) the submission of an application for the Conversion Whitewash Waiver to the SIC.

(b) Conditions precedent to utilisation of S\$45m Tranche

The Company may utilise the S\$45m Tranche upon, *inter alia*, the following conditions having been fulfilled and/or waived by the Investor ("**S\$45m Utilisation Preconditions**"):

- (i) the Company obtaining the Conversion Regulatory Approval;
- (ii) the Investor obtaining the Conversion Whitewash Waiver in connection with the allotment and issuance of the Conversion Shares, on terms reasonably satisfactory to the Investor, and the compliance with any reasonable conditions attached to such waiver; and
- (iii) the Company obtaining the Conversion Shareholders Approval.

As at the date of this Circular, all conditions above (other than that set out in sub paragraph (b) (iii)) have been satisfied. The Company has not drawn down any part of the S\$3m Tranche as at the date of this Circular.

3.6 Conditions subsequent to utilisation of the S\$3m Tranche

Following the utilisation of the S\$3m Tranche, the Company shall:

- (a) notify the Investor the outcome of application for the Conversion Regulatory Approval and Conversion Whitewash Waiver within two (2) Business Days of receipt of such outcome; and
- (b) obtain the Conversion Shareholders Approval within three (3) months (or such later date as may be agreed between the Company and Investor) after the receipt of the Conversion Regulatory Approval or the Conversion Whitewash Waiver, whichever is later.

3.7 Conditions subsequent to utilisation of the entire amount of the Proposed Convertible Loan

Following the utilisation of the entire amount of the Proposed Convertible Loan,

- (a) the Company shall obtain the Rights Issue Regulatory Approval;
- (b) the Major Shareholders shall obtain a Rights Issue Whitewash Waiver in connection with the proposed allotment and issue of Rights Shares, on terms reasonably satisfactory to the Major Shareholders, and the compliance with any reasonable conditions attached to such waiver;
- (c) the Company shall obtain the Rights Issue Shareholders Approval; and
- (d) the Company shall conduct the Proposed Rights Issue based on the terms set out in paragraph 6 of this Circular no later than the three (3) months after the Conversion Regulatory Approval, Conversion Shareholders Approval and where applicable, the Conversion Whitewash Waiver are obtained, or such other later date as may be agreed between the Company and the Investor.

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3.8 Repayment of the Proposed Convertible Loan

- 3.8.1 The S\$3m Tranche shall be repayable together with a fixed interest of S\$300,000 ("**Aggregate Payable Sum**") to the Investor within 12 months of the utilisation of the S\$3m Tranche or such other date as may be agreed with the Investor ("**S\$3m Tranche Repayment Date**"), unless the S\$45m Utilisation Preconditions are satisfied or waived by the Investor on or before the S\$3m Tranche Repayment Date.
- 3.8.2 If the S\$45m Utilisation Preconditions are satisfied or waived by the Investor on or before the S\$3m Tranche Repayment Date, the Aggregate Payable Sum (being S\$3,300,000) shall be repayable by the allotment and issue of 330,000,000 Conversion Shares to the Investor.
- 3.8.3 If the S\$45m Utilisation Preconditions are not satisfied or waived by the Investor on or before the S\$3m Tranche Repayment Date, repayment of the Aggregate Payable Sum of S\$3,300,000 shall be repaid in cash, together with an additional interest at 6% per annum applicable on the Aggregate Payable Sum, pro-rata for the period from the date of utilisation till the S\$3m Tranche Repayment Date ("**Additional Payable Interest**"). In such case, if the Company fails to pay the Aggregate Payable Sum of S\$3,300,000, together with the Additional Payable Interest, by the S\$3m Tranche Repayment Date, the default interest of 2.0% per annum shall apply on the outstanding amount payable by the Company and accrue from the S\$3m Tranche Repayment Date to the date of actual payment.
- 3.8.4 The S\$45m Tranche shall be repayable together with a fixed interest of S\$4,500,000 by the allotment and issuance of 4,950,000,000 Conversion Shares to the Investor. In the event that the S\$45m Utilisation Preconditions are satisfied or waived by the Investor on or before the S\$3m Tranche Repayment Date and the Investor elects to exercise its conversion right under the Convertible Loan Agreement, the Investor is required to convert all the loan amount which the Company has drawn down and the interest payable into Conversion Shares.
- 3.8.5 For the avoidance of doubt, the interest of the Proposed Convertible Loan is fixed at 10.0% and will remain the same despite any extension of the Mandatory Conversion Date. The interest payable is fixed at S\$300,000 if all of the S\$3m Tranche is drawn down, and the interest payable is fixed at S\$4,500,000 if all of the S\$45m Tranche is drawn down, regardless of when the Investor converts the drawn down Proposed Convertible Loan into Conversion Shares during the conversion period.

For illustration purposes only and based on the assumptions that (a) the Company draws down the full amount for both S\$3m Tranche and S\$45m Tranche, i.e. S\$48,000,000, under the Proposed Convertible Loan; and (b) there are no Anti-dilution Adjustments:

- (i) In the event that the Investor elects to, on the date falling 36 months after the listing and quotation of the Rights Shares on the SGX-ST, convert the full amount of outstanding loan, i.e. S\$48,000,000 under the Proposed Convertible Loan, the interests accrued would be S\$4,800,000, and the total number of Shares to be issued to the Investor at the Conversion Price of S\$0.01 per Conversion Share would be 5,280,000,000.
- (ii) In the event that the Investor elects to, on the date falling 60 months from the date of the Convertible Loan Agreement, i.e. 9 December 2024, convert the full amount of outstanding loan, i.e. S\$48,000,000 under the Proposed Convertible Loan, the interests accrued would be S\$4,800,000, and the total number of Shares to be issued to the Investor at the Conversion Price of S\$0.01 per Conversion Share would be 5,280,000,000.

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3.9 Formulae for the Anti-dilution Adjustments

3.9.1 Appropriate Anti-dilution Adjustments on a proportionate basis will be made to the Conversion Price or the number of Conversion Shares to be issued to the Investor in the event of a subdivision of shares, share consolidation, or other changes to the capital structure of the Company prior to the date of conversion such that the total number of Conversion Shares that the Investor would be entitled to receive pursuant to the terms under the Convertible Loan Agreement shall constitute the same percentage of the total share capital of the Company that the Investor would have received as if such subdivision of shares, share consolidation, or other changes to the capital structure of the Company did not occur.

3.9.2 Please see below the formulae and illustrations for the Anti-dilution Adjustments which would apply in the event of a subdivision of shares, share consolidation, or other changes to the capital structure of the Company prior to the date of conversion. Any fractions of the Conversion Shares arising from the Anti-dilution Adjustments will be disregarded.

(a) Subdivision of shares

In the event that the Company implements a share subdivision by subdividing every one (1) Share in the share capital of the Company into Y number of Shares, the number of Conversion Shares which the Investor is entitled to will increase by Y times:

$$CS_{\text{new}} = CS_{\text{original}} \times Y$$

where:

CS_{new} is the number of Conversion Shares after the adjustment; and

CS_{original} is the number of Conversion Shares prior to the adjustment.

For illustration purposes, if the number of Conversion Shares which the Investor is entitled to prior to the conversion is 5,280,000,000, and the Company implements a share subdivision by subdividing every one (1) Share in the share capital of the Company into five (5) Shares prior to the conversion, the number of Conversion Shares which the Investor is entitled to will be adjusted to 26,400,000,000.

(b) Share consolidation

In the event that the Company implements a share consolidation by consolidating every Y number of Shares in the share capital of the Company into one (1) Share, the number of Conversion Shares which the Investor is entitled to will decrease by Y times:

$$CS_{\text{new}} = CS_{\text{original}} / Y$$

where:

CS_{new} is the number of Conversion Shares after the adjustment; and

CS_{original} is the number of Conversion Shares prior to the adjustment.

For illustration purposes, if the number of Conversion Shares which the Investor is entitled to prior to the conversion is 5,280,000,000, and the Company implements a share consolidation by consolidating every five (5) Shares in the share capital of the Company into one (1) Share prior to the conversion, the number of Conversion Shares which the Investor is entitled to will be adjusted to 1,056,000,000.

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(c) Increase in the total number of issued shares

In the event that the Company issues Y number of Shares, the new number of Conversion Shares which the Investor is entitled to will be equivalent to the original number of Conversion Shares multiply by the new total number of Shares in the share capital of the Company divided by the original total number of Shares in the share capital of the Company:

$$CS_{\text{new}} = CS_{\text{original}} \times (TS + Y) / TS$$

where:

CS_{new} is the number of Conversion Shares after the adjustment;

CS_{original} is the number of Conversion Shares prior to the adjustment;

(TS + Y) is the new total number of Shares in the share capital of the Company; and

TS is the original total number of Shares in the share capital of the Company.

For illustration purposes, if prior to the conversion, the new number of Conversion Shares which the Investor is entitled to and the total number of Shares in the share capital of the Company are 5,280,000,000, and 1,397,855,889 respectively, and the Company issues 698,927,945 new Shares, the number of Conversion Shares which the Investor is entitled to will be adjusted to approximately 7,920,000,001.

(d) Decrease in the total number of issued shares

In the event that the Company buys back and cancels Y number of Shares, the number of Conversion Shares which the Investor is entitled to will be equivalent to the original number of Conversion Shares multiply by the new total number of Shares in the share capital of the Company divided by the original total number of Shares in the share capital of the Company:

$$CS_{\text{new}} = CS_{\text{original}} \times (TS - Y) / TS$$

where:

CS_{new} is the number of Conversion Shares after the adjustment;

CS_{original} is the number of Conversion Shares prior to the adjustment;

(TS - Y) is the new total number of Shares in the share capital of the Company; and

TS is the original total number of Shares in the share capital of the Company.

For illustration purposes, if prior to the conversion, the number of Conversion Shares which the Investor is entitled to and the total number of Shares in the share capital of the Company are 5,280,000,000, and 1,397,855,889 respectively, and the Company buys back and cancel 698,927,945 new Shares, the number of Conversion Shares which the Investor is entitled to will be adjusted to approximately 2,639,999,998.

3.10 Authority for the Proposed Convertible Loan and Proposed Issue of Conversion Shares

- 3.10.1 As announced by the Board on SGXNET on 23 July 2019, the intention of the Company and the Investor is for the Company to carry out and complete the Proposed Rights Issue prior to the conversion of the Conversion Loan and the Proposed Issue of the Conversion Shares.

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- 3.10.2 As at the Latest Practicable Date, the total number of issued shares of the Company is 1,048,391,917. The Company does not have any outstanding warrants, options or convertible securities. Assuming that all the Shareholders subscribe in full to their pro-rata entitlement of the Rights Shares, the total number of issued shares of the Company after the Proposed Rights Issue is 1,397,855,889.
- 3.10.3 Assuming that (a) the Company draws down the full amount of S\$48,000,000 under the Proposed Convertible Loan; (b) the Investor elects to exercise its conversion right under the Convertible Loan Agreement in respect of the entire loan amount of S\$48,000,000 and interest of S\$4,800,000; and (c) there are no Anti-dilution Adjustments, the maximum number of Conversion Shares that may be issued to the Investor, based on a conversion price of S\$0.01 per Share, will be 5,280,000,000.
- 3.10.4 The Conversion Price of S\$0.01 per Share represents a discount of approximately 28.6% to the price of S\$0.014 per Share listed on the Mainboard of the SGX-ST on the Last Trading Day. The Conversion Price of S\$0.01 per Share was mutually agreed by the Company and the Investor on a willing buyer-willing seller and arm's length basis with reference to the last trading price. The Conversion Price will be adjusted on a proportionate basis in the event of a subdivision of shares, share consolidation, or other changes to the capital structure of the Company prior to the date of conversion such that the total number of Conversion Shares that the Investor would be entitled to receive pursuant to the terms under the Convertible Loan Agreement shall constitute the same percentage of the total share capital of the Company that the Investor would have received as if such subdivision of shares, share consolidation, or other changes to the capital structure of the Company did not occur.
- 3.10.5 Rules 805 and 824 of the Mainboard Rules provide that an issuer must obtain the prior approval of shareholders in general meeting for the issuance of shares or convertible securities, unless such shares or convertible securities are issued under a general mandate obtained from shareholders in general meeting.
- 3.10.6 Separately, Rule 811(2) of the Mainboard Rules provides, amongst others, that an issue of company warrants or other convertible securities is subject to the requirement that the conversion price, if fixed, must not be more than 10.0% discount to the prevailing market price of the underlying shares prior to the signing of the placement or subscription agreement. Under Rule 811(3) of the Mainboard Rules, Rule 811(1) and (2) is not applicable if specific shareholder approval is obtained for the issue of shares, company warrants or other convertible securities.
- 3.10.7 Given that (a) the maximum number of Conversion Shares to be issued pursuant to Convertible Loan Agreement exceeds the limit of the existing share mandate approved by Shareholders at the general meeting of the Company held on 31 December 2019; and (b) the Conversion Price is more than 10.0% discount to the prevailing market price of the Shares, the Company will be seeking a separate specific approval of Shareholders for the allotment and issue of the Conversion Shares for purposes of Rules 805, 811(3) and 824 of the Mainboard Rules. The approval of Shareholders for the Proposed Convertible Loan and Proposed Issue of Conversion Shares is not intended to vary, revoke or amend the terms of the existing general mandate. For more information on the amount of public float percentage after the Proposed Issue of Conversion Shares, please refer to paragraph 9 of this Circular.
- 3.10.8 The ordinary resolution to seek Shareholders' approval for the Proposed Convertible Loan and Proposed Issue of Conversion Shares is set out in ordinary resolution 1 in the Notice of EGM. For the avoidance of doubt, such Shareholders' approval would include any Anti-dilution Adjustments made to the conversion price and/or number of Conversion Shares pursuant to the Convertible Loan Agreement as set out in paragraph 3.2 of this Circular; and the Company will not be required to seek further Shareholders' approval for the allotment and issue of additional Shares to the Investor pursuant to the Anti-dilution Adjustments made pursuant to the Convertible Loan Agreement. Any material alternation to the terms of the Convertible Loan Agreement which is to the advantage of the Investor shall be subject to the prior approval of the Shareholders in general meeting.

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3.11 Listing application for the listing and quotation of the Conversion Shares

On 7 August 2020, the SGX-ST granted its in-principle approval for the listing and quotation of, *inter alia*, the Conversion Shares on the Mainboard of the SGX-ST, subject to the following conditions:

- (a) Shareholders' approval for the issue of the Conversion Shares as well as all other resolutions to be tabled in respect of such transaction;
- (b) a written undertaking from the Company that it will comply with Rules 704(30) and 1207(20) of the Mainboard Rules in relation to the use of the proceeds from the proposed placement of units and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report;
- (c) a written confirmation from the Company that it will not issue the Proposed Convertible Loan to persons prohibited under Rule 812(1) of the Mainboard Rules;
- (d) a written confirmation from the Company that the terms of the Proposed Convertible Loan comply with Rule 829(1) of the Mainboard Rules;
- (e) a written undertaking from the Company to announce any adjustment made pursuant to Rule 829(1) of the Mainboard Rules;
- (f) a written undertaking from the Company that Rules 820, 829, and 830 of the Mainboard Rules will be complied with; and
- (g) disclosure in the circular to Shareholders of (A) conditions under which the issue price of the Conversion Shares may be adjusted; (B) implications of the interest terms viz-a-viz the conversion period of the Proposed Convertible Loan (to be clearly explained and/or illustrated); (C) the Investor's plans for the Company; and (D) conditions to be met prior to the lifting of the trading suspension in the Company's Shares.

The additional information required, as set out in sub paragraph (g) above, can be found in paragraphs 3.10.4, 3.8.5, 3.1.1 and 6.7.2 of this Circular respectively.

The SGX-ST's in-principle approval shall not be taken as an indication of the merits of the Conversion Shares, the Proposed Convertible Loan, the Company and its subsidiaries.

3.12 Rule 812 of the Mainboard Rules

The Investor is not a person who falls within the categories set out in Rule 812(1) of the Mainboard Rules. Accordingly, none of the Conversion Shares will be placed by the Company to any person who is a Director or Substantial Shareholder, or any other person in the categories set out in Rule 812(1) of the Mainboard Rules.

3.13 Financial effects of the Proposed Issue of Conversion Shares

The financial effects of the Proposed Issue of Conversion Shares are set out in paragraph 8 of this Circular.

4. THE PROPOSED CS WHITEWASH RESOLUTION

- 4.1 As set out in paragraphs 3.10.2 and 3.10.3 of this Circular, after the Proposed Rights Issue and Proposed Issue of Conversion Shares (assuming that all the Shareholders subscribe in full to their pro-rata entitlement of the Rights Shares and the Investor will convert the entire Proposed Convertible Loan to Conversion Shares), the total number of issued shares of the Company will be 6,677,855,889 (assuming that the Investor will convert the entire Proposed Convertible Loan to Conversion Shares). The Investor's holding of 5,280,000,000 Shares will represent approximately

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79.1% of the enlarged share capital of the Company after the Proposed Rights Issue and Proposed Issue of Conversion Shares (assuming that all the Shareholders subscribe in full to their pro-rata entitlement of the Rights Shares and the Investor will convert the entire Proposed Convertible Loan to Conversion Shares).

4.2 Under Rule 14 of the Takeover Code, 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 30.0% or more of the voting rights of a company; and
- (b) any person who, together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights of a company and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of the voting rights of a company,

such person is required, except with the consent of the SIC, to make a General Offer, for all remaining issued shares in the company concerned which he and/or his Concert Parties do not already own, control or have agreed to acquire in accordance with the Takeover Code. In addition to such person, each of the 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.

4.3 Accordingly, pursuant to Rule 14 of the Takeover Code, the Investor will incur an obligation to make a General Offer for all the remaining Shares in issue not already owned, controlled or agreed to be acquired by it upon the completion of the Proposed Issue of Conversion Shares.

4.4 The conditions precedent for the utilisation of the S\$45m Tranche under the Convertible Loan Agreement include (a) the Investor obtaining the Conversion Whitewash Waiver from the SIC and (b) the Company obtaining the Conversion Shareholders Approval.

4.5 The Company, on behalf of the Investor, applied to the SIC for the Conversion Whitewash Waiver and the SIC had on 25 February 2020 granted the Investor a waiver of the requirement for the Investor to make a General Offer for the Company as a result of the Proposed Issue of Conversion Shares, subject to the following conditions:

- (a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the issue of the Conversion Shares to the Investor, approve by way of a poll, the Proposed CS Whitewash Resolution to waive their rights to receive a General Offer from the Investor;
- (b) the Proposed CS Whitewash Resolution is separate from other resolutions;
- (c) the Investor, its Concert Parties and parties not independent of it as well as parties not independent of the Proposed Convertible Loan abstain from voting on the Proposed CS Whitewash Resolution;
- (d) the Investor and its Concert Parties did not acquire or are not to acquire any Shares or instruments convertible into and option 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 announcement of the Proposed Convertible Loan and the date Shareholders' approval is obtained for the Proposed CS Whitewash Resolution; and
 - (ii) in the six (6) months prior to the announcement of the Proposed Convertible Loan but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Convertible Loan;

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- (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed CS Whitewash Resolution;
- (f) the Company sets out clearly in its circular to its Shareholders:
 - (i) details of the Proposed Convertible Loan;
 - (ii) the dilution effect to existing holders of voting rights upon the acquisition of the Conversion Shares by the Investor upon the conversion of the Proposed Convertible Loan;
 - (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 Investor and its Concert Parties as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be issued to the Investor as a result of its acquisition of the Conversion Shares upon conversion of the Proposed Convertible Loan;
 - (v) specific and prominent reference to the fact that the acquisition of the Conversion Shares by the Investor upon the conversion of the Proposed Convertible Loan would result in the Investor and its Concert Parties holding Shares carrying over 49% of the voting rights of the Company based on its enlarged issued share capital, and the fact that the Investor and its Concert Parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a General Offer for the Company;
 - (vi) specific and prominent reference to the fact that Shareholders, by voting for the Proposed CS Whitewash Resolution, are waiving their rights to a General Offer from the Investor at the highest price paid by the Investor and its Concert Parties for the Shares in the past six (6) months preceding the commencement of the offer; and
 - (vii) the Shareholders by voting for the Proposed CS Whitewash Resolution, could be forgoing the opportunity to receive a General Offer from another person who may be discouraged from making a General Offer in view of the potential dilution effect of the convertibles. Specific and prominent reference should be made to this;
- (g) the Circular by the Company to its Shareholders states that the waiver granted by SIC to the Investor from the requirements to make a General Offer under Rule 14 of the Takeover Code is subject to the conditions stated at paragraphs 4.5(a) to (f) above;
- (h) the Investor obtains SIC's approval in advance for those parts of the Circular that refer to the Proposed CS Whitewash Resolution; and
- (i) to rely on the Proposed CS Whitewash Resolution, the approval of the Proposed CS Whitewash Resolution must be obtained within three (3) months of the date of the waiver granted by the SIC, the issue of the Proposed Convertible Loan must be completed within three (3) months of the date of the approval of the Proposed CS Whitewash Resolution and the acquisition of the Conversion Shares by the Investor upon conversion of the Proposed Convertible Loan must be completed within five (5) years of the date of the issue of the Proposed Convertible Loan.

4.6 The Company, on behalf of the Investor, applied to the SIC on 21 May 2020 to extend the timeline to obtain the approval of the Proposed CS Whitewash Resolution. On 28 May 2020, the SIC granted the extension of time for the approval of the Proposed CS Whitewash Resolution to be obtained by 16 July 2020 with no further extension to be granted to this deadline. However, as the extended timeline to meet the conditions set out in the Conversion Whitewash Waiver had lapsed,

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the Company applied to the SIC on 7 August 2020 for a further extension of time to meet the conditions. As a further extension of time was not obtained, the Company re-applied to the SIC for the grant of the Conversion Whitewash Waiver. The SIC has on 2 October 2020 granted the Company the Conversion Whitewash Waiver, subject to the following conditions:

- (a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the issue of the Conversion Shares to the Investor, approve by way of a poll, the Proposed CS Whitewash Resolution to waive their rights to receive a General Offer from the Investor;
- (b) the Proposed CS Whitewash Resolution is separate from other resolutions;
- (c) the Investor, its Concert Parties and parties not independent of it as well as parties not independent of the Proposed Convertible Loan abstain from voting on the Proposed CS Whitewash Resolution;
- (d) the Investor and its Concert Parties did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of 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 announcement of the Proposed Convertible Loan and the date Shareholders' approval is obtained for the Proposed CS Whitewash Resolution; and
 - (ii) in the six (6) months prior to the announcement of the Proposed Convertible Loan but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Convertible Loan;
- (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed CS Whitewash Resolution;
- (f) the Company sets out clearly in its circular to its Shareholders:
 - (i) details of the Proposed Convertible Loan;
 - (ii) the dilution effect to existing holders of voting rights upon the acquisition of the Conversion Shares by the Investor upon conversion of the Proposed Convertible Loan;
 - (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 Investor and its Concert Parties as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be issued to the Investor as a result of its acquisition of the Conversion Shares upon conversion of the Proposed Convertible Loan;
 - (v) specific and prominent reference to the fact that the acquisition of the Conversion Shares by the Investor upon conversion of the Proposed Convertible Loan would result in the Investor and its Concert Parties holding Shares carrying over 49% of the voting rights of the Company based on its enlarged issued share capital, and the fact that the Investor and its Concert Parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a General Offer for the Company;

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- (vi) specific and prominent reference to the fact that Shareholders, by voting for the Proposed CS Whitewash Resolution, are waiving their rights to a General Offer from the Investor at the highest price paid by the Investor and its Concert Parties for the Shares in the past six (6) months preceding the commencement of the offer; and
 - (vii) specific and prominent reference to the fact that that Shareholders, by voting for the Proposed CS Whitewash Resolution, could be forgoing the opportunity to receive a General Offer from another person who may be discouraged from making a General Offer in view of the potential dilution effect of the Conversion Shares;
 - (g) the Circular by the Company to its Shareholders states that the waiver granted by SIC to the Investor from the requirement to make a General Offer under Rule 14 of the Takeover Code is subject to the conditions stated at paragraph 4.6(a) to (f) above;
 - (h) the Investor obtains SIC's approval in advance for those parts of the Circular that refer to the Proposed CS Whitewash Resolution; and
 - (i) to rely on the Proposed CS Whitewash Resolution, the approval of the Proposed CS Whitewash Resolution must be obtained within three (3) months of the date of the waiver granted by SIC, the issue of the Proposed Convertible Loan must be completed within three (3) months of the date of the approval of the Proposed CS Whitewash Resolution and the acquisition of the Conversion Shares by the Investor upon conversion of the Proposed Convertible Loan must be completed within five (5) years of the date of the issue of the Proposed Convertible Loan.
- 4.7 As at the date of this Circular, the above conditions imposed by the SIC (save for the conditions regarding the approval of the Independent Shareholders for the Proposed CS Whitewash Waiver Resolution) have been satisfied.
- 4.8 The Independent Shareholders are requested to vote by way of poll on the Proposed CS Whitewash Resolution as set out as an ordinary resolution 2 in the Notice of EGM, waiving their rights to receive a General Offer from the Investor for the remaining Shares not already owned, controlled, or agreed to be acquired by it, arising from the Proposed Issue of Conversion Shares.
- 4.9 As a result of the Proposed Transactions including the Proposed Issue of Conversion Shares, the shareholding interests of existing Shareholders will be substantially diluted. Such dilution effects to existing Shareholders are illustrated in paragraph 9 of this Circular.
- 4.10 Novus Corporate Finance Pte. Ltd. has been appointed as the IFA to advise the Recommending Directors on whether the Proposed Convertible Loan and Proposed Issue of Conversion Shares, which collectively are the subject of the Proposed CS Whitewash Resolution, are fair and reasonable.
- 4.11 Having regard to the considerations set out in the IFA Letter to the Recommending Directors in respect of the Proposed Convertible Loan, the Proposed Issue of Conversion Shares and the Proposed CS Whitewash Resolution as set out in Appendix B to this Circular and the information available to the IFA as at the Latest Practicable Date, the IFA is of the opinion that the Proposed Convertible Loan and the Proposed Issue of Conversion Shares, which collectively are the subject of the Proposed CS Whitewash Resolution, are fair and reasonable. Accordingly, the IFA advises the Recommending Directors to recommend that the Independent Shareholders vote in favour of the Proposed CS Whitewash Resolution at the EGM.
- 4.12 A copy of the IFA Letter in respect of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution is set out in Appendix B to this Circular. Shareholders are advised to read the IFA Letter in its entirety carefully and consider the IFA's advice and recommendations to the Recommending Directors in the context of this Circular before deciding on whether to approve the Proposed CS Whitewash Waiver.

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5. THE POTENTIAL TRANSFER OF CONTROLLING INTEREST

- 5.1 Pursuant to Rule 803 of the Mainboard Rules, an issuer must not issue securities to transfer a controlling interest without prior approval of shareholders in general meeting.
- 5.2 The proposed allotment and issue of up to 5,280,000,000 new Shares as the Conversion Shares will result in the Investor having such number of Shares representing approximately 79.07% which is more than 15% of the issued and paid up share capital of the Company on an enlarged basis after completion of the Proposed Rights Issue and the Proposed Issue of Conversion Shares. Please refer to paragraph 9 of this Circular for further details on the dilutive effect of the Proposed Transactions on the shareholding structure of the Company.
- 5.3 The Company will be seeking approval from the Shareholders for the Potential Transfer of Controlling Interest arising from the proposed allotment and issue of up to 5,280,000,000 Conversion Shares at the EGM pursuant to Rule 803 of the Mainboard Rules.

6. THE PROPOSED RIGHTS ISSUE

6.1 Overview

As a condition subsequent to the utilisation of the entire amount of the Proposed Convertible Loan, the Company shall conduct the Proposed Rights Issue no later than three (3) months after the Conversion Regulatory Approval, Conversion Shareholders Approval and where applicable, the Conversion Whitewash Waiver are obtained, or such other later date as may be agreed between the Company and the Investor.

6.2 Basis of the Proposed Rights Issue

- 6.2.1 The Proposed Rights Issue is proposed to be offered on a renounceable non-underwritten basis by the Company. Pursuant thereto, the Company will issue up to 349,463,972 Rights Shares at the Rights Issue Price of S\$0.01 for each Rights Share, on the basis of one (1) Rights Share for every three (3) existing Shares held by Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded.
- 6.2.2 The Rights Shares are payable in full upon acceptance and/or application, and will upon allotment and issuance, rank *pari passu* in all respects with the existing Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares.
- 6.2.3 Entitled Shareholders will be entitled to participate in the Rights Issue and receive the Offer Information Statement together with the appropriate application forms and accompanying documents at their respective Singapore addresses. Please see paragraph 6.10 of this Circular for further information on eligibility to participate in the Rights Issue.
- 6.2.4 Entitled Shareholders will be provisionally allotted the Rights Shares on the basis of their shareholdings as at the Record Date. Entitled Shareholders will be at liberty to accept (in full or in part), decline or otherwise renounce or in the case of Entitled Depositors, trade their provisional allotments of the Rights Shares on the Official List of the SGX-ST during the provisional allotment trading period prescribed by the SGX-ST and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue.
- 6.2.5 The basis of allotting any Excess Rights Shares will be determined at the absolute discretion of the Directors. In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Proposed Rights Issue, or have representation (direct or through a nominee) on the Board, including the Major Shareholders, will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares.

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6.3 Principal Terms of the Proposed Rights Issue and Rights Shares

Basis of provisional allotment	:	One (1) Rights Share for every three (3) existing Shares standing to the credit of the Securities Account of the Entitled Depositors or held by the Entitled Scripholders, as the case may be, as at the Record Date, fractional entitlements to be disregarded.
Number of Rights Shares	:	For illustrative purposes, based on the Existing Issued Share Capital (excluding treasury shares) of the Company comprising 1,048,391,917 Shares as at the Latest Practicable Date, up to 349,463,972 Rights Shares will be issued.
Rights Issue Price	:	<p>S\$0.01 for each Rights Share, payable in full on acceptance and/or application.</p> <p>The Rights Issue Price represents a discount of approximately 28.6% to the price of S\$0.014 per Share listed on the Mainboard of the SGX-ST on the Last Trading Day immediately before the Company's request for its Shares to be suspended from trading on the Mainboard of the SGX-ST.</p>
Status of Rights Shares	:	The Rights Shares will, upon allotment and issue, rank <i>pari passu</i> in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which falls before the date of issue of the Rights Shares.
Eligibility of Shareholders to participate in the Proposed Rights Issue	:	Please refer to paragraph 6.10 of this Circular.
Listing of the Rights Shares	:	On 7 August 2020, the SGX-ST granted its in-principle approval for the listing and quotation of, <i>inter alia</i> , the Rights Shares on the Mainboard of the SGX-ST, subject to certain conditions, further details of which are set out in paragraph 6.8.2 of the Circular.
Trading of the Rights Shares	:	Upon the listing and quotation of the Rights Shares on the Mainboard of the SGX-ST, the Rights Shares will be traded under the book-entry (scripless) settlement system. For the purposes of trading on the SGX-ST, each board lot of Shares will comprise 100 Shares. Shareholders who hold odd lots of the Rights Shares (that is, less than 100 Shares) and who wish to trade in odd lots on the SGX-ST should note that they are able to trade odd lots of Shares in board lots of one (1) Share on the unit share market of the SGX-ST.
Trading of "nil-paid" Rights	:	Entitled Depositors who wish to trade all or part of their provisional allotments of Rights Shares on the SGX-ST can do so during the trading period for the "nil-paid" Rights.
Acceptance, excess application and payment procedures	:	Entitled Shareholders will be at liberty to accept (in full or in part), decline or transfer their provisional allotments of the Rights Shares and are eligible to apply for Excess Rights Shares.

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Acceptances of provisional allotment of Rights Shares and (if applicable) applications for Excess Rights Shares, under the Rights Issue may only be made:

- (a) in the case of Entitled Scripholders, on the PAL;
- (b) in the case of Entitled Depositors, on the ARE or by way of an Electronic Application through an ATM of a Participating Bank; and
- (c) in the case of persons purchasing provisional allotments of Rights Shares through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore, on the ARS.

Provisional allotments which are not taken up for any reason shall be used to satisfy the applications for Excess Rights Shares or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company.

Excess Rights Shares will be allotted in such manner as the Board may, in its absolute discretion, deem fit in the interests of the Company, subject to applicable laws, the Mainboard Rules and the Irrevocable Undertaking.

In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Proposed Rights Issue, or have representation (direct or through a nominee) on the Board including the Major Shareholders, will rank last in priority for the rounding of odd lots and the allotment of Excess Rights Shares.

Please refer to the Offer Information Statement, to be despatched by the Company to the Entitled Shareholders in due course subject to, *inter alia*, the Proposed Rights Issue and the Proposed RS Whitewash Resolution being approved by the Shareholders at the EGM, for more information on the acceptance, excess application and payment procedures.

**Irrevocable
Undertaking**

: Please refer to paragraph 6.4 of this Circular.

Non-underwritten

: The Proposed Rights Issue will not be underwritten in view of the Irrevocable Undertaking and the savings in underwriting costs which the Company will enjoy. The Proposed Rights Issue will not be withdrawn after commencement of the ex-rights trading of the Shares pursuant to Rule 820(1) of the Mainboard Rules.

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Use of SRS Funds : Members under SRS (“**SRS Members**”) who bought their Shares previously using their account opened with the relevant approved bank (“**SRS Account**”) and who wish to accept their provisional allotments of Rights Shares and apply for Excess Rights Shares (if applicable) can only do so, subject to applicable SRS rules and regulations, using monies standing to the credit of their respective SRS Accounts. Such SRS Members who wish to accept their provisional allotments of Rights Shares and apply for Excess Rights Shares (if applicable) using SRS monies, must instruct the relevant approved banks in which they hold their SRS Accounts to accept their provisional allotments of Rights Shares and apply for Excess Rights Shares (if applicable) on their behalf in accordance with the terms and conditions in the Offer Information Statement.

SRS Members who have insufficient funds in their SRS Account may, subject to the SRS contribution cap, deposit cash into their SRS Account with their approved banks before instructing their respective approved banks to accept their provisional allotments of Rights Shares and (if applicable) apply for Excess Rights Shares.

Any acceptance and/or (if applicable) application made directly through CDP, the Share Transfer Agent, the Company and/or the ATM of any participating bank appointed and named in the Offer Information Statement will be rejected.

Monies in the SRS Account may not be used for the purchase of the provisional allotments of Rights Shares directly from the market.

Fractional entitlements : Fractional entitlements to the Rights Shares, will be disregarded in arriving at the Entitled Shareholders’ entitlement and will, together with the provisional allotments which are not taken up or allotted for any reason, be aggregated and used to satisfy excess applications for the Rights Shares, or to be disposed of, or otherwise dealt with in such manner as the Directors may in their absolute discretion as deemed fit in the interests of the Company.

The terms and conditions of the Proposed Rights Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Proposed Rights Issue will be contained in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course, subject to, *inter alia*, the Proposed Rights Issue and the Proposed RS Whitewash Resolution being approved by the Shareholders at the EGM.

6.4 Irrevocable Undertaking

6.4.1 As at the Latest Practicable Date, the Major Shareholders are Sng Sze Hiang and Tong Jia Pi Julia, and they beneficially hold 281,366,775 Shares and 103,588,856 Shares respectively (collectively “**Existing Major Shareholders Shares**”). The Existing Major Shareholders Shares represents in aggregate 384,955,631 Shares or approximately 36.7% of the Company’s Existing Issued Share Capital.

6.4.2 To show support for the Proposed Rights Issue and to demonstrate their commitment to and confidence in the Company, the Major Shareholders had on 9 December 2019 given an irrevocable undertaking pursuant to which they have unconditionally and irrevocably undertaken to the Company, *inter alia*:

- (a) that they will not sell, transfer or otherwise deal with any of the Existing Major Shareholders Shares prior to the Record Date;

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- (b) to fully subscribe and/or procure subscription for all of their entitlement of 128,318,543 Rights Shares based on the Existing Major Shareholders Shares as at the Record Date; and
- (c) to fully subscribe and/or procure the subscription for up to 221,145,429 Rights Shares which are not subscribed for or otherwise taken up and/or applied for by the other Entitled Shareholders, on the basis that they will rank last in priority for the allotment of Excess Rights Shares which are not taken up by the other Entitled Shareholders.

6.4.3 The Irrevocable Undertaking is subject to and conditional upon the following:

- (a) the grant of the Rights Issue Whitewash Waiver to the Major Shareholders and persons acting in concert with them, and such approval not having been withdrawn or revoked prior to the completion of the Rights Issue;
- (b) the receipt of the approval in-principle of the SGX-ST for the listing and quotation of the Rights Shares under the Proposed Rights Issue on the Mainboard of the SGX-ST and such approval not being withdrawn or revoked as at the completion of the Rights Issue, and if such approval is granted to such conditions, such conditions being acceptable to the Company;
- (c) the Proposed Rights Issue being approved by the Shareholders at the EGM to be convened;
- (d) the Proposed RS Whitewash Resolution being approved by the Independent Shareholders at the EGM;
- (e) the lodgement of the Offer Information Statement, together with all other accompanying documents (if applicable), by the Company in respect of the Proposed Rights Issue with the Authority; and
- (f) the receipt of the approval in-principle of the SGX-ST for the resumption of trading of the Shares on the Mainboard of the SGX-ST.

6.4.4 If any of the conditions above are not fulfilled, the Irrevocable Undertaking will terminate.

6.4.5 The terms of the Irrevocable Undertaking mean that the Proposed Rights Issue will be fully subscribed even in the event that none of the Entitled Shareholders (save for the Major Shareholders) subscribe and pay for their pro-rata entitlement of the Rights Shares.

6.4.6 On 22 April 2020, Tong Jia Pi Julia had irrevocably instructed the Scheme Manager to, among others, (a) hold her entitlement to Scheme Payment under the New Scheme on her behalf pending the Company's implementation of the Proposed Rights Issue; and (b) pay the Company such amount to discharge the Major Shareholders' obligations under the Irrevocable Undertaking ("**Irrevocable Instructions**"). The Major Shareholders had furnished a confirmation provided by the Scheme Manager on 22 April 2020 that it will comply and act in accordance with the Irrevocable Instructions.

6.5 Non-underwritten Proposed Rights Issue

The Proposed Rights Issue will not be underwritten in view of the Irrevocable Undertaking and the savings in underwriting costs which the Company will enjoy. The Proposed Rights Issue will not be withdrawn after commencement of the ex-rights trading of the Shares pursuant to Rule 820(1) of the Mainboard Rules.

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6.6 Size of the Proposed Rights Issue

- 6.6.1 As at the Latest Practicable Date, the Existing Issued Share Capital of the Company comprises 1,048,391,917 Shares (excluding treasury Shares). Save for the proposed allotment and issue of Conversion Shares pursuant to the Proposed Convertible Loan as set out in paragraph 3 of this Circular, the Company does not have any outstanding warrants, options or convertible securities.
- 6.6.2 As set out in paragraph 3.10.1 of this Circular, the intention of the Company and the Investor is for the Company to carry out and complete the Proposed Rights Issue prior to the conversion of the Conversion Loan and the Proposed Issue of the Conversion Shares. Following that, the Investor will not be entitled to participate in the Proposed Rights Issue.
- 6.6.3 For illustrative purposes only, based on the Existing Issued Share Capital, if (a) the Proposed Rights Issue is fully subscribed for pursuant to the Irrevocable Undertaking and (b) no new Shares are issued on or prior to completion of the Proposed Rights Issue, approximately 349,463,972 Shares will be issued pursuant to the Proposed Rights Issue and the issued share capital of the Company will be increased to approximately 1,397,855,889 Shares (excluding treasury shares).

6.7 Conditions of the Proposed Rights Issue

- 6.7.1 Shareholders should note that the Proposed Rights Issue is subject to, *inter alia*, the following conditions:
- (a) the Company obtaining undertakings from the Major Shareholders to subscribe in full to their pro rata entitlements to the Proposed Rights Issue and any unsubscribed Rights Shares of other Shareholders of the Company who do not exercise their entitlement(s) to subscribe for the Rights Shares;
 - (b) the Major Shareholders obtaining a waiver from the SIC from any requirements under the Takeover Code to make an offer for the Shares or other securities of the Company in connection with the allotment and issue of the Rights Shares, on terms reasonably satisfactory to the Major Shareholders, and the compliance with any reasonable conditions attached to such waiver (if required);
 - (c) the Company obtaining the in-principle approval from the SGX-ST for the listing and quotation of the Rights Shares on the Mainboard of the SGX-ST being obtained and not having been withdrawn or revoked on or prior to the completion of the Rights Issue;
 - (d) the Company obtaining its Shareholders' approval for the Proposed Rights Issue and the proposed allotment and issue of Rights Shares;
 - (e) the Company obtaining its Independent Shareholders' approval for the Proposed RS Whitewash Waiver Resolution;
 - (f) the in-principle approval from the SGX-ST on the trading resumption proposal to be submitted by the Company with a view to resuming trading in the Shares being obtained and not having been withdrawn or revoked on or prior to the completion of the Proposed Rights Issue; and
 - (g) the lodgement of an Offer Information Statement, together with all other accompanying documents (if applicable), by the Company in connection with the Rights Issue with the Authority.

As at the date of this Circular, all conditions above (other than those set out in sub paragraphs (d), (e) and (g)) have been satisfied. However, please note that the condition set out in sub paragraph (f) is further subject to the Company satisfying the conditions set out in paragraph 6.7.2 of this Circular.

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6.7.2 The Shares were suspended from trading on Mainboard of the SGX-ST on 4 August 2017 on the Company's request. On 6 August 2020, the SGX-ST advised that it has no objection in principle to the Company lifting the trading suspension in its Shares, provided that the Company submits the following confirmations/documents to the SGX-ST and satisfies the conditions therein:

- (a) a written confirmation by the Board of the completion of the New Scheme;
- (b) the Group's pro-forma financial statements (i.e. balance sheet, income statement and cash flow statement) which have been reviewed by the Company's auditors, to demonstrate that the Group is able to operate as a going concern; and
- (c) a written confirmation by the Board that the Group will be able to meet its obligations to its creditors and can operate as a going concern for the 12 months commencing from the completion of the New Scheme, after taking into account the net proceeds from the Rights Issue.

6.8 Listing application for the listing and quotation of the Rights Shares

6.8.1 The Company has on, 7 August 2020, obtained the in-principle approval from the SGX-ST for the listing and quotation of the Rights Shares on the Mainboard of the SGX-ST. The Offer Information Statement will be lodged with the Authority and despatched to the Entitled Shareholders in due course.

6.8.2 The approval in-principle from the SGX-ST is subject to the following conditions:

- (a) Shareholders' approval for the Proposed Rights Issue as well as all other resolutions to be tabled in respect of such transaction;
- (b) a written undertaking from the Company that it will comply with Rules 740(30), 815 and 1207(2) of the Mainboard Rules in relation to the use of the proceeds from the Proposed Rights Issue and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report;
- (c) a written undertaking from the Company that it will comply with Rule 877(10) of the Mainboard Rules with regards to the allotment of any Excess Rights Shares;
- (d) a written confirmation from financial institution(s) as required under Rule 877(9) of the Mainboard Rules or the Scheme Manager of the New Scheme that the undertaking shareholders who have given the irrevocable undertakings have sufficient financial resources to fulfil their obligations under its undertakings;
- (e) a written confirmation by the Board that the Group will be able to meet its obligations to its creditors and can operate as a going concern for the 12 months commencing from the completion of the New Scheme prior to the Company undertaking the Proposed Rights Issue; and
- (f) resumption of trading of the Shares on the Mainboard of the SGX-ST prior to the Company undertaking the Proposed Rights Issue.

The SGX-ST's in-principle approval shall not be taken as an indication of the merits of the Rights Shares, the Proposed Rights Issue, the Company and its subsidiaries.

6.9 Rationale of the Proposed Rights Issue and Use of Proceeds

6.9.1 As set out in paragraphs 3.7 and 6.1 of this Circular, as a condition subsequent to the utilisation of the entire amount of the Proposed Convertible Loan, the Company shall conduct the Proposed Rights Issue no later than three (3) months after the Conversion Regulatory Approval, Conversion Shareholders Approval and where applicable, the Conversion Whitewash Waiver are obtained, or such other later date as may be agreed between the Company and the Investor.

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- 6.9.2 In addition, the Proposed Rights Issue will also provide Shareholders who are confident of the future prospects of the Company with the opportunity to further participate in the equity of the Company.
- 6.9.3 In the event that the Rights Shares are fully subscribed by the Entitled Shareholders, the proceeds from the Proposed Rights Issue are approximately S\$3,494,639 and shall be used in the following order of priority:
- (a) to pay for the cost and expenses arising or in connection with the Proposed Rights Issue of approximately S\$70,000.00 or 2.0% of the total proceeds from the Proposed Rights Issue;
 - (b) to settle the liabilities owed to Excluded Creditors including but not limited to nTan Corporate Advisory Pte Ltd, Wong Partnership LLP, the Inland Revenue Authority of Singapore, and SP Services Ltd of approximately S\$3,394,801.45 or 97.1% of the total proceeds from the Proposed Rights Issue; and
 - (c) any remaining balance of the total proceeds from the Proposed Rights Issue as working capital and/or other requirements of the Group of approximately S\$29,837.55 or 0.9% of the total proceeds from the Proposed Rights Issue.
- 6.9.4 The Company will make periodic announcements on the utilisation of the net proceeds after deducting the costs and expenses arising or in connection with the Proposed Rights Issue (“**Net Proceeds**”) as and when such proceeds are materially disbursed, and provide a status report on the use of the Net Proceeds in the annual report of the Company. Where there is a material deviation in the use of Net Proceeds, the Company will state the reason(s) for such deviation.
- 6.9.5 In relation to the Net Proceeds which are set aside for general working capital purposes, the Company will disclose a breakdown with specific details on the use of the Net Proceeds for working capital in announcements and annual reports.
- 6.10 **Eligibility of Shareholders to participate in the Proposed Rights Issue**
- 6.10.1 **Entitled Shareholders**
- (a) Entitled Shareholders will be eligible to participate in the Proposed Rights Issue and to receive the Offer Information Statement together with the ARE or the PAL, as the case may be, and other accompanying documents at their respective Singapore addresses. Entitled Depositors who do not receive the Offer Information Statement and the ARE may obtain them from CDP during the period from the date the Proposed Rights Issue commences up to the Closing Date. Entitled Scripholders who do not receive the Offer Information Statement and the PAL may obtain them from the Share Transfer Agent during the period from the date the Proposed Rights Issue commences up to the Closing Date.
 - (b) Entitled Shareholders will be provisionally allotted the Rights Shares under the Proposed Rights Issue on the basis of their shareholdings as at the Record Date. They are at liberty to accept (in full or in part), or decline or otherwise renounce or, in the case of Entitled Depositors only, trade their provisional allotment of the Rights Shares on the SGX-ST (during the provisional allotment trading period prescribed by the SGX-ST), and are eligible to apply for additional Rights Shares in excess of their provisional allotments under the Proposed Rights Issue. For the avoidance of doubt, only Entitled Shareholders (and not purchasers of the provisional allotment of Rights Shares traded on the SGX-ST during the provisional allotment trading period) shall be entitled to apply for additional Rights Shares.
 - (c) All fractional entitlements to the Rights Shares will be disregarded in arriving at the entitlements of the Entitled Shareholders and will, together with the entitlements not allotted or taken up for any reason, be aggregated and issued to satisfy applications, if any, for Excess Rights Shares, or dealt with in such manner as the Directors in their absolute discretion deem fit. In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots and the Directors and the Substantial Shareholders who have control

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or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board, including the Major Shareholders, will rank last in priority for the rounding of odd lots and the allotment of Excess Rights Shares.

- (d) **All dealings in and transactions of the Rights through the SGX-ST will be effected under the book-entry (scripless) settlement system. Accordingly, the PALs for the Proposed Rights Issue which are issued to Entitled Scripholders will not be valid for delivery pursuant to trades done on the SGX-ST.**
- (e) The procedures for, and the terms and conditions applicable to, acceptances, splitting and/or renunciation of the Rights Shares and sales of the Rights and for the applications for Excess Rights Shares, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement to be despatched by the Company to the Entitled Shareholders in due course.
- (f) **Entitled Shareholders with registered addresses outside Singapore who wish to participate in the Proposed Rights Issue should provide CDP or the Share Transfer Agent, as the case may be, with addresses in Singapore for the service of notices and documents, at least three (3) Market Days prior to the Record Date.**
 - (i) **Entitled Scripholders**

Entitled Scripholders are encouraged to open Securities Accounts if they have not already done so and to deposit such share certificates with CDP prior to the Record Date so that their Securities Accounts may be credited by CDP with their Shares and the Rights. Entitled Scripholders should note that their Securities Accounts will only be credited with the Shares on the twelfth Market Day from the date of lodgement of the share certificates with CDP or such later date as CDP may determine.
 - (ii) **Entitled Depositors**

Entitled Depositors should note that all notices and documents will be sent to their last registered addresses with CDP. Entitled Depositors are reminded that any request to CDP to update their records or to effect any change in address must reach CDP at 11 North Buona Vista Drive, #06-07 The Metropolis Tower 2, Singapore 138589, at least three (3) Market Days before the Record Date.
- (g) **CPF Investment Scheme**

Shareholders who have previously purchased Shares using their CPF Funds under the CPFIS may only use their CPF Funds for the payment of the Rights Issue Price to subscribe for their provisional allotments of “nil-paid” Rights Shares and (if applicable) to apply for Excess Rights Shares, subject to the applicable CPF rules and regulations. Such Shareholders who wish to accept provisional allotments of the Rights Shares and (if applicable) apply for Excess Rights Shares using CPF Funds will need to instruct their respective approved CPF agent banks with whom they hold their CPF investment accounts, to accept the provisional allotments of the Rights Shares and (if applicable) apply for Excess Rights Shares on their behalf in accordance with the terms and conditions in the Offer Information Statement. CPF Funds may not be used to purchase provisional allotments of “nil-paid” Rights Shares directly from the market.
- (h) **Foreign Shareholders**
 - (i) The Offer Information Statement and its accompanying documents have not been and will not be lodged, registered or filed in any jurisdiction other than Singapore. The distribution of the Offer Information Statement and its accompanying documents may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislation

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applicable in jurisdictions other than Singapore, the Offer Information Statement and the accompanying documents will not be despatched to Shareholders with registered addresses outside Singapore as at the Record Date and who have not, at least three (3) Market Days prior thereto, provided the Share Registrar or CDP, as the case may be, with addresses in Singapore for the service of notices and documents ("**Foreign Shareholders**").

- (ii) It is also the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside Singapore wishing to take up their provisional allotment of Rights Shares and (if applicable) apply for Excess Rights Shares under the Rights Issue to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this section are intended as a general guide only and any Foreign Shareholder who is in doubt as to his position should consult his professional advisers without delay.
- (iii) The Offer Information Statement, PALs and AREs will not be sent to, and Rights will not be credited to Securities Accounts of, Shareholders with registered addresses in the United States or other jurisdictions outside Singapore or to their agent or intermediary outside Singapore, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.
- (iv) No person receiving a copy of this Circular, the Offer Information Statement, a PAL, ARE or ARS and/or a credit of Rights or Rights Shares to a Securities Account in any territory other than Singapore may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such PAL, ARE or ARS and/or accept any credit of Rights or Rights Shares to a Securities Account unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such PAL, ARE or ARS and/or credit of Rights or Rights Shares to a Securities Account could lawfully be used or accepted, and any transaction resulting from such use or acceptance could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this Circular, the Offer Information Statement, the PAL, ARE or ARS must be treated as sent for information only and should not be copied or redistributed.
- (v) Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this Circular, the Offer Information Statement, and/or a PAL, ARE or ARS or whose Securities Account is credited with Rights or Rights Shares should not distribute or send the same or transfer Rights or Rights Shares in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If the Offer Information Statement, a PAL, ARE or ARS or a credit of Rights or Rights Shares is received by any person in any such territory, or by his agent or nominee, he must not seek to take up the Rights or Rights Shares, renounce such PAL, ARE or ARS or transfer the Rights or the Rights Shares unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who forwards this Circular, the Offer Information Statement, or a PAL, ARE or ARS or transfers Rights or Rights Shares into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section as well as relevant sections of the Offer Information Statement.

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- (vi) The Company reserves the right to treat as invalid any ARE, ARS or PAL which (A) appears to the Company or its agents to have been executed in any jurisdiction outside Singapore which may violate the applicable legislation of such jurisdiction; (B) provides an address outside Singapore for the receipt of the share certificate(s) for the Rights Shares or which requires the Company to despatch the share certificate(s) to an address in any jurisdiction outside Singapore; or (C) purports to exclude any deemed representation or warranty. The Company further reserves the right to reject any acceptances of the Rights Shares and (if applicable) applications for excess Rights Shares where it believes, or has reason to believe, that such acceptances and (if applicable) applications may violate the applicable legislation of any jurisdiction.
- (vii) **Foreign Shareholders will not be allowed to participate in the Rights Issue. Accordingly, no provisional allotment of Rights Shares will be made to Foreign Shareholders and no purported acceptance or application for Rights Shares by Foreign Shareholders will be valid.**
- (viii) **The Offer Information Statement and its accompanying documents will also not be despatched to persons purchasing the provisional allotments of Rights Shares through the book-entry (scripless) settlement system if their registered addresses with CDP are outside Singapore. Such persons who wish to accept the provisional allotments of the Rights Shares credited to their Securities Accounts should make the necessary arrangements with their Depository Agents or stockbrokers in Singapore.**
- (ix) For the avoidance of doubt, even if a Foreign Shareholder has provided a Singapore address as aforesaid, the offer of Rights and/or Rights Shares to him will be subject to compliance with applicable securities laws outside Singapore.
- (i) Treatment of Un-allotted Rights of Foreign Shareholders
 - (i) To the extent it is practicable to do so, the Company may, at its absolute discretion make arrangement for the Rights which would otherwise have been provisionally allotted to Foreign Shareholders to be sold “nil-paid” on the Mainboard of the SGX-ST as soon as practicable after commencement of trading of the Rights on a “nil-paid” basis. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account the expenses expected to be incurred in relation thereto. The net proceeds of such sales (after deducting any applicable brokerage, commissions and expenses therefrom, including goods and services tax) will be aggregated and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register maintained by CDP as at the Record Date, and sent to them at their own risk by ordinary post, **provided that** where the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, the Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager, CDP or the Share Registrar and their respective officers in connection therewith.
 - (ii) If such provisional allotments cannot be or are not sold on the Mainboard of SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares, the Rights Shares represented by such provisional allotments will be issued to satisfy excess applications or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager, CDP or the Share Registrar and their respective officers in connection therewith.

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- (iii) Shareholders should note that the special arrangements described above will apply only to Foreign Shareholders. However, the Company reserves the right to make similar arrangements for the Rights which would otherwise have been allotted to certain Entitled Shareholders to be sold “nil-paid” on the SGX-ST as soon as practicable after dealings in the Rights commence, where the beneficial holders of such Rights are restricted or prohibited by the laws of the jurisdiction in which they are located or resident from participating in the Rights Issue.
- (iv) Notwithstanding anything herein, Shareholders and any other person receiving the Offer Information Statement and/or its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto. No person in any territory outside Singapore receiving the Offer Information Statement and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares unless such offer, invitation or solicitation could lawfully be made without violating any regulatory or legal requirements in such territory.

6.11 Financial Information and Review of Past Performance of the Group

Selected audited consolidated financial information of the Group for FY2017, FY2018 and FY2019 and selected unaudited consolidated financial information of the Group for the nine-month period ended 31 December 2018 and the nine-month period ended 31 December 2019 are set out in Appendix A of this Circular. Such selected financial information include the Group's income statement, statement of financial position, statement of cash flow and the working capital position as well as a review thereof, and should be read together with the annual reports, the consolidated audited accounts and consolidated financial statements of the Group for the relevant periods and the related notes thereto, which are available on the website of the SGX-ST at www.sgx.com.

6.12 Adequacy of Working Capital

As at the Latest Practicable Date, the Directors are of the opinion that:

- (a) the estimated proceeds of S\$48,000,000 from the Proposed Convertible Loan and approximately S\$3,494,639 from the Proposed Rights Issue will be sufficient to meet the Company's obligations in respect of the New Scheme and to settle the liabilities owed to Excluded Creditors;
- (b) assuming that the New Scheme becomes effective (whereby upon the Scheme Payments being paid to its Creditors), the outstanding liabilities owing to the Creditors and Excluded Creditors will consequently be completely discharged and/or substantially reduced); and
- (c) with the injection of the working capital from the proceeds from the Loan, the trade creditors, which are not part of the New Scheme, are less likely to raise any material claims against the Group that are reasonably likely to have a material effect on the Group's financial conditions and operations.

Following that, as at the Latest Practicable Date, taking into account (i) the Group's internal resources, operating cashflows, working capital facilities; (ii) the estimated proceeds of S\$48,000,000 raised from the Proposed Convertible Loan; (iii) approximately S\$3,494,639 raised from the Proposed Rights Issue; and (iv) the proceeds of up to S\$25,000,000 raised from the Loan, the Directors are of an opinion that the Group will have sufficient resources to meet the Company's obligations and continue to operate as a going concern.

6.13 Financial Effects of the Proposed Rights Issue

Please refer to paragraph 8 of this Circular for further details on the financial effects of, *inter alia*, the Proposed Rights Issue.

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6.14 Offer Information Statement

An Offer Information Statement will be despatched by the Company to Entitled Shareholders subject to the relevant conditions being fulfilled, including the approval of the Shareholders for the Proposed Rights Issue being obtained. Please refer to the Offer Information Statement for more information on the acceptances and applications under the Proposed Rights Issue.

6.15 Record Date

Subject to the New Scheme coming into effect and Shareholders' approval for the Proposed Rights Issue being obtained, the Register of Members and the register of transfers of the Company will be closed at a time and date to be determined by the Directors for the purpose of determining the entitlements of Shareholders under the Proposed Rights Issue.

6.16 Interests of Directors and Substantial Shareholders in the Proposed Rights Issue

Save for the Major Shareholders who have provided the Irrevocable Undertaking as set out in paragraph 6.4 of this Circular and save as disclosed in paragraph 9 of this Circular, none of the Directors or Substantial Shareholders has any direct or indirect interest in the Proposed Rights Issue (other than through their respective shareholdings in the Company).

7. THE PROPOSED RS WHITEWASH RESOLUTION

- 7.1 As set out in paragraph 6.4.1, as at the Latest Practicable Date, the Major Shareholders, are Sng Sze Hiang and Tong Jia Pi Julia, and they beneficially hold 281,366,775 Shares and 103,588,856 Shares respectively. The shareholding interests of Sng Sze Hiang and Tong Jia Pi Julia and their respective deemed Concert Parties in relation to the Company are as follows:

Name	Relationship with Sng Sze Hiang	Interest held in the Company	
		No. of shares	% ⁽¹⁾
Sng Sze Hiang	–	281,366,775	26.83
Tong Jia Pi Julia	Spouse	103,588,856	9.88
Name	Relationship with Tong Jia Pi Julia	Interest held in the Company	
		No. of shares	% ⁽¹⁾
Tong Jia Pi Julia	–	103,588,856	9.88
Sng Sze Hiang	Spouse	281,366,775	26.83

Note:

- (1) Based on a total issued share capital of the Company as at the Latest Practicable Date of 1,048,391,917 Shares (excluding treasury shares)

- 7.2 The Major Shareholders, in aggregate, hold 384,955,631 Shares or approximately 36.7% of the Company's Existing Issued Share Capital.
- 7.3 Given that the Major Shareholders have provided the Irrevocable Undertaking that they would fully subscribe and/or procure subscription for (a) all of their entitlement of 128,318,543 Rights Shares and (b) up to 221,145,429 Rights Shares which are not subscribed for or otherwise taken up and/or applied for by the other Entitled Shareholders as set out in paragraph 6.4 of this Circular, they may, in aggregate, hold up to 734,419,603 or approximately 52.5% of the enlarged share capital of the Company after the Proposed Rights Issue.
- 7.4 Under Rule 14 of the Takeover Code, 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 30.0% or more of the voting rights of a company; and

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- (b) any person who, together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights of a company and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of the voting rights of a company,

such person is required, except with the consent of the SIC, to make a General Offer, for all remaining issued shares in the company concerned which he and/or his Concert Parties do not already own, control or have agreed to acquire in accordance with the Takeover Code. In addition to such person, each of the members of the group of persons acting in concert with him may, accordingly to the circumstances of the case, have the obligation to extend an offer.

- 7.5 Based on the scenario set out in paragraph 7.3 of this Circular, the aggregate shareholding interests of the Major Shareholders and their Concert Parties in the Company may increase by more than 1.0% within a period of six (6) months. Accordingly, pursuant to Rule 14 of the Takeover Code, the Major Shareholders may incur an obligation to make a General Offer for all the remaining Shares in issue not already owned, controlled or agreed to be acquired by it upon the completion of allotment and issue of the Rights Shares.
- 7.6 The conditions precedent for the Proposed Rights Issue include (a) the Major Shareholders obtaining the Right Issue Whitewash Waiver from the SIC, on terms reasonably satisfactory to the Major Shareholders, and the compliance with any reasonable conditions attached to such waiver; and (b) the Company obtaining its Shareholders' approval for the Proposed Rights Issue and the allotment and issue of Rights Shares.
- 7.7 The Company, on behalf of the Major Shareholders, applied for the Rights Issue Whitewash Waiver and the SIC had on 25 February 2020 granted the Major Shareholders a waiver of the requirement to make a General Offer for the Company as a result of the Proposed Issue of Rights Shares, subject to the following conditions:
 - (a) a majority of holders of voting rights of the Company present and voting at a general meeting held before the Proposed Rights Issue, approve by way of a poll, the Proposed RS Whitewash Resolution to waive their rights to receive a General Offer from the Major Shareholders;
 - (b) the Proposed RS Whitewash Resolution is separate from other resolutions;
 - (c) the Major Shareholders, their Concert Parties and parties not independent of them as well as parties not independent of the Proposed Rights Issue abstain from voting on the Proposed RS Whitewash Resolution;
 - (d) the Major Shareholders and their Concert Parties did not acquire or are not to acquire any Shares or instruments convertible into and option 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 announcement of the Proposed Rights Issue and the date Shareholders' approval is obtained for the Proposed RS Whitewash Resolution; and
 - (ii) in the six (6) months prior to the announcement of the Proposed Rights Issue but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Rights Issue;
 - (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed RS Whitewash Resolution;

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- (f) the Company sets out clearly in its circular to its Shareholders:
 - (i) details of the Proposed Rights Issue;
 - (ii) the dilution effect to existing holders of voting rights upon the acquisition of the Rights Shares by the Major Shareholders pursuant to the Irrevocable Undertaking;
 - (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 Major Shareholders and their Concert Parties as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be issued to the Major Shareholders as a result of their subscription of Rights Shares pursuant to the Irrevocable Undertaking;
 - (v) specific and prominent reference to the fact that the acquisition of the Rights Shares by the Major Shareholders pursuant to the Irrevocable Undertaking could result in the Major Shareholders and their Concert Parties holding Shares carrying over 49% of the voting rights of the Company based on its enlarged issued share capital, and the fact that the Major Shareholders and their Concert Parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a General Offer for the Company; and
 - (vi) specific and prominent reference to the fact that Shareholders, by voting for the Proposed RS Whitewash Resolution, are waiving their rights to a General Offer from the Major Shareholders at the highest price paid by the Major Shareholders and their Concert Parties for the Shares in the past six (6) months preceding the commencement of the offer;
- (g) the Circular by the Company to its Shareholders states that the waiver granted by SIC to the Major Shareholders from the requirement to make a General Offer under Rule 14 of the Takeover Code is subject to the conditions stated at paragraph 7.7 (a) to (f) above;
- (h) the Major Shareholders obtain SIC's approval in advance for those parts of the Circular that refer to the Proposed RS Whitewash Resolution; and
- (i) to rely on the Proposed RS Whitewash Resolution, the approval of the Proposed RS Whitewash Resolution must be obtained within three (3) months of the date of the waiver granted by the SIC, and the acquisition of the Rights Shares by the Major Shareholders must be completed within three (3) months of the date of the approval of the Proposed RS Whitewash Resolution.

7.8 The Company, on behalf of the Investor, applied to the SIC on 21 May 2020 to extend the timeline to obtain the approval of the Proposed RS Whitewash Resolution. On 28 May 2020, the SIC granted the extension of time for the approval of the Proposed RS Whitewash Resolution to be obtained by 16 July 2020 with no further extension to be granted to this deadline. However, as the extended timeline to meet the conditions set out in the Rights Issue Whitewash Waiver had lapsed, the Company applied to the SIC on 7 August 2020 for a further extension of time to meet the conditions. As a further extension of time was not obtained, the Company re-applied to the SIC for the grant of the Rights Issue Whitewash Waiver. The SIC has on 2 October 2020 granted the Company the Rights Issue Whitewash Waiver, subject to the following conditions:

- (a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the issue of the Proposed Rights Issue, approve by way of a poll, the Proposed RS Whitewash Resolution to waive their rights to receive a General Offer from the Major Shareholders;

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- (b) the Proposed RS Whitewash Resolution is separate from other resolutions;
- (c) the Major Shareholders, their Concert Parties and parties not independent of them as well as parties not independent of the Proposed Rights Issue abstain from voting on the Proposed RS Whitewash Resolution;
- (d) the Major Shareholders and their Concert Parties did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of 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 announcement of the Proposed Rights Issue and the date Shareholders' approval is obtained for the Proposed RS Whitewash Resolution; and
 - (ii) in the six (6) months prior to the announcement of the Proposed Rights Issue, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Rights Issue;
- (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed RS Whitewash Resolution;
- (f) the Company sets out clearly in its circular to its Shareholders:
 - (i) details of the Proposed Rights Issue;
 - (ii) the dilution effect to existing holders of voting rights upon the acquisition of the Rights Shares by the Major Shareholders pursuant to the Irrevocable Undertaking;
 - (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 Major Shareholders and their Concert Parties as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be issued to the Major Shareholders as a result of their subscription of Rights Shares pursuant to the Irrevocable Undertaking;
 - (v) specific and prominent reference to the possibility that the acquisition of the Rights Shares by the Major Shareholders pursuant to the Irrevocable Undertaking could result in the Major Shareholders and their Concert Parties holding Shares carrying over 49% of the voting rights of the Company based on its enlarged issued share capital, and the fact that the Major Shareholders and their Concert Parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a General Offer for the Company; and
 - (vi) specific and prominent reference to the fact that Shareholders, by voting for the Proposed RS Whitewash Resolution, are waiving their rights to a General Offer from the Major Shareholders at the highest price paid by the Major Shareholders and their Concert Parties for Shares in the past six (6) months preceding the commencement of the offer;
- (g) the Circular by the Company to its Shareholders states that the waiver granted by SIC to the Major Shareholders from the requirement to make a General Offer under Rule 14 of the Takeover Code is subject to the conditions stated at paragraph 7.8(a) to (f) above;
- (h) the Major Shareholders obtain SIC's approval in advance for those parts of the Circular that refer to the Proposed RS Whitewash Resolution; and

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- (i) to rely on the Proposed RS Whitewash Resolution, the approval of the Proposed RS Whitewash Resolution must be obtained within three (3) months of date of the waiver granted by SIC, and the acquisition of the Rights Shares by the Major Shareholders must be completed within three (3) months of the date of the approval of the Proposed RS Whitewash Resolution.

- 7.9 As at the date of this Circular, the above conditions imposed by the SIC (save for the condition regarding the approval of the Independent Shareholders for the Proposed RS Whitewash Waiver Resolution) have been satisfied.
- 7.10 The Independent Shareholders are requested to vote by way of poll on the Proposed RS Whitewash Resolution as set out as an ordinary resolution 5 in the Notice of EGM, waiving their rights to receive a General Offer from the Major Shareholders for the remaining Shares not already owned, controlled, or agreed to be acquired by them, arising from the allotment and issue of Rights Shares.
- 7.11 As a result of the Proposed Transactions including the proposed allotment and issue of Rights Shares, the shareholding interests of existing Shareholders will be substantially diluted. Such dilution effects to existing Shareholders are illustrated in paragraph 9 of this Circular.
- 7.12 Novus Corporate Finance Pte. Ltd. has been appointed as the IFA to advise the Recommending Directors on whether the Proposed Rights Issue, which is the subject of the Proposed RS Whitewash Resolution, is fair and reasonable.
- 7.13 Having regard to the considerations set out in the IFA Letter to the Recommending Directors in respect of the Proposed Rights Issue and the Proposed RS Whitewash Resolution as set out in Appendix B to this Circular and the information available to the IFA as at the Latest Practicable Date, the IFA is of the opinion that the Proposed Rights Issue, which is the subject of the Proposed RS Whitewash Resolution, is fair and reasonable. Accordingly, the IFA advises the Recommending Directors to recommend that the Independent Shareholders vote in favour of the Proposed RS Whitewash Resolution at the EGM.
- 7.14 A copy of the IFA Letter in respect of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution is set out in Appendix B to this Circular. Shareholders are advised to read the IFA Letter in its entirety carefully and consider the IFA's advice and recommendations to the Recommending Directors in the context of this Circular before deciding on whether to approve the Proposed RS Whitewash Waiver.

8. FINANCIAL EFFECTS

- 8.1 The *pro forma* financial effects of the Proposed Rights Issue and Proposed Issue of Conversion Shares are for illustrative purposes only and do not necessarily reflect the actual future financial performance or financial position of the Group following the completion of the Proposed Rights Issue and Proposed Issue of Conversion Shares.
- 8.2 The *pro forma* financial effects of the Proposed Rights Issue and Proposed Issue of Conversion Shares on the number of Shares of the Company, share capital of the Company, NTA, EPS and gearing of the Group have been prepared based on the audited financial statements of the Group for FY2019 and the bases and assumptions set out in paragraph 8.3 of this Circular.

8.3 Bases and assumptions

For the purposes of illustration, the *pro forma* financial effects of the Proposed Rights Issue and Proposed Issue of Conversion Shares are computed based on, *inter alia*, the following assumptions:

- (a) all Entitled Shareholders will subscribe in full to their respective pro-rata entitlement of their Rights Shares in the Proposed Rights Issue;

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- (b) in the event that not all Entitled Shareholders subscribed in full to their pro-rata entitlement of their Rights Shares in the Proposed Rights Issue, the Major Shareholders will subscribe to all unsubscribed Rights Shares pursuant to their Irrevocable Undertaking;
- (c) the Company will drawdown the entire Proposed Convertible Loan which is S\$48,000,000 prior to the Proposed Rights Issue and the Investor will convert the Proposed Convertible Loan and interest payable to 5,280,000,000 Conversion Shares after the Proposed Rights Issue, within the agreed time frame; and
- (d) there are no events which require Anti-dilution Adjustments.

8.4 Effect on number of Shares

	Number of Shares
Before the Proposed Rights Issue and the Proposed Issue of Conversion Shares	1,048,391,917
Add: Allotment and issue of Rights Shares	349,463,972
Number of issued shares immediately after the Proposed Rights Issue	1,397,855,889
Add: Allotment and issue of Conversion Shares	5,280,000,000
Number of issued shares immediately after the Proposed Rights Issue and Proposed Issue of Conversion Shares	6,677,855,889

The table above is purely for illustrative purposes only. Shareholders are reminded that the information in the table above must be read together with the relevant bases and assumptions.

8.5 Effect on share capital

	Share Capital (S\$ '000)
Before the Proposed Rights Issue and the Proposed Issue of Conversion Shares	175,622
Add: Allotment and issue of Rights Shares	3,494
Share capital immediately after the Proposed Rights Issue	179,116
Add: Allotment and issue of Conversion Shares	52,800
Share capital immediately after the Proposed Rights Issue and Proposed Issue of Conversion Shares	231,916

The table above is purely for illustrative purposes only. Shareholders are reminded that the information in the table above must be read together with the relevant bases and assumptions.

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8.6 Effect on NTA

	NTA (S\$ '000)
Before the Proposed Rights Issue and the Proposed Issue of Conversion Shares	(237,880)
Add: Allotment and Issue of Rights Shares	3,494
NTA immediately after the Proposed Rights Issue	(234,386)
Add: Allotment and Issue of Conversion Shares	52,800
NTA immediately after the drawdown and utilisation of proceeds from the Proposed Convertible Loan and corporate actions on the settlement of scheme debt <u>before</u> the Proposed Rights Issue	27,331
NTA immediately after the drawdown and utilisation of proceeds from the Proposed Convertible Loan and corporate actions on the settlement of scheme debt <u>after</u> the Proposed Rights Issue	78,826
NTA per Share (cents)	1.18

The table above is purely for illustrative purposes only. Shareholders are reminded that the information in the table above must be read together with the relevant bases and assumptions.

8.7 Effect on EPS⁽¹⁾

	Before the Proposed Rights Issue and the Proposed Issue of Conversion Shares	EPS immediately after the drawdown and utilisation of proceeds from the Proposed Convertible Loan and corporate actions on the settlement of scheme debt <u>before</u> the Proposed Rights Issue	Immediately after the Proposed Rights Issue and the Proposed Issue of Conversion Shares
Net (Loss)/Profit attributable to Shareholders (S\$ '000)	(1,702)	263,510	258,710
No. of Shares ('000)	1,048,392	1,048,392	6,677,856
EPS/(LPS) (cents)⁽¹⁾	(0.16)	25.13	3.87

Note:

(1) Earnings/(loss) per Share has been calculated using the net loss for the financial year ended 31 March 2019.

The table above is purely for illustrative purposes only. Shareholders are reminded that the information in the table above must be read together with the accompanying footnotes and the relevant bases and assumptions.

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8.8 Gearing

	Before the Proposed Rights Issue and the Proposed Issue of Conversion Shares	Immediately after the drawdown and utilisation of proceeds from the Proposed Convertible Loan and corporate actions on the settlement of scheme debt before the Proposed Rights Issue	Immediately after the Proposed Rights Issue and the Proposed Issue of Conversion Shares
Total Borrowings (S\$'000)	440,645	270,520	222,520
Equity attributable to Shareholders (S\$'000)	(228,603)	36,608	88,102
Gearing (times)	(1.93) nm	7.39	2.53

The table above is purely for illustrative purposes only. Shareholders are reminded that the information in the tables above must be read together with the accompanying footnotes and the relevant bases and assumptions.

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9. SHAREHOLDING EFFECTS OF THE PROPOSED ISSUE OF RIGHTS SHARES AND CONVERSION SHARES

The shareholding effects of the proposed issuance of Rights Shares and Conversion Shares (collectively, the “**Proposed Shares Issue**”) as set out below are for illustrative purposes only and based on assumptions set out herein, and do not reflect the actual position of the Shareholders after the completion of the Proposed Shares Issue. As at the Latest Practicable Date, Sng Sze Hiang and Tong Jia Pi Julia are the only Substantial Shareholders.

	As at the Latest Practicable Date				After completion of the Proposed Rights Issue					
					(A) All Entitled Shareholders subscribing in full to their respective pro-rata entitlement of their Rights Shares only			(B) Major Shareholders subscribing in full to their pro-rata entitlement of their Rights Shares and all unsubscribed Rights Shares (assuming the other Entitled Shareholders of the Company do not exercise their entitlement(s) at all to subscribe for the Rights Shares)		
					Direct Interest	Deemed Interest		Direct Interest	Deemed Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors										
Sng Sze Hiang ⁽¹⁾⁽²⁾	281,366,775	26.83	103,588,856	9.88	375,155,700	26.83	138,118,474	9.88	536,792,448	38.39
Tong Jia Pi Julia ⁽³⁾⁽⁴⁾	103,588,856	9.88	281,366,775	26.83	138,118,474	9.88	375,155,700	26.83	197,627,155	14.14
Raymond Koh Bock Swi	195,000	0.02	–	–	260,000	0.02	–	–	195,000	0.01
Ng Leok Cheng	195,000	0.02	–	–	260,000	0.02	–	–	195,000	0.01
Yap Hock Soon ⁽⁵⁾⁽⁶⁾	1,628,000	0.16	–	–	2,170,667	0.16	–	–	1,628,000	0.12
Yo Nagasue	–	–	–	–	–	–	–	–	–	–
Substantial Shareholder										
Celestial Palace Limited	–	–	–	–	–	–	–	–	–	–
Public	661,418,286	63.09	–	–	881,891,048	63.09	–	–	661,418,286	47.33
Total	1,048,391,917	100.00	–	–	1,397,855,889	100.00	–	–	1,397,855,889	100.00

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	After the completion of the Proposed Right Issue and Proposed Issue of Conversion Shares							
	(A)				(B)			
	All Entitled Shareholders subscribing in full to their respective pro-rata entitlement of their Rights Shares only		Deemed Interest		Major Shareholders subscribing in full to their pro-rata entitlement of their Rights Shares and all unsubscribed Rights Shares (assuming the other entitled shareholders of the Company do not exercise their entitlement(s) at all to subscribe for the Rights Shares)			
	Direct Interest		No. of Shares	%	Direct Interest		No. of Shares	%
Directors								
Sng Sze Hiang ⁽¹⁾⁽²⁾	375,155,700	5.62	138,118,474	2.07	536,792,448	8.04	197,627,155	2.96
Tong Jia Pi Julia ⁽³⁾	138,118,474	2.07	375,155,700	5.62	197,627,155	2.96	536,792,448	8.04
Raymond Koh Bock Swi	260,000	0.00	–	–	195,000	0.00	–	–
Ng Leok Cheng	260,000	0.00	–	–	195,000	0.00	–	–
Yap Hock Soon ⁽⁴⁾⁽⁵⁾	2,170,667	0.03	–	–	1,628,000	0.02	–	–
Yo Nagasue	–	–	–	–	–	–	–	–
Substantial Shareholder								
Celestial Palace Limited	5,280,000,000	79.07	–	–	5,280,000,000	79.07	–	–
Public	881,891,048	13.21	–	–	661,418,286	9.91	–	–
Total	6,677,855,889	100.00	–	–	6,677,855,889	100.00	–	–

Notes:

- (1) The Shares held by Sng Sze Hiang includes the Shares held in the name of Sng Sze Hiang's nominee.
- (2) Sng Sze Hiang is deemed to have an interest in the shares held by his spouse, Tong Jia Pi Julia by virtue of Section 4 of the SFA.
- (3) Tong Jia Pi Julia is deemed to have an interest in the shares held by her spouse, Sng Sze Hiang by virtue of Section 4 of the SFA
- (4) Yap Hock Soon is the brother-in-law of Sng Sze Hiang.
- (5) The Shares held by Yap Hock Soon includes the Shares held in name of Yap Hock Soon's wife.

Shareholders are reminded that the information in the tables above must be read together with the accompanying footnotes and the tables above are purely for illustrative purposes only and do not reflect the actual shareholdings effect after the Proposed Shares Issue.

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10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- 10.1 None of the Directors or Substantial Shareholders has any direct or indirect interest in the Proposed Convertible Loan, Proposed Issue of Conversion Shares, the Proposed CS Whitewash Resolution and the Potential Transfer of Controlling Interest (other than through their respective shareholdings in the Company).
- 10.2 Save for Sng Sze Hiang and Tong Jia Pi Julia, who have provided the Irrevocable Undertaking, none of the Directors or Substantial Shareholders has any direct or indirect interest in the Proposed Rights Issue (other than through their respective shareholdings in the Company).
- 10.3 Save as set out in paragraphs 7 and 9 of this Circular, none of the Directors and Substantial Shareholders of the Company has any direct or indirect interest in the Proposed RS Whitewash Waiver (other than through their respective shareholdings in the Company).

11. DIRECTORS' RECOMMENDATIONS

11.1 General

The Directors are of the view that if the Proposed Transactions do not obtain the requisite approval of Shareholders at the EGM, the Company will not be in a position to implement the New Scheme to discharge the outstanding indebtedness owing by the Company to its Existing Scheme Creditors and Non-Existing Creditors, which indebtedness are not sustainable.

The Directors are also of the view that the Proposed Transactions will provide the Company and its Creditors with finality and certainty with respect to the resolution of the Company's obligations owed to the Existing Scheme Creditors and Non-Existing Scheme Creditors.

11.2 Proposed Convertible Loan, Proposed Issue of Conversion Shares, Proposed CS Whitewash Resolution and Potential Transfer of Controlling Interest

Having considered, *inter alia*, the rationale of the Proposed Convertible Loan, Proposed Issue of Conversion Shares, Proposed CS Whitewash Resolution and Potential Transfer of Controlling Interest, and the IFA's opinion and advice as set out in the IFA Letter, the Directors, are of the opinion that the Proposed Convertible Loan, Proposed Issue of Conversion Shares, Proposed CS Whitewash Resolution and Potential Transfer of Controlling Interest are in the best interests of the Company and, accordingly, recommend that Shareholders vote in favour of the proposed resolutions relating thereto to be proposed at the EGM.

11.3 Proposed Rights Issue and Proposed RS Whitewash Resolution

In their capacity as Directors, Sng Sze Hiang and Tong Jia Pi Julia will abstain from making a recommendation to the Independent Shareholders in respect of the Proposed RS Whitewash Resolution.

Having considered, *inter alia*, the rationale and the terms of the Proposed Rights Issue, and the IFA's opinion and advice as set out in the IFA Letter, the Directors are of the opinion that the Proposed Rights Issue is in the best interests of the Company and, accordingly, recommend that Shareholders vote in favour of the ordinary resolution relating to the Proposed Rights Issue to be proposed at the EGM. All Directors, save for Yo Nagasue who has no shares in the Company, intend to subscribe to their respective pro-rata entitlement of their Rights Shares in the Proposed Rights Issue.

Further, having considered, *inter alia*, the rationale and the terms of the Proposed RS Whitewash Resolution, and the IFA's opinion and advice as set out in the IFA Letter, the Recommending Directors are of the opinion that the Proposed RS Whitewash Resolution is in the best interests of the Company and, accordingly, recommend that Independent Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

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11.4 Note to Shareholders

11.4.1 Shareholders should note that:

- (a) the Proposed Transactions and the Irrevocable Undertaking are inter-conditional upon, *inter alia*, them voting in favour of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution. If Independent Shareholders do not vote in favour of the Proposed CS Whitewash Resolution and/or the Proposed RS Whitewash Resolution, the Proposed Transactions and the Irrevocable Undertaking will not take place;
- (b) by voting in favour of the Proposed CS Whitewash Resolution, they could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilutive effect of the Proposed Transactions;
- (c) by voting in favour of the Proposed RS Whitewash Resolution, they will be waiving their rights to receive a mandatory General Offer from the Major Shareholders for all the remaining Shares in issue not already owned, controlled or agreed to be acquired by them at the highest price paid or agreed to be paid by the Major Shareholders and their Concert Parties in the past six (6) months preceding the commencement of the Proposed Rights Issue which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Takeover Code;
- (d) by voting in favour of the Proposed CS Whitewash Resolution, they will be waiving their rights to receive a mandatory General Offer from the Investor for all the remaining Shares in issue not already owned, controlled or agreed to be acquired by them at the highest price paid or agreed to be paid by the Investor and its Concert Parties in the past six (6) months preceding the Proposed Convertible Loan and the Proposed Issue of Conversion Shares which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Takeover Code;
- (e) pursuant to completion of the Proposed Rights Issue and prior to the Proposed Issue of Conversion Shares, assuming that the Major Shareholders subscribe in full to their pro-rata entitlement of their Rights Shares and all unsubscribed Rights Shares (assuming the other Entitled Shareholders do not exercise their entitlement(s) at all to subscribe for the Rights Shares), the Major Shareholders and their Concert Parties may hold Shares carrying in aggregate over 49.0% of the voting rights of the Company, and the Major Shareholders and their Concert Parties would thereafter be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make any subsequent General Offer; and
- (f) pursuant to the completion of the Proposed Transactions, and assuming all the Shareholders subscribe in full to their pro-rata entitlement of the Rights Shares and the allotment and issue in full of the Conversion Shares, the Investor and its Concert Parties may hold Shares carrying in aggregate over 49.0% of the voting rights of the Company, and the Investor and its Concert Parties would thereafter be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make any subsequent General Offer.

11.4.2 Shareholders, in deciding whether to vote in favour of each of the Proposed Transactions, should also consider carefully the advice of the Independent Financial Adviser with respect to the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution and read carefully the terms and conditions, rationale and financial effects of the each of the Proposed Transactions. In giving the recommendations in paragraphs 11.2 and 11.3 of this Circular, the Directors have not had regard to the specific investment objectives, financial situation, tax position

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or unique needs or constraints of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

12. ABSTENTION FROM VOTING

- 12.1 Pursuant to the whitewash waiver to be granted in relation to the Proposed Rights Issue, Sng Sze Hiang and Tong Jia Pi Julia and their Concert Parties as well as parties not independent of them will abstain from voting at the EGM on the ordinary resolution relating to the Proposed RS Whitewash Resolution.
- 12.2 Sng Sze Hiang and Tong Jia Pi Julia and their Concert Parties will also decline to accept appointment as proxies for any Shareholder to vote in respect of ordinary resolution relating to the Proposed RS Whitewash Resolution, unless the Shareholder concerned shall have given specific instruction in his Proxy form as to the manner in which his votes are to be cast in respect of the said resolutions.

13. EXTRAORDINARY GENERAL MEETING

- 13.1 The EGM, notice of which is set out on page N-1 to N-4 of this Circular, will be held via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream) on 4 November 2020 at 1.00 p.m., Singapore time, for the purpose of considering and, if thought fit, passing (with or without any modification) the ordinary resolutions set out in the Notice of EGM.
- 13.2 Shareholders should note that ordinary resolution 1, ordinary resolution 2, ordinary resolution 3, ordinary resolution 4 and ordinary resolution 5 as set out in the Notice of EGM are inter-conditional. This means that if any one of the resolutions is not approved, the other resolutions would not be duly passed.

14. ACTION TO BE TAKEN BY SHAREHOLDERS

- 14.1 Shareholders who wish to vote on the resolution at the EGM must appoint the Chairman of the EGM as their proxy by completing the Proxy Form as attached to the Notice of EGM. Please refer to the alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the EGM as set out in the Company's announcement dated 20 October 2020, which has been uploaded together with this Circular on SGXNET and the Company's corporate website at www.tt-intl.com on the same day.
- 14.2 A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the time fixed for the EGM, as certified by CDP.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in 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.

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16. CONSENT

- 16.1 Novus Corporate Finance Pte. Ltd., the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter (as set out in Appendix B to this Circular) and its name 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.
- 16.2 Drew and Napier LLC, the legal adviser to the Company for the Proposed Transactions, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name 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.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company during normal business hours on any weekday (public holidays excepted) from the date of this Circular up to and including the date of the EGM:

- (a) annual reports of the Company for FY2017, FY2018 and FY2019;
- (b) the unaudited consolidated financial statements of the Group for the nine-month period ended 31 December 2018 and the nine-month period ended 31 December 2019;
- (c) the constitution of the Company;
- (d) the Convertible Loan Agreement;
- (e) the Irrevocable Undertaking;
- (f) the IFA Letter; and
- (g) the letters of consent referred to in paragraph 16 of this Circular.

Yours faithfully
For and on behalf of the Board of Directors
TT International Limited

Tong Jia Pi Julia
Executive Director

APPENDIX A – SELECTED FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

1 OPERATING AND FINANCIAL REVIEW

1.1 Consolidated Income Statement

The audited consolidated income statements of the Group for FY2017, FY2018 and FY2019 and the unaudited consolidated income statements of the Group for the nine-month period ended 31 December 2018 and the nine-month period ended 31 December 2019 are set out below:

	FY2017	FY2018	FY2019	9MFY2019	9MFY2020
	\$'000	\$'000	\$'000	\$'000	\$'000
	Audited	Audited	Audited	Unaudited	Unaudited
Revenue	304,576	233,868	124,984	97,518	58,110
Other operating income	12,901	6,033	8,672	3,034	4,085
	317,477	239,901	133,656	100,552	62,195
Changes in inventories of finished goods	(17,516)	(24,103)	(5,621)	(543)	(2,790)
Purchase of goods	(203,621)	(155,920)	(86,735)	(73,357)	(43,121)
Staff costs	(41,579)	(32,927)	(19,520)	(15,159)	(7,750)
Depreciation of property, plant and equipment	(32,801)	(36,917)	(14,025)	(10,511)	(9,875)
Amortisation of intangible assets	(58)	(58)	(58)	(43)	(43)
Impairment loss on intangible assets	(11,470)	(22,087)	–	–	–
Impairment loss on property, plant and equipment	–	(11,429)	(193)	–	–
Other operating expenses	(68,414)	(141,205)	(21,805)	(21,401)	(11,391)
Loss from operations	(57,982)	(184,745)	(14,301)	(20,462)	(12,775)
Finance income	167	1,833	427	425	1
Finance expense					
- Interest expense paid/payable	(18,452)	(19,050)	(14,277)	(9,086)	(6,671)
- Accretion of interest expense	(11,426)	(4,496)	(6,894)	(5,132)	(17,646)
- Others	86	–	–	–	–
	(29,792)	(23,546)	(21,171)	(14,218)	(24,317)
Net finance expense	(29,625)	(21,713)	(20,744)	(13,793)	(24,316)
Loss before income tax	(87,607)	(206,458)	(35,045)	(34,255)	(37,091)
Income tax expense	(3,380)	(1,341)	2,887	(1)	(1)
Loss for the year	(90,987)	(207,799)	(32,158)	(34,256)	(37,092)
Attributable to:					
Owners of the Company	(52,533)	(120,538)	(1,701)	(21,405)	(31,788)
Non-controlling interests	(38,454)	(87,261)	(30,457)	(12,851)	(5,304)
Loss for the year	(90,987)	(207,799)	(32,158)	(34,256)	(37,092)
	FY2017	FY2018	FY2019	9MFY2019	9MFY2020
	Cents	Cents	Cents	Cents	Cents
	Audited	Audited	Audited	Unaudited	Unaudited
Earnings per share					
- Basic and diluted	(5.02)	(11.50)	(0.16)	(2.04)	(3.03)

APPENDIX A – SELECTED FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

Performance Review for FY2018 compared to FY2017

The Group's Revenue decreased by approximately S\$70,700,000 or 23.2% from approximately S\$304,600,000 in FY2017 to approximately S\$233,900,000 in FY2018. The decrease in the Group's revenue was due to severe lack of working capital as a result of delay in obtaining refinancing.

Gross profit was approximately S\$53,800,000 at 23.0% gross profit margin for FY2018 against gross profit of approximately S\$83,400,000 at 27.4% gross profit margin for FY2017 mainly attributed to the reduction in revenue.

Loss from operations increased by approximately S\$126,800,000 in FY2018. This was due mainly to increase in impairment of goodwill and property, plant and equipment and other operating expenses resulting from revaluation deficit in properties.

The Group reported loss for the period of approximately S\$207,800,000 in FY2018.

Performance Review for FY2019 compared to FY2018

The Group recorded revenue of approximately S\$125,000,000, gross profit of approximately S\$32,600,000 and loss from operations of approximately S\$14,300,000, as compared to FY2018, which recorded revenue, gross profit and loss from operations amounting to approximately S\$233,900,000, S\$53,800,000 and S\$184,700,000 respectively. These represent a 46.6% decrease in revenue and 39.5% decrease in gross profit.

Lower revenue and gross profit (a decrease of approximately S\$108,900,000 and S\$21,200,000 respectively) was due to severe lack of working capital and the ongoing discussions to complete the refinancing.

Loss from operations decreased by approximately S\$170,400,000 in FY2019. This was due mainly to decrease in impairment of goodwill and property, plant and equipment and other operating expenses resulting from revaluation deficit in properties.

The Group reported loss for the year of approximately S\$32,200,000 in FY2019.

Performance Review for 9MFY2020 compared to 9MFY2019

The group recorded revenue of approximately S\$58,100,000, gross profit of approximately S\$12,200,000 and loss from operations of approximately S\$12,800,000 for 9MFY2020, as compared to 9MFY2019, which recorded revenue, gross profit and loss from operations amounting to approximately S\$97,500,000, S\$23,600,000 and S\$20,500,000 respectively. These represent a 40.4% decrease in revenue and 48.3% decrease in gross profit.

Lower revenue and gross profit (a decrease of approximately S\$39,400,000 and S\$11,400,000 respectively) was due to severe lack of working capital as a result of delay in obtaining refinancing, significant winding down and cease of the Warehouse Retail Scheme retail activities and business operations at the Big Box building and ceased retail sales in Indonesia in July 2018.

Loss from operations decreased by S\$7.7 million in 9MFY2020. This was due mainly to decrease in other operating expenses.

The Group reported loss for the period of S\$37.1 million in 9MFY2020.

APPENDIX A – SELECTED FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

1.2 Financial Position

The audited consolidated balance sheet of the Group as at 31 March 2017, 31 March 2018 and 31 March 2019 and the unaudited consolidated balance sheet of the Group as at 31 December 2018 and 31 December 2019 are set out below:

	FY2017 \$'000 Audited	FY2018 \$'000 Audited	FY2019 \$'000 Audited	9MFY2019 \$'000 Unaudited	9MFY2020 \$'000 Unaudited
Non-current assets					
Property, plant and equipment	563,915	223,213	211,562	213,697	201,516
Investment properties	8,913	8,287	7,031	8,416	7,042
Subsidiaries	–	–	–	–	–
Intangible assets	33,805	9,335	9,277	9,292	9,234
Deferred tax assets	1,431	471		452	
Unsecured loan to a subsidiary	–	–	–	–	–
	<u>608,064</u>	<u>241,306</u>	<u>227,870</u>	<u>231,857</u>	<u>217,792</u>
Current assets					
Inventories	39,341	15,238	9,617	14,695	6,827
Trade and other receivables	71,343	59,346	19,347	57,544	18,544
Cash and cash equivalents	9,311	6,252	2,829	4,719	2,454
	<u>119,995</u>	<u>80,836</u>	<u>31,793</u>	<u>76,958</u>	<u>27,825</u>
Total assets	<u>728,059</u>	<u>322,142</u>	<u>259,663</u>	<u>308,815</u>	<u>245,617</u>
Equity					
Share capital	175,622	175,622	175,622	175,622	175,622
Reserves	117,636	30,436	39,593	28,522	40,280
Accumulated losses	(317,470)	(438,008)	(443,817)	(456,258)	(475,605)
Equity attributable to owners of the Company	<u>(24,212)</u>	<u>(231,950)</u>	<u>(228,602)</u>	<u>(252,114)</u>	<u>(259,703)</u>
Non-controlling interests	53,315	(115,757)	(135,780)	(127,126)	(141,132)
Total equity	<u>29,103</u>	<u>(347,707)</u>	<u>(364,382)</u>	<u>(379,240)</u>	<u>(400,835)</u>
Non-current liabilities					
Borrowings	153,063	156,272	162,899	161,270	180,389
Derivative financial liabilities	664	664	664	664	664
Deferred tax liabilities	37,943	4,557	4,712	4,567	4,714
	<u>191,670</u>	<u>161,493</u>	<u>168,275</u>	<u>166,501</u>	<u>185,767</u>
Current liabilities					
Borrowings	321,990	316,061	277,746	317,708	277,633
Provision for warranties	141	74	61	67	67
Trade and other payables	177,942	184,765	176,180	199,009	180,496
Contract liabilities	3,363	3,150	978	586	1,804
Current tax payable	3,850	4,306	805	4,184	685
	<u>507,286</u>	<u>508,356</u>	<u>455,770</u>	<u>521,554</u>	<u>460,685</u>
Total liabilities	<u>698,956</u>	<u>669,849</u>	<u>624,045</u>	<u>688,055</u>	<u>646,452</u>
Total equity and liabilities	<u>728,059</u>	<u>322,142</u>	<u>259,663</u>	<u>308,815</u>	<u>245,617</u>

APPENDIX A – SELECTED FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

1.3 Liquidity and Capital Resources

The summary of the audited consolidated statement of cash flows of the Group for FY2017, FY2018 and FY2019 and the unaudited consolidated statement of cash flows of the Group for the nine-month period ended 31 December 2018 and the nine-month period ended 31 December 2019 are set out below:

	FY2017	FY2018	FY2019	9MFY2019	9MFY2020
	\$'000	\$'000	\$'000	\$'000	\$'000
	Audited	Audited	Audited	Unaudited	Unaudited
Cash flows from operating activities					
Loss for the year	(90,987)	(207,799)	(32,158)	(34,256)	(37,092)
Adjustments for:					
Allowance for doubtful receivables	4,702	1,081	(1,197)	26	3
Allowance for stock obsolescence made/(written back)	468	158	1,166	53	(63)
Change in fair value of derivative financial liabilities	(86)	–	–	–	–
Changes in fair value of investment properties	1,006	432	1,355	–	–
Deficit on revaluation of property, plant and equipment in profit or loss	719	98,632	(217)	–	–
Depreciation and amortisation	32,859	36,975	14,083	10,554	9,887
Exchange (gain)/loss, unrealised	965	(1,042)	1,934	1,883	1,292
Finance expense	29,878	23,546	21,171	14,218	24,317
Finance income	(167)	(1,833)	(427)	(425)	(1)
Gain on liquidation of a subsidiary	–	(9)	–	–	–
Gain on deconsolidation of a subsidiary	–	–	(4,719)	–	–
Impairment of goodwill	11,470	22,087	75	–	–
Impairment of property, plant and equipment	–	11,429	250	193	–
Inventories written off	196	380	73	63	139
Income tax expense	3,380	1,341	(2,887)	1	1
Loss/(gain) on disposal of property, plant and equipment	676	486	(11)	(61)	(167)
Receivables written off	537	1,652	1,927	7	2
Operating cash flow before working capital changes	(4,384)	(12,484)	418	(7,744)	(1,682)
Changes in working capital:					
Inventories	17,197	23,255	3,032	540	2,788
Trade and other receivables	(8,687)	7,544	15	2,090	894
Trade and other payables	(11,015)	(8,951)	(958)	6,078	(231)
Bills payable and trust receipts	(171)	(28)	(8)	2,012	(5)
Provisions	(105)	(67)	(13)	(6)	5
Contract liabilities	–	(213)	(2,172)	–	–
Deposits and advance payments from customers	1,080	(793)	(347)	(2,994)	(792)
Cash generated from/(used in) operations	(6,085)	8,263	(33)	(24)	977

APPENDIX A – SELECTED FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

	FY2017 \$'000 Audited	FY2018 \$'000 Audited	FY2019 \$'000 Audited	9MFY2019 \$'000 Unaudited	9MFY2020 \$'000 Unaudited
Income tax (paid)/refunded	(23)	(90)	(153)	(123)	(121)
Interest income received	167	1,833	427	425	1
Interest paid on bills payable and trust receipts	(38)	(41)	–	–	–
Net cash from/(used in) operating activities	(5,979)	9,965	241	278	857
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	–	–	22	–	–
Deconsolidation of a subsidiary, net of cash disposed	–	–	(339)	–	–
Proceeds from disposal of property, plant and equipment	264	57	53	170	561
Purchase of property, plant and equipment	(2,946)	(4,651)	(589)	(455)	(252)
Net cash used in investing activities	(2,682)	(4,594)	(853)	(285)	309
Cash flows from financing activities					
Contribution from non-controlling interests	2	45	–	–	–
Dividend payments to non-controlling interests of a subsidiary	–	(25)	–	–	–
Restricted bank deposits	9,999	13	(2)	(2)	–
Repayment of bank overdrafts	(703)	–	–	–	–
Interest paid on borrowings	(10,327)	(4,898)	(1,005)	(429)	(2,407)
Payment of obligations under finance leases	(538)	(313)	(236)	(184)	(198)
(Repayment of)/Proceeds from loans from directors	1,473	61	(589)	(449)	1,120
Proceeds from loans from non-controlling shareholders of subsidiaries	162	148	–	–	–
Repayment of loans from non-controlling shareholders of subsidiaries	(10)	(10)	(564)	(98)	–
Proceeds from interest-bearing loans	22,580	3,038	515	515	1,480
Repayment of interest-bearing loans	(12,723)	(6,103)	(855)	(802)	(1,535)
Net cash (used in)/generated from financing activities	9,915	(8,044)	(2,736)	(1,449)	(1,540)
Net (decrease)/increase in cash and cash equivalents	1,254	(2,673)	(3,348)	(1,456)	(374)
Cash and cash equivalents at start of the year	6,919	8,306	5,260	5,260	1,835
Effect of foreign exchange rate changes on cash held in foreign currencies	133	(373)	(77)	(79)	(1)
Cash and cash equivalents at end of the year	8,306	5,260	1,835	3,725	1,460

APPENDIX B – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE PROPOSED CS WHITEWASH RESOLUTION AND THE PROPOSED RS WHITEWASH RESOLUTION

NOVUS CORPORATE FINANCE PTE. LTD.

9 Raffles Place
#17-05 Republic Plaza Tower 1
Singapore 048619

20 October 2020

To: The Recommending Directors of TT International Limited
(deemed to be independent in respect of the Proposed CS Whitewash Resolution)

Mr Sng Sze Hiang
Ms Tong Jia Pi Julia
Mr Yap Hock Soon
Mr Raymond Koh Bock Swi
Mr Ng Leok Cheng
Mr Yo Nagasue

(deemed to be independent in respect of the Proposed RS Whitewash Resolution)

Mr Yap Hock Soon
Mr Raymond Koh Bock Swi
Mr Ng Leok Cheng
Mr Yo Nagasue

Dear Sirs,

INDEPENDENT FINANCIAL ADVICE TO THE RECOMMENDING DIRECTORS WHO ARE CONSIDERED TO BE INDEPENDENT FOR THE PURPOSE OF MAKING A RECOMMENDATION TO THE INDEPENDENT SHAREHOLDERS IN RESPECT OF THE PROPOSED CS WHITEWASH RESOLUTION AND THE PROPOSED RS WHITEWASH RESOLUTION

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular issued to shareholders of the Company dated 20 October 2020 (the “**Circular**”) shall have the same meaning herein.*

1. INTRODUCTION

1.1 Background and the Schemes

TT International Limited (the “**Company**”) has been placed under a scheme of arrangement under Section 210 of the Companies Act (Chapter 50) of Singapore, as may be amended or modified from time to time (the “**Companies Act**”) effective from 19 April 2010 (the “**Existing Scheme**”) for the restructuring of its debts that were owed to certain creditors under the Existing Scheme (the “**Existing Scheme Creditors**”).

As at 27 July 2018, the total indebtedness due to the Existing Scheme Creditors (as assessed and certified by the scheme manager appointed under the Existing Scheme) was approximately S\$268.2 million. In addition, the total indebtedness due to other creditors of the Company (the “**Non-Existing Scheme Creditors**”) as at 27 July 2018 was approximately S\$193.8 million. Given that the liabilities of the Company owing to its Existing Creditors and its Non-Existing Scheme Creditors (collectively, the “**Creditors**”) were not sustainable, the board of directors of the Company (the “**Board**”) had, on 31 July 2018, announced that the Company had proposed a new scheme of arrangement under Section 211I of the Companies Act (the “**New Scheme**”) to both its Existing Scheme Creditors and the Non-Existing Scheme Creditors to restructure the aforementioned liabilities of the Company.

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Pursuant to the terms of the New Scheme, the Creditors would receive an aggregate of S\$45.0 million (the “**Scheme Payment**”). In return for the Scheme Payment under the New Scheme, all liabilities due to the Existing Scheme Creditors and Non-Existing Scheme Creditors, and all other Security Interest (as defined in the Circular) granted or created pursuant to, in connection with or arising from the Existing Scheme are to be irrevocably, permanently, unconditionally, completely and absolutely released and discharged in accordance with the terms of the New Scheme.

In order to fund the New Scheme, the Board had, on 30 July 2018, announced that the Company had entered into a sale and purchase agreement to dispose certain furniture companies and consumer electronics companies which are directly or indirectly owned by the Company (the “**Sale Companies**”) to Celestial Palace Limited (the “**Investor**”) for an aggregate consideration of S\$40,447,746 (the “**Consideration**”) of which up to S\$37,447,746 would be set aside from the Consideration and used to discharge the Company’s obligations under the New Scheme (the “**Proposed Disposal**”). Separately, to make up the Scheme Payment, the Board had subsequently on 18 December 2018 announced, among others, that the Company had also entered into a loan agreement dated 17 December 2018 with the Investor (the “**Purchaser Loan**”) for the Company to borrow up to S\$7,552,254 to discharge the Company’s obligations under the New Scheme.

On 27 March 2019, the Board had announced that the Court had approved the New Scheme, subject to a creditor of the Company to be deemed to be an excluded creditor as described in Appendix 5 of the New Scheme (the “**Excluded Creditor**”) under the New Scheme and the amendment of the long stop date for the implementation of the New Scheme. The said creditor had, on the basis that the Company would provide information prescribed by the Court to the said creditor in relation to payments (if any) by the Company to another Excluded Creditor, provided an undertaking to the Court that it shall not, without the leave of Court or prior consent in writing of the Company, levy any execution proceedings in respect of the fees assessed by the Court to be payable for work done by the said creditor for the Company, i.e. the sum of S\$1,276,735.40 subject to goods and services tax (the “**Assessed Amount**”), commence winding up proceedings against the Company or serve a statutory demand upon the Company based upon the Assessed Amount, or commence judicial management proceedings against the Company (the “**Creditor Standstill**”).

1.2 Proposed Convertible Loan and Proposed Rights Issue

Pursuant to a subsequent announcement by the Board on 17 July 2019 (the “**Announcement**” and the “**Announcement Date**”), the Company and the Investor had discussed the impacts arising from the Creditor Standstill and the amendment to the New Scheme on the completion of the Proposed Disposal and the New Scheme, and had agreed to terminate, among others, the Proposed Disposal and the Purchaser Loan and the Bridging Loan. Instead, the Investor and the Company had, on 16 July 2019, entered into a binding term sheet whereby the Investor had agreed, among others, to provide alternative funding for the implementation of the New Scheme via a proposed investment that would allow the Company to release and discharge all liabilities due to the Creditors and other mortgage, pledge, lien, charge, assignment, debenture, hypothecation or other security interest (“**Security Interest**”) granted or created pursuant to the Existing Scheme and to provide working capital to the Group. This proposed investment would include the Investor providing the Company with a convertible loan having a principal value of S\$48.0 million (the “**Principal Value**”) and bearing no interest, to be used for the funding of the implementation of the New Scheme (the “**Proposed Convertible Loan**”).

Subsequently, we understand that the Company and the Investor had continued assessing the impacts arising from the Creditor Standstill, and, pursuant to the convertible loan agreement entered into by the Company and the Investor on 9 December 2019 (the “**Convertible Loan Agreement**”), the Company and the Investor had agreed, amongst others, that the Proposed Convertible Loan shall bear interest at 10.0% of the amount drawn down under the Proposed Convertible Loan, for a total interest payable of S\$4.8 million (assuming that the Company draws down up to the maximum Principal Value) (the “**Loan Interest**”) if the entire principal amount

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is drawn down, subject to the payment of additional payable interest if certain conditions of repayment of the Proposed Convertible Loan are not met as set out under Section 3.8 of the Circular. For the avoidance of doubt, the interest of 10.0% is fixed and will remain the same despite any change to the Mandatory Conversion Date (as defined in the Circular).

A condition subsequent to the utilisation of the entire amount of the Proposed Convertible Loan requires the Company to carry out a renounceable non-underwritten rights issue of up to 349,463,972 new ordinary shares in the capital of the Company ("**Shares**") (the "**Rights Shares**") at an issue price of S\$0.01 for each Rights Share ("**Issue Price**"), on the basis of one (1) Rights Share for every three (3) existing Shares held by all shareholders of the Company ("**Shareholders**") who are eligible to participate in the Proposed Rights Issue (as defined herein) (the "**Entitled Shareholders**") as at the record date (the "**Record Date**"), fractional entitlements to be disregarded (the "**Proposed Rights Issue**"). As announced by the Board on 23 July 2019, the intention of the Company and the Investor is for the Company to carry out and complete the Proposed Rights Issue prior to the conversion of the Conversion Loan and the Proposed Issue of the Conversion Shares. The proceeds from the Proposed Rights Issue would be used for, amongst others, the settlement of the liabilities owed to Excluded Creditors and as working capital and/or other requirements of the Group.

Pursuant to the terms of the Convertible Loan Agreement, assuming that (a) the Company draws down the full amount of the Principal Value; (b) the Investor elects to exercise its conversion right under the Convertible Loan Agreement in respect of the entire Principal Value and the Loan Interest; and (c) there are no Anti-dilution Adjustments (as defined in the Circular), the Company shall, upon fulfilling all the conditions precedent stipulated in the Convertible Loan Agreement and upon resumption of trading of the Shares on the SGX-ST, allot and issue up to a maximum of 5,280,000,000 new Shares (the "**Conversion Shares**") to the Investor (the "**Proposed Issue of Conversion Shares**") at a conversion price of S\$0.01 per Conversion Share (the "**Conversion Price**"), comprising up to 4,800,000,000 Conversion Shares and 480,000,000 Conversion Shares as repayment of the Principal Value and the Loan Interest respectively.

1.3 Proposed CS Whitewash Resolution and Proposed RS Whitewash Resolution

As at 9 October 2020 (the "**Latest Practicable Date**"), Mr Sng Sze Hiang ("**Mr Sng**"), the Chairman and Chief Executive Officer, and Ms Tong Jia Pi Julia ("**Ms Tong**") (collectively, the "**Major Shareholders**") hold approximately 281,366,775 Shares and 103,588,856 Shares respectively, representing approximately 26.8% and 9.9% of the existing issued and paid-up share capital of the Company of 1,048,391,917 Shares (the "**Existing Issued Share Capital**"). The Major Shareholders had on 9 December 2019 given an irrevocable undertaking to the Company (the "**Irrevocable Undertaking**") to, *inter alia*, (a) fully subscribe and/or procure subscription for all of their entitlement of 128,318,543 Rights Shares (the "**Entitled Rights Shares**") based on their respective shareholding interests in the Company as at the Record Date, and (b) fully subscribe and/or procure the subscription for up to 221,145,429 Rights Shares (the "**Unsubscribed Rights Shares**") which are not subscribed for or otherwise taken up and/or applied for by the other Entitled Shareholders, on the basis that they will rank last in priority for the allotment of Excess Rights Shares (as defined in the Circular) which are not taken up by the other Entitled Shareholders.

Under Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**"), except with the consent of the Securities Industry Council ("**SIC**"), any person who acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights of a company; or any person who together with parties acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights in a company and such person, or any party acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of voting rights in the company, shall be obliged to make a mandatory general offer for all the shares not already owned, controlled or agreed to be acquired by him and the persons acting in concert with him ("**General Offer**").

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Given that the Major Shareholders have provided the Irrevocable Undertaking that they would fully subscribe and/or procure subscription for (a) the Entitled Rights Shares and (b) the Unsubscribed Rights Shares, they may, in aggregate, hold up to 734,419,603 or approximately 52.5% of the enlarged share capital of the Company after the Proposed Rights Issue amounting to 1,397,855,889 Shares (the “**Post-Rights Issued Share Capital**”). Given that the aggregate shareholding interests of the Major Shareholders and their Concert Parties in the Company may increase by more than 1.0% within a period of six (6) months, the Major Shareholders may incur an obligation to make a General Offer upon the completion of allotment and issuance of the Rights Shares.

After the Proposed Rights Issue and Proposed Issue of Conversion Shares (assuming that all the Shareholders subscribe in full to their pro-rata entitlement of the Rights Shares and the Investor will convert the entire Proposed Convertible Loan to Conversion Shares), the total number of issued shares of the Company will be 6,677,855,889 Shares (assuming that the Investor will convert the entire Proposed Convertible Loan to Conversion Shares) (the “**Post-Completion Share Capital**”). The Conversion Shares will represent approximately 79.1% of the Post-Completion Share Capital. Accordingly upon the Proposed Issue of Conversion Shares, the Investor would incur an obligation to make a General Offer upon the completion of the Proposed Issue of Conversion Shares.

In view of the above, applications have been made by the Company to the SIC for (a) a waiver of the requirement for the Investor to make a General Offer of the Company as a result of the Proposed Issue of Conversion Shares (the “**Conversion Whitewash Waiver**”), and (b) a waiver of the requirement for the Major Shareholders to make a General Offer of the Company as a result of the proposed issuance of the Rights Shares (the “**Rights Issue Whitewash Waiver**”). The SIC had granted the Conversion Whitewash Waiver and the Rights Issue Whitewash Waiver on condition that, *inter alia*, (A) approval be sought and obtained from a majority of holders of voting rights of the Company by way of a poll in respect of (i) a resolution to waive their rights to receive a General Offer from the Investor (the “**Proposed CS Whitewash Resolution**”), and (ii) a resolution to waive their rights to receive a General Offer from the Major Shareholders (the “**Proposed RS Whitewash Resolution**”); and (B) the Company appoints an independent financial adviser (“**IFA**”) to advise the Shareholders who are independent for the purposes of the Proposed CS Whitewash Resolution and/or the Proposed RS Whitewash Resolution (the “**Independent Shareholders**”) on the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution. Please refer to paragraphs 5.1 and 5.2 of this Letter for more details of the Conversion Whitewash Waiver and the Rights Issue Whitewash Waiver respectively.

Novus Corporate Finance Pte. Ltd. (“**NCF**”) has been appointed by the Company in accordance with the Code as the IFA to advise the Recommending Directors in respect of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution. This letter sets out, *inter alia*, our views and evaluation of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution and our opinion thereon (the “**Letter**”), and will form part of the Circular providing, *inter alia*, the terms and conditions of the Proposed Convertible Loan, the Proposed Issue of Conversion Shares and the Proposed Rights Issue (collectively, the “**Proposed Transactions**”), the Proposed CS Whitewash Resolution, the Proposed RS Whitewash Resolution and the recommendation of the Recommending Directors.

2. TERMS OF REFERENCE

We have been appointed as the IFA to advise the Recommending Directors in respect of the Proposed CS Whitewash Resolution and the Proposed RS 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 deliberations leading up to the decision of the Board to undertake the Proposed Transactions. Accordingly, we do not, by this Letter, warrant the merits of the Proposed Transactions, the Proposed CS Whitewash Resolution

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and/or the Proposed RS Resolution other than to express an opinion on whether (i) the Proposed Convertible Loan and the Proposed Issue of Conversion Shares, which collectively are the subject of the Proposed CS Whitewash Resolution, are fair and reasonable; and (ii) the Proposed Rights Issue, which is the subject of the Proposed RS Whitewash Resolution, is fair and reasonable.

Our terms of reference do not require us to evaluate or comment on the legal, commercial or strategic merits of the Proposed Transactions, the Proposed CS Whitewash Resolution and/or the Proposed RS Whitewash Resolution. Such evaluations and comments are and remain the sole responsibility of the Board, 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 opinion as set out in this Letter.

In the course of our evaluation, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Company. We have also relied on information provided and representations made, whether written or verbal, including relevant financial analyses, estimates and representations contained in the Circular by the management of the Company (the “**Management**”), the Board, the Company’s solicitors and auditors. We have not independently verified such information, representation or assurance, whether written or verbal, and accordingly cannot and do not make any representation or warranty, expressed or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information, representation or assurance. We have nevertheless made reasonable enquiries and exercised our judgement as we deemed necessary and have found no reason to doubt the reliability of the information, representation or assurance.

We have relied upon the assurances of the Board (including those who may have been delegated detailed supervision of the Circular) that, upon making all reasonable inquiries and to the best of their respective knowledge, information and belief, that (a) all material information in connection with the Proposed Transactions, the Proposed CS Whitewash Resolution, the Proposed RS Whitewash Resolution, the Company and its subsidiaries (collectively, the “**Group**”) has been disclosed to us; (b) such information is true, complete and accurate in all material aspects; and (c) there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Proposed Transactions, the Proposed CS Whitewash Resolution, Proposed RS Whitewash Resolution, the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Board collectively and individually accept responsibility accordingly.

For the purpose of assessing the Proposed Transactions, the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution and reaching our conclusion thereon, we have not conducted a comprehensive independent review of the business, operations or financial condition of the Company and/or the Group. We have also not relied upon any financial projections or forecasts in respect of the Company and/or the Group. We will not be required to express, and we do not express, any view on the growth prospects and earnings potential of the Company and/or the Group in connection with our opinion in this Letter.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including, without limitation, property, plant and equipment). As such, we have relied on the disclosures and representations made by the Company on the value of the assets, liabilities and profitability of the Company and/or the Group. We have also not been furnished with any such independent evaluation or appraisal.

Our analysis and our opinion as set out in this Letter is based upon market, economic, industry, monetary and other conditions in effect on, and the information provided to us as at the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion and advice in light of any subsequent development after the Latest Practicable Date that may affect our opinion and

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advice contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Proposed Transactions, the Proposed CS Whitewash Resolution and/or the Proposed RS Whitewash Resolution which may be released by the Company after the Latest Practicable Date.

In rendering our opinion, we did not have regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise the Recommending Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this Letter).

Our opinion in respect of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution, as set out in paragraph 8 of this Letter, should be considered in the context of the entirety of this Letter and the Circular.

3. THE PROPOSED CONVERTIBLE LOAN AND PROPOSED ISSUE OF CONVERSION SHARES

The salient terms and details of the Proposed Convertible Loan and the Proposed Issue of Conversion Shares are set out in Section 3 of the Circular. **We recommend that the Recommending Directors advise the Independent Shareholders to read these sections of the Circular very carefully.**

3.1 Information on the Investor.

The following information on the Investor has been extracted from Section 3.1 of the Circular and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Circular.

“3.1.1 The name of the Investor is Celestial Palace Limited. The Investor is a company incorporated in Victoria, Seychelles, with its registered address at Vistra Corporate Services Centre, Second Floor, Suite 23, 1st Floor Eden Plaza, Eden Island, Mahe, Republic of Seychelles. The Investor’s business includes investment and investment holding activities in Southeast Asia, with a focus on investments in consumer electronics products, furniture as well as mid to high-end luxury goods. The Investor is an independent third party. The shareholder and sole director of the Investor is Mr Calvin Yuen Wai Leung who is a financial investor. Mr Yuen manages his own investments as well as investments for private investors and family office funds. As at the Latest Practicable Date, the Investor has no plan to inject any of its business into the Group and Mr Yuen has no plan to be involved in the day-to-day operation of the Group. In the event that the Group will be entering into any transaction with the Investor, Mr Yuen and/or their related parties, the Company will, in compliance with the relevant requirements under the Mainboard Rules, make the relevant announcement.

3.1.2 The Investor was identified and introduced to the Company through Beyond Capital Pte Ltd which is not related to any of the Directors or Substantial Shareholders. Beyond Capital Pte Ltd is a company which provides management and consultancy services for matters in relation to corporate debt and finance & restructuring. The success fee payable for such introduction is negotiated between the Company and Beyond Capital Pte Ltd and would be not more than 1% of the principal value of the Proposed Convertible Loan, i.e. not more than S\$480,000. The success fee will be payable from the proceeds to be raised from the Proposed Convertible Loan as set out in paragraph 3.4(b)(i) of this Circular.”

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3.2 Key terms of the Convertible Loan Agreement

The full text of the information and further details relating to the Convertible Loan Agreement and the Proposed Convertible Loan are set out in Section 3.2 of the Circular. **We recommend that the Recommending Directors advise the Independent Shareholders to read this section of the Circular very carefully.**

3.3 The Conversion Price and the Effective Conversion Price

The Company had requested for a voluntary suspension of trading of the Shares on the Mainboard of the SGX-ST (the “**Trading Suspension**”) since 4 August 2017. While we note that the last market day for the Shares prior to the Trading Suspension would be 3 August 2017 (the “**Last Market Day**”), we also observe that the last day whereby there were actual trades conducted in the Shares was on 28 July 2017 (the “**Last Trading Day**”). Since the Last Trading Day up to the Last Market Day, there was no further trading in the Shares.

In view of the above, we note that the Conversion Price represents:

- (a) a discount of approximately 28.6% to the price of S\$0.014 per Share (“**Last Traded Price**”) listed on the Mainboard of the SGX-ST on the Last Trading Day; and
- (b) a premium of approximately S\$0.258 to the negative net asset value per Share of S\$0.248 based on the latest unaudited consolidated negative net asset value of the Group as at 31 December 2019 of approximately S\$259.7 million.

The Conversion Price was mutually agreed by the Company and the Investor on a willing buyer-willing seller and arm’s length basis with reference to the last trading price. The Conversion Price will be adjusted on a proportionate basis in the event of a subdivision of Shares, Share consolidation, or other changes to the capital structure of the Company prior to the date of conversion such that the total number of Conversion Shares that the Investor would be entitled to receive pursuant to the terms under the Convertible Loan Agreement shall constitute the same percentage of the total share capital of the Company that the Investor would have received as if such subdivision of Shares, Share consolidation, or other changes to the capital structure did not occur.

Pursuant to the Announcement, we note that the Loan Interest was subsequently introduced under the terms of the Convertible Loan Agreement and constitutes a payable component in addition to the Principal Value. Accordingly, in view that the Conversion Shares may be allotted and issued in full to the Investor as repayment of the Principal Value and the Loan Interest, we have also considered the effective conversion price of S\$0.009 per Conversion Share (the “**Effective Conversion Price**”), which is computed based on the Principal Value divided by the maximum Conversion Shares of 5,280,000,000 new Shares. For the purposes of evaluating the Proposed CS Whitewash Resolution, we have considered both the Conversion Price and Effective Conversion Price in our assessment in this Letter. Please refer to paragraph 6.7 of this Letter for more information of our assessment of the Conversion Price and the Effective Conversion Price.

3.4 Repayment of the Proposed Convertible Loan

The following information has been extracted from Section 3.8 of the Circular and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Circular.

*“3.8.1 The S\$3m Tranche shall be repayable together with a fixed interest of S\$300,000 (“**Aggregate Payable Sum**”) to the Investor within 12 months of the utilisation of the S\$3m Tranche or such other date as may be agreed with the Investor (“**S\$3m Tranche Repayment Date**”), unless the S\$45m Utilisation Preconditions are satisfied or waived by the Investor on or before the S\$3m Tranche Repayment Date.*

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- 3.8.2 *If the S\$45m Utilisation Preconditions are satisfied or waived by the Investor on or before the S\$3m Tranche Repayment Date, the Aggregate Payable Sum (being S\$3,300,000) shall be repayable by the allotment and issue of 330,000,000 Conversion Shares to the Investor.*
- 3.8.3 *If the S\$45m Utilisation Preconditions are not satisfied or waived by the Investor on or before the S\$3m Tranche Repayment Date, repayment of the Aggregate Payable Sum of S\$3,300,000 shall be repaid in cash, together with an additional interest at 6% per annum applicable on the Aggregate Payable Sum, pro-rata for the period from the date of utilisation till the S\$3m Tranche Repayment Date (“**Additional Payable Interest**”). In such case, if the Company fails to pay the Aggregate Payable Sum of S\$3,300,000, together with the Additional Payable Interest, by the S\$3m Tranche Repayment Date, the default interest of 2.0% per annum shall apply on the outstanding amount payable by the Company and accrue from the S\$3m Tranche Repayment Date to the date of actual payment.*
- 3.8.4 *The S\$45m Tranche shall be repayable together with a fixed interest of S\$4,500,000 by the allotment and issuance of 4,950,000,000 Conversion Shares to the Investor. In the event that the S\$45m Utilisation Preconditions are satisfied or waived by the Investor on or before the S\$3m Tranche Repayment Date and the Investor elects to exercise its conversion right under the Convertible Loan Agreement, the Investor is required to convert all the loan amount which the Company has drawn down and the interest payable into Conversion Shares.*
- 3.8.5 *For the avoidance of doubt, the interest of the Proposed Convertible Loan is fixed at 10.0% and will remain the same despite any extension of the Mandatory Conversion Date. The interest payable is fixed at S\$300,000 if all of the S\$3m Tranche is drawn down, and the interest payable is fixed at S\$4,500,000 if all of the S\$45m Tranche is drawn down, regardless of when the Investor converts the drawn down Proposed Convertible Loan into Conversion Shares during the conversion period.*

For illustration purposes only and based on the assumptions that (a) the Company draws down the full amount for both S\$3m Tranche and S\$45m Tranche, i.e. S\$48,000,000, under the Proposed Convertible Loan; and (b) there are no Anti-dilution Adjustments:

- (i) In the event that the Investor elects to, on the date falling 36 months after the listing and quotation of the Rights Shares on the SGX-ST, convert the full amount of outstanding loan, i.e. S\$48,000,000 under the Proposed Convertible Loan, the interests accrued would be S\$4,800,000, and the total number of Shares to be issued to the Investor at the Conversion Price of S\$0.01 per Conversion Share would be 5,280,000,000.*
- (ii) In the event that the Investor elects to, on the date falling 60 months from the date of the Convertible Loan Agreement, i.e. 9 December 2024, convert the full amount of outstanding loan, i.e. S\$48,000,000 under the Proposed Convertible Loan, the interests accrued would be S\$4,800,000, and the total number of Shares to be issued to the Investor at the Conversion Price of S\$0.01 per Conversion Share would be 5,280,000,000.”*

Please also refer to Section 3.9 of the Circular for details of the Anti-dilution Adjustments.

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3.5 Conditions for and subsequent to the utilisation of the Proposed Convertible Loan

The following information on the conditions precedents for the utilisation of the Proposed Convertible Loan and conditions subsequent to utilisation of the Proposed Convertible Loan has been extracted from Sections 3.5 to 3.7 of the Circular and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Circular.

“3.5 Conditions precedents for the utilisation of the Proposed Convertible Loan

(a) Conditions precedent to utilisation of S\$3m Tranche

*The Company may utilise the S\$3m Tranche upon, inter alia, the following conditions having been fulfilled and/or waived by the Investor (“**S\$3m Utilisation Preconditions**”):*

- (i) the submission of Conversion Regulatory Approval; and*
- (ii) the submission of an application for the Conversion Whitewash Waiver to the SIC.*

(b) Conditions precedent to utilisation of S\$45m Tranche

*The Company may utilise the S\$45m Tranche upon, inter alia, the following conditions having been fulfilled and/or waived by the Investor (“**S\$45m Utilisation Preconditions**”):*

- (i) the Company obtaining the Conversion Regulatory Approval;*
- (ii) the Investor obtaining the Conversion Whitewash Waiver in connection with the allotment and issuance of the Conversion Shares, on terms reasonably satisfactory to the Investor, and the compliance with any reasonable conditions attached to such waiver; and*
- (iii) the Company obtaining the Conversion Shareholders Approval.*

As at the date of this Circular, all conditions above (other than set out in sub-paragraph b(iii)) have been satisfied. The Company has not drawn down any part of the S\$3m Tranche as at the date of this Circular.

3.6 Conditions subsequent to utilisation of the S\$3m Tranche

Following the utilisation of the S\$3m Tranche, the Company shall:

- (a) notify the Investor the outcome of application for the Conversion Regulatory Approval and Conversion Whitewash Waiver within two (2) Business Days of receipt of such outcome; and*
- (b) obtain the Conversion Shareholders Approval within three (3) months (or such later date as may be agreed between the Company and Investor) after the receipt of the Conversion Regulatory Approval or the Conversion Whitewash Waiver, whichever is later.*

3.7 Conditions subsequent to utilisation of the entire amount of the Proposed Convertible Loan

Following the utilisation of the entire amount of the Proposed Convertible Loan,

- (a) the Company shall obtain the Rights Issue Regulatory Approval;*

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- (b) *the Major Shareholders shall obtain a Rights Issue Whitewash Waiver in connection with the proposed allotment and issue of Rights Shares, on terms reasonably satisfactory to the Major Shareholders, and the compliance with any reasonable conditions attached to such waiver;*
- (c) *the Company shall obtain the Rights Issue Shareholders Approval; and*
- (d) *the Company shall conduct the Proposed Rights Issue based on the terms set out in paragraph 6 of this Circular no later than the three (3) months after the Conversion Regulatory Approval, Conversion Shareholders Approval and where applicable, the Conversion Whitewash Waiver are obtained, or such other later date as may be agreed between the Company and the Investor.”*

3.6 Authority for the Proposed Convertible Loan and Proposed Issue of Conversion Shares

Rules 805 and 824 of the Mainboard Rules provide that an issuer must obtain the prior approval of shareholders in general meeting for the issuance of shares or convertible securities, unless such shares or convertible securities are issued under a general mandate obtained from shareholders in general meeting. Separately, Rule 811(2) of the Mainboard Rules provides, amongst others, that an issue of company warrants or other convertible securities is subject to the requirement that the conversion price, if fixed, must not be more than 10.0% discount to the prevailing market price of the underlying shares prior to the signing of the placement or subscription agreement. Under Rule 811(3) of the Mainboard Rules, Rule 811(1) and (2) is not applicable if specific shareholder approval is obtained for the issue of shares, company warrants or other convertible securities.

Given that (a) the maximum number of Conversion Shares to be issued pursuant to Convertible Loan Agreement exceeds the limit of the existing share mandate approved by Shareholders at the general meeting of the Company held on 31 December 2019; and (b) the Conversion Price is more than 10.0% discount to the prevailing market price of the Shares, we note that the Company will be seeking a separate specific approval of Shareholders at the extraordinary general meeting of the Company to be held on 4 November 2020 (the “EGM”) for the allotment and issue of the Conversion Shares for the purposes of Rules 805, 811(3) and 824 of the Mainboard Rules. The approval of Shareholders for the Proposed Convertible Loan and Proposed Issue of Conversion Shares is not intended to vary, revoke or amend the terms of the existing general mandate.

For the avoidance of doubt, such Shareholders’ approval would include any Anti-dilution Adjustments (as defined in the Circular) made to the Conversion Price and/or number of Conversion Shares pursuant to the Convertible Loan Agreement as set out in Section 3.2 of the Circular; and the Company will not be required to seek further Shareholders’ approval for the allotment and issue of additional Shares to the Investor pursuant to the Anti-dilution Adjustments made pursuant to the Convertible Loan Agreement. Any material alternation to the terms of the Convertible Loan Agreement which is to the advantage of the Investor shall be subject to the prior approval of the Shareholders in general meeting.

4. THE PROPOSED RIGHTS ISSUE

The salient terms and details of the Proposed Rights Issue are set out in Section 6 of the Circular. **We recommend that the Recommending Directors advise the Independent Shareholders to read these sections of the Circular very carefully.**

4.1 Basis of the Proposed Rights Issue

The following information on the basis of the Proposed Rights Issue has been extracted from Section 6.2 of the Circular and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Circular.

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- “6.2.1 *The Proposed Rights Issue is proposed to be offered on a renounceable non-underwritten basis by the Company. Pursuant thereto, the Company will issue up to 349,463,972 Rights Shares at the Rights Issue Price of S\$0.01 for each Rights Share, on the basis of one (1) Rights Share for every three (3) existing Shares held by Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded.*
- 6.2.2 *The Rights Shares are payable in full upon acceptance and/or application, and will upon allotment and issuance, rank pari passu in all respects with the existing Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares.*
- 6.2.3 *Entitled Shareholders will be entitled to participate in the Rights Issue and receive the Offer Information Statement together with the appropriate application forms and accompanying documents at their respective Singapore addresses. Please see paragraph 6.10 of this Circular for further information on eligibility to participate in the Rights Issue.*
- 6.2.4 *Entitled Shareholders will be provisionally allotted the Rights Shares on the basis of their shareholdings as at the Record Date. Entitled Shareholders will be at liberty to accept (in full or in part), decline or otherwise renounce or in the case of Entitled Depositors, trade their provisional allotments of the Rights Shares on the Official List of the SGX-ST during the provisional allotment trading period prescribed by the SGX-ST and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue.*
- 6.2.5 *The basis of allotting any Excess Rights Shares will be determined at the absolute discretion of the Directors. In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Proposed Rights Issue, or have representation (direct or through a nominee) on the Board, including the Major Shareholders, will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares.”*

Further information on the principal terms of the Proposed Rights Issue and Rights Shares are disclosed in Section 6.3 of the Circular.

4.2 The Issue Price

The Issue Price represents a discount of approximately 28.6% to the Last Traded Price on the Last Trading Day immediately before the Company's request for its Shares to be suspended from trading on the Mainboard of the SGX-ST. We note that the Shares have remained suspended since 4 August 2017, the Last Trading Day.

4.3 Conditions of the Proposed Rights Issue

The Proposed Rights Issue is subject to, *inter alia*, the approval of the Independent Shareholders of the Proposed RS Whitewash Resolution at the EGM. Further details of the other conditions are set out in Section 6.7 of the Circular, and Shareholders are advised to read the information carefully.

4.4 Irrevocable Undertaking

The following information on the Irrevocable Undertaking has been extracted from Section 6.4 of the Circular and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Circular.

- “6.4.1 *As at the Latest Practicable Date, the Major Shareholders are Sng Sze Hiang and Tong Jia Pi Julia, and they beneficially hold 281,366,775 Shares and 103,588,856 Shares respectively (collectively “Existing Major Shareholders Shares”). The Existing Major Shareholders Shares represents in aggregate 384,955,631 Shares or approximately 36.7% of the Company's Existing Issued Share Capital.*

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6.4.2 *To show support for the Proposed Rights Issue and to demonstrate their commitment to and confidence in the Company, the Major Shareholders had on 9 December 2019 given an irrevocable undertaking pursuant to which they have unconditionally and irrevocably undertaken to the Company, inter alia:*

- (a) that they will not sell, transfer or otherwise deal with any of the Existing Major Shareholders Shares prior to the Record Date;*
- (b) to fully subscribe and/or procure subscription for all of their entitlement of 128,318,543 Rights Shares based on the Existing Major Shareholders Shares as at the Record Date; and*
- (c) to fully subscribe and/or procure the subscription for up to 221,145,429 Rights Shares which are not subscribed for or otherwise taken up and/or applied for by the other Entitled Shareholders, on the basis that they will rank last in priority for the allotment of Excess Rights Shares which are not taken up by the other Entitled Shareholders.*

6.4.3 *The Irrevocable Undertaking is subject to and conditional upon the following:*

- (a) the grant of the Rights Issue Whitewash Waiver to the Major Shareholders and persons acting in concert with them, and such approval not having been withdrawn or revoked prior to the completion of the Rights Issue;*
- (b) the receipt of the approval in-principle of the SGX-ST for the listing and quotation of the Rights Shares under the Proposed Rights Issue on the Mainboard of the SGX-ST and such approval not being withdrawn or revoked as at the completion of the Rights Issue, and if such approval is granted to such conditions, such conditions being acceptable to the Company;*
- (c) the Proposed Rights Issue being approved by the Shareholders at the EGM to be convened;*
- (d) the Proposed RS Whitewash Resolution being approved by the Independent Shareholders at the EGM;*
- (e) the lodgement of the Offer Information Statement, together with all other accompanying documents (if applicable), by the Company in respect of the Proposed Rights Issue with the Authority; and*
- (f) the receipt of the approval in-principle of the SGX-ST for the resumption of trading of the Shares on the Mainboard of the SGX-ST.*

6.4.4 *If any of the conditions above are not fulfilled, the Irrevocable Undertaking will terminate.*

6.4.5 *The terms of the Irrevocable Undertaking mean that the Proposed Rights Issue will be fully subscribed even in the event that none of the Entitled Shareholders (save for the Major Shareholders) subscribe and pay for their pro-rata entitlement of the Rights Shares.*

6.4.6 *On 22 April 2020, Tong Jia Pi Julia had irrevocably instructed the Scheme Manager to, among others, (a) hold her entitlement to Scheme Payment under the New Scheme on her behalf pending the Company's implementation of the Proposed Rights Issue; and (b) pay the Company such amount to discharge the Major Shareholders' obligations under the Irrevocable Undertaking ("**Irrevocable Instructions**"). The Major Shareholders had furnished a confirmation provided by the Scheme Manager on 22 April 2020 that it will comply and act in accordance with the Irrevocable Instructions."*

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5. WHITEWASH WAIVERS

5.1 Conversion Whitewash Waiver

The Company, on behalf of the Investor, applied to the SIC for the Conversion Whitewash Waiver and the SIC had on 25 February 2020 granted the Investor a waiver of the requirement for the Investor to make a General Offer for the Company as a result of the Proposed Issue of Conversion Shares, subject to the following conditions:

- (a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the issue of the Conversion Shares to the Investor, approve by way of a poll, the Proposed CS Whitewash Resolution to waive their rights to receive a General Offer from the Investor;
- (b) the Proposed CS Whitewash Resolution is separate from other resolutions;
- (c) the Investor, its Concert Parties and parties not independent of it as well as parties not independent of the Proposed Convertible Loan abstain from voting on the Proposed CS Whitewash Resolution;
- (d) the Investor and its Concert Parties did not acquire or are not to acquire any Shares or instruments convertible into and option 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 the Circular):
 - (i) during the period between the announcement of the Proposed Convertible Loan and the date Shareholders' approval is obtained for the Proposed CS Whitewash Resolution; and
 - (ii) in the six (6) months prior to the announcement of the Proposed Convertible Loan but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Convertible Loan;
- (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed CS Whitewash Resolution;
- (f) the Company sets out clearly in its circular to its Shareholders:
 - (i) details of the Proposed Convertible Loan;
 - (ii) the dilution effect to existing holders of voting rights upon the acquisition of the Conversion Shares by the Investor upon the conversion of the Proposed Convertible Loan;
 - (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 Investor and its Concert Parties as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be issued to the Investor as a result of its acquisition of the Conversion Shares upon conversion of the Proposed Convertible Loan;
 - (v) specific and prominent reference to the fact that the acquisition of the Conversion Shares by the Investor upon the conversion of the Proposed Convertible Loan would result in the Investor and its Concert Parties holding Shares carrying over 49% of the voting rights of the Company based on its enlarged issued share capital, and the fact that the Investor 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;

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- (vi) specific and prominent reference to the fact that Shareholders, by voting for the Proposed CS Whitewash Resolution, are waiving their rights to a General Offer from the Investor at the highest price paid by the Investor and its Concert Parties for the Shares in the past six (6) months preceding the commencement of the offer; and
- (vii) the Shareholders by voting for the Proposed CS Whitewash Resolution, could be forgoing the opportunity to receive a General Offer from another person who may be discouraged from making a General Offer in view of the potential dilution effect of the convertibles. Specific and prominent reference should be made to this;
- (g) the Circular by the Company to its Shareholders states that the waiver granted by SIC to the Investor from the requirements to make a General Offer under Rule 14 of the Code is subject to the conditions stated at paragraphs (a) to (f) above;
- (h) the Investor obtains SIC's approval in advance for those parts of the Circular that refer to the Proposed CS Whitewash Resolution; and
- (i) to rely on the Proposed CS Whitewash Resolution, the approval of the Proposed CS Whitewash Resolution must be obtained within three (3) months of the date of the waiver granted by the SIC, the issue of the Proposed Convertible Loan must be completed within three (3) months of the date of the approval of the Proposed CS Whitewash Resolution and the acquisition of the Conversion Shares by the Investor upon conversion of the Proposed Convertible Loan must be completed within five (5) years of the date of the issue of the Proposed Convertible Loan.

The Company, on behalf of the Investor, applied to the SIC on 21 May 2020 to extend the timeline to obtain the approval of the Proposed CS Whitewash Resolution. On 28 May 2020, the SIC granted the extension of time for the approval of the Proposed CS Whitewash Resolution to be obtained by 16 July 2020 with no further extension to be granted to this deadline. However, as the extended timeline to meet the conditions set out in the Conversion Whitewash Waiver had lapsed, the Company applied to the SIC on 7 August 2020 for a further extension of time to meet the conditions. As a further extension of time was not obtained, the Company re-applied to the SIC for the grant of the Conversion Whitewash Waiver. The SIC has on 2 October 2020 granted the Company the Conversion Whitewash Waiver, subject to the following conditions (the “**SIC Conversion Conditions**”):

- (a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the issue of the Conversion Shares to the Investor, approve by way of a poll, the Proposed CS Whitewash Resolution to waive their rights to receive a General Offer from the Investor;
- (b) the Proposed CS Whitewash Resolution is separate from other resolutions;
- (c) the Investor, its Concert Parties and parties not independent of it as well as parties not independent of the Proposed Convertible Loan abstain from voting on the Proposed CS Whitewash Resolution;
- (d) the Investor and its Concert Parties did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of 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 announcement of the Proposed Convertible Loan and the date Shareholders' approval is obtained for the Proposed CS Whitewash Resolution; and

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- (ii) in the six (6) months prior to the announcement of the Proposed Convertible Loan but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Convertible Loan;
- (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed CS Whitewash Resolution;
- (f) the Company sets out clearly in its circular to its Shareholders:
 - (i) details of the Proposed Convertible Loan;
 - (ii) the dilution effect to existing holders of voting rights upon the acquisition of the Conversion Shares by the Investor upon conversion of the Proposed Convertible Loan;
 - (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 Investor and its Concert Parties as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be issued to the Investor as a result of its acquisition of the Conversion Shares upon conversion of the Proposed Convertible Loan;
 - (v) specific and prominent reference to the fact that the acquisition of the Conversion Shares by the Investor upon conversion of the Proposed Convertible Loan would result in the Investor and its Concert Parties holding Shares carrying over 49% of the voting rights of the Company based on its enlarged issued share capital, and the fact that the Investor and its Concert Parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a General Offer for the Company;
 - (vi) specific and prominent reference to the fact that Shareholders, by voting for the Proposed CS Whitewash Resolution, are waiving their rights to a General Offer from the Investor at the highest price paid by the Investor and its Concert Parties for the Shares in the past six (6) months preceding the commencement of the offer; and
 - (vii) specific and prominent reference to the fact that Shareholders, by voting for the Proposed CS Whitewash Resolution, could be forgoing the opportunity to receive a General Offer from another person who may be discouraged from making a General Offer in view of the potential dilution effect of the Conversion Shares;
- (g) the Circular by the Company to its Shareholders states that the waiver granted by SIC to the Investor from the requirement to make a General Offer under Rule 14 of the Takeover Code is subject to the conditions stated at paragraphs (a) to (f) above;
- (h) the Investor obtains SIC's approval in advance for those parts of the Circular that refer to the Proposed CS Whitewash Resolution; and
- (i) to rely on the Proposed CS Whitewash Resolution, the approval of the Proposed CS Whitewash Resolution must be obtained within three (3) months of the date of the waiver granted by SIC, the issue of the Proposed Convertible Loan must be completed within three (3) months of the date of the approval of the Proposed CS Whitewash Resolution and the acquisition of the Conversion Shares by the Investor upon conversion of the Proposed Convertible Loan must be completed within five (5) years of the date of the issue of the Proposed Convertible Loan.

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As at the date of this Circular, the above SIC Conversion Conditions (save for the conditions regarding the approval of the Independent Shareholders for the Proposed CS Whitewash Waiver Resolution) have been satisfied.

5.2 Rights Issue Whitewash Waiver

The Company, on behalf of the Major Shareholders, applied to the SIC for the Rights Issue Whitewash Waiver and the SIC had on 25 February 2020 granted the Major Shareholders a waiver of the requirement for the Major Shareholders to make a General Offer for the Company as a result of the proposed issue of Rights Shares, subject to the following conditions:

- (a) a majority of holders of voting rights of the Company present and voting at a general meeting held before the Proposed Rights Issue, approve by way of a poll, the Proposed RS Whitewash Resolution to waive their rights to receive a General Offer from the Major Shareholders;
- (b) the Proposed RS Whitewash Resolution is separate from other resolutions;
- (c) the Major Shareholders, their Concert Parties and parties not independent of them as well as parties not independent of the Proposed Rights Issue abstain from voting on the Proposed RS Whitewash Resolution;
- (d) the Major Shareholders and their Concert Parties did not acquire or are not to acquire any Shares or instruments convertible into and option 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 announcement of the Proposed Rights Issue and the date Shareholders' approval is obtained for the Proposed RS Whitewash Resolution; and
 - (ii) in the six (6) months prior to the announcement of the Proposed Rights Issue but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Rights Issue;
- (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed RS Whitewash Resolution;
- (f) the Company sets out clearly in its circular to its Shareholders:
 - (i) details of the Proposed Rights Issue;
 - (ii) the dilution effect to existing holders of voting rights upon the acquisition of the Rights Shares by the Major Shareholders pursuant to the Irrevocable Undertaking;
 - (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 Major Shareholders and their Concert Parties as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be issued to the Major Shareholders as a result of their subscription of Rights Shares pursuant to the Irrevocable Undertaking;
 - (v) specific and prominent reference to the fact that the acquisition of the Rights Shares by the Major Shareholders pursuant to the Irrevocable Undertaking could result in the Major Shareholders and their Concert Parties holding Shares carrying

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over 49% of the voting rights of the Company based on its enlarged issued share capital, and the fact that the Major Shareholders and their 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 Proposed RS Whitewash Resolution, are waiving their rights to a General Offer from the Major Shareholders at the highest price paid by the Major Shareholders and their Concert Parties for the Shares in the past six (6) months preceding the commencement of the offer;
- (g) the Circular by the Company to its Shareholders states that the waiver granted by SIC to the Major Shareholders from the requirements to make a General Offer under Rule 14 of the Code is subject to the conditions stated at paragraphs (a) to (f) above;
- (h) the Major Shareholders obtain SIC's approval in advance for those parts of the Circular that refer to the Proposed RS Whitewash Resolution; and
- (i) to rely on the Proposed RS Whitewash Resolution, the approval of the Proposed RS Whitewash Resolution must be obtained within three (3) months of the date of the waiver granted by the SIC, and the acquisition of the Rights Shares by the Major Shareholders must be completed within three (3) months of the date of the approval of the Proposed RS Whitewash Resolution.

The Company, on behalf of the Major Shareholders, applied to the SIC on 21 May 2020 to extend the timeline to obtain the approval of the Proposed RS Whitewash Resolution. On 28 May 2020, the SIC granted the extension of time for the approval of the Proposed RS Whitewash Resolution to be obtained by 16 July 2020 with no further extension to be granted to this deadline. However, as the extended timeline to meet the conditions set out in the Rights Issue Whitewash Waiver had lapsed, the Company applied to the SIC on 7 August 2020 for a further extension of time to meet the conditions. As a further extension of time was not obtained, the Company re-applied to the SIC for the grant of the Rights Issue Whitewash Waiver. The SIC has on 2 October 2020 granted the Company the Rights Issue Whitewash Waiver, subject to the following conditions (the “**SIC Rights Conditions**”):

- (a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the issue of the Proposed Rights Issue, approve by way of a poll, the Proposed RS Whitewash Resolution to waive their rights to receive a General Offer from the Major Shareholders;
- (b) the Proposed RS Whitewash Resolution is separate from other resolutions;
- (c) the Major Shareholders, their Concert Parties and parties not independent of them as well as parties not independent of the Proposed Rights Issue abstain from voting on the Proposed RS Whitewash Resolution;
- (d) the Major Shareholders and their Concert Parties did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in the Circular):
 - (i) during the period between the announcement of the Proposed Rights Issue and the date Shareholders' approval is obtained for the Proposed RS Whitewash Resolution; and
 - (ii) in the six (6) months prior to the announcement of the Proposed Rights Issue, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Rights Issue;

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- (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed RS Whitewash Resolution;
- (f) the Company sets out clearly in its circular to its Shareholders:
 - (i) details of the Proposed Rights Issue;
 - (ii) the dilution effect to existing holders of voting rights upon the acquisition of the Rights Shares by the Major Shareholders pursuant to the Irrevocable Undertaking;
 - (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 Major Shareholders and their Concert Parties as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be issued to the Major Shareholders as a result of their subscription of Rights Shares pursuant to the Irrevocable Undertaking;
 - (v) specific and prominent reference to the possibility that the acquisition of the Rights Shares by the Major Shareholders pursuant to the Irrevocable Undertaking could result in the Major Shareholders and their Concert Parties holding Shares carrying over 49% of the voting rights of the Company based on its enlarged issued share capital, and the fact that the Major Shareholders and their Concert Parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a General Offer for the Company; and
 - (vi) specific and prominent reference to the fact that Shareholders, by voting for the Proposed RS Whitewash Resolution, are waiving their rights to a General Offer from the Major Shareholders at the highest price paid by the Major Shareholders and their Concert Parties for Shares in the past six (6) months preceding the commencement of the offer;
- (g) the Circular by the Company to its Shareholders states that the waiver granted by SIC to the Major Shareholders from the requirement to make a General Offer under Rule 14 of the Takeover Code is subject to the conditions stated at paragraphs (a) to (f) above;
- (h) the Major Shareholders obtain SIC's approval in advance for those parts of the Circular that refer to the Proposed RS Whitewash Resolution; and
- (i) to rely on the Proposed RS Whitewash Resolution, the approval of the Proposed RS Whitewash Resolution must be obtained within three (3) months of date of the waiver granted by SIC, and the acquisition of the Rights Shares by the Major Shareholders must be completed within three (3) months of the date of the approval of the Proposed RS Whitewash Resolution.

As at the date of the Circular, the above SIC Rights Conditions (save for the condition regarding the approval of the Independent Shareholders for the Proposed RS Whitewash Waiver Resolution) have been satisfied.

5.3 Voting

Independent Shareholders are requested to vote by way of a poll, on the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution, as set out in the Notice of EGM on pages N-1 to N-4 of the Circular, waiving their rights to receive the respective General Offers.

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Independent Shareholders should note that:

- (a) the Proposed Transactions and the Irrevocable Undertaking are inter-conditional upon, *inter alia*, them voting in favour of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution. If Independent Shareholders do not vote in favour of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution, the Proposed Transactions and the Irrevocable Undertaking will not take place;
- (b) by voting in favour of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution, they could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilutive effect of the Proposed Transactions;
- (c) by voting in favour of the Proposed RS Whitewash Resolution, they will be waiving their rights to receive a General Offer from the Major Shareholders for all the remaining Shares in issue not already owned, controlled or agreed to be acquired by them at the highest price paid or agreed to be paid by the Major Shareholders and their Concert Parties in the past six (6) months preceding the commencement of the Proposed Rights Issue which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code;
- (d) by voting in favour of the Proposed CS Whitewash Resolution, they will be waiving their rights to receive a General Offer from the Investor for all the remaining Shares in issue not already owned, controlled or agreed to be acquired by them at the highest price paid or agreed to be paid by the Investor and its Concert Parties in the past six (6) months preceding the Proposed Convertible Loan and the Proposed Issue of Conversion Shares which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code;
- (e) pursuant to completion of the Proposed Rights Issue and prior to the Proposed Issue of Conversion Shares, assuming that the Major Shareholders subscribe in full to their pro-rata entitlement of their Rights Shares and all unsubscribed Rights Shares (assuming the other Entitled Shareholders do not exercise their entitlement(s) at all to subscribe for the Rights Shares), the Major Shareholders and their Concert Parties may hold Shares carrying in aggregate over 49.0% of the voting rights of the Company, and the Major Shareholders and their Concert Parties would thereafter be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make any subsequent General Offer; and
- (f) pursuant to the completion of the Proposed Transactions, and assuming all the Shareholders subscribe in full to their pro-rata entitlement of the Rights Shares and the allotment and issue in full of the Conversion Shares, the Investor and its Concert Parties may hold Shares carrying in aggregate over 49.0% of the voting rights of the Company, and the Investor and its Concert Parties would thereafter be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make any subsequent General Offer.

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6. EVALUATION OF THE PROPOSED CS WHITEWASH RESOLUTION AND THE PROPOSED RS WHITEWASH RESOLUTION

In our evaluation of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution, we have considered the following factors which we consider to be pertinent and have a significant bearing on our evaluation:

- (i) the rationale for the Proposed Transactions and use of proceeds;
- (ii) the Proposed Rights Issue being offered to all Entitled Shareholders on a pro-rata basis;
- (iii) the historical financial performance of the Group;
- (iv) the net asset value (“NAV”) and net tangible assets (“NTA”) of the Group;
- (v) the independent auditors’ disclaimer of opinion
- (vi) the historical market price performance and trading activity of the Shares;
- (vii) the assessment of the Conversion Price and Effective Conversion Price;
- (viii) the assessment of the Issue Price
- (ix) the financial effects of the Proposed Transactions;
- (x) the dilutive effect of the Proposed Transactions on the Independent Shareholders; and
- (xi) other relevant considerations.

6.1 Rationale for the Proposed Transactions and use of proceeds

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Transactions or the future prospects of the Group after the Proposed Transactions.

Nevertheless, we have reviewed the rationale for the Proposed Transactions as set out in Sections 3.3, 6.9.1 and 6.9.2 of the Circular, the full text of which has been reproduced in italics below.

“3.3 Rationale for the Proposed Convertible Loan

An amount of up to S\$45,000,000 from the proceeds of the Proposed Convertible Loan will be used, as Scheme Fund under the New Scheme, to irrevocably, permanently, unconditionally, completely and absolutely release and discharge all liabilities due to the Existing Scheme Creditors and Non-Existing Scheme Creditors and other Security Interest granted or created pursuant to, arising from or in connection with the Existing Scheme.

6.9 Rationale of the Proposed Rights Issue and Use of Proceeds

6.9.1 As set out in paragraphs 3.7 and 6.1 of this Circular, as a condition subsequent to the utilisation of the entire amount of the Proposed Convertible Loan, the Company shall conduct the Proposed Rights Issue no later than three (3) months after the Conversion Regulatory Approval, Conversion Shareholders Approval and where applicable, the Conversion Whitewash Waiver are obtained, or such other later date as may be agreed between the Company and the Investor.

6.9.2 In addition, the Proposed Rights Issue will also provide Shareholders who are confident of the future prospects of the Company with the opportunity to further participate in the equity of the Company.”

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We have also considered the Company's intended use of the net proceeds to be raised from the Proposed Transactions as set out in Sections 3.4 and 6.9.3 of the Circular, the full text of which has been reproduced in italics below.

“3.4 Use of proceeds from the Proposed Convertible Loan

The Company will use the proceeds to be raised from the Proposed Convertible Loan in the following manner:

- (a) an amount of up to S\$45,000,000 or 93.75% of the proceeds from the Proposed Convertible Loan (“**S\$45m Tranche**”), will be used as Scheme Fund to discharge the Company's obligations under the New Scheme, including without limitation, the discharge of Existing Scheme Claims and Non-Existing Scheme Claims, such payment shall be in accordance with the written instructions to be provided by the manager of the New Scheme; and*
- (b) an amount of up to S\$3,000,000 or 6.25% of the proceeds from the Proposed Convertible Loan (“**S\$3m Tranche**”) in the following order of priority:*
 - (i) for the settlement of any success fee, legal fees, advisor fees and/or other expenses incurred by the Company, in relation to or in connection with the Restructuring (as defined in the New Scheme); and*
 - (ii) for working capital and/or any other requirements of the Group;*

As at the date of this Circular, the Company intends to draw down the entire amount of the Proposed Convertible Loan, i.e. S\$48,000,000.

6.9.3 *In the event that the Rights Shares are fully subscribed by the Entitled Shareholders, the proceeds from the Proposed Rights Issue are approximately S\$3,494,639 and shall be used in the following order of priority:*

- (a) to pay for the cost and expenses arising or in connection with the Proposed Rights Issue of approximately S\$70,000.00 or 2.0% of the total proceeds from the Proposed Rights issue;*
- (b) to settle the liabilities owed to Excluded Creditors including but not limited to nTan Corporate Advisory Pte Ltd, Wong Partnership LLP, the Inland Revenue Authority of Singapore, and SP Services Ltd of approximately S\$3,394,801.45 or 97.1% of the total proceeds from the Proposed Rights Issue; and*
- (c) any remaining balance of the total proceeds from the Proposed Rights Issue as working capital and/or other requirements of the Group of approximately S\$29,837.55 or 0.9% of the total proceeds from the Proposed Rights Issue.”*

6.2 Proposed Rights Issue being offered to Entitled Shareholders on a pro-rata basis

Entitled Shareholders will be at liberty to accept (in full or in part), or decline or otherwise renounce or, in the case of Entitled Depositors only, trade their provisional allotment of the Rights Shares on the SGX-ST (during the provisional allotment trading period prescribed by the SGX-ST), and are eligible to apply for additional Rights Shares in excess of their provisional allotments under the Proposed Rights Issue. For the avoidance of doubt, only Entitled Shareholders (and not purchasers of the provisional allotment of Rights Shares traded on the SGX-ST during the provisional allotment trading period) shall be entitled to apply for additional Rights Shares.

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All fractional entitlements to the Rights Shares will be disregarded in arriving at the entitlements of the Entitled Shareholders and will, together with the entitlements not allotted or taken up for any reason, be aggregated and issued to satisfy applications, if any, for Excess Rights Shares, or dealt with in such manner as the Directors in their absolute discretion deem fit. Excess Rights Shares will be allotted in such manner as the Board may, in its absolute discretion, deem fit in the interests of the Company, subject to applicable laws, the Mainboard Rules and the Irrevocable Undertaking.

In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots and the Directors and the Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board, including the Major Shareholders, will rank last in priority for the rounding of odd lots and the allotment of Excess Rights Shares.

The terms and conditions of the Proposed Rights Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Proposed Rights Issue will be contained in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course, subject to, *inter alia*, the Proposed Rights Issue and the Proposed RS Whitewash Resolution being approved by the Shareholders at the EGM.

Accordingly, we note that the Independent Shareholders will not be disadvantaged or prejudiced relative to the Major Shareholders and their Concert Parties in the allocation of their application for their entitlements of Rights Shares and the Excess Rights Shares pursuant to the Proposed Rights Issue.

In the event that the Proposed Rights Issue are fully subscribed for by the Entitled Shareholders, we note that there would be no change to the current shareholding structure of the Company prior to the Proposed Issue of Conversion Shares.

6.3 Historical financial performance of the Group

6.3.1 Financial performance review

We note that the Company had, on 26 May 2020, announced among others, an automatic extension for the release of the unaudited full year financial results for the financial year ended 31 March (“FY”) 2020 (“FY2020 Results”) by 30 July 2020. Pursuant to a subsequent announcement made by the Company on 15 October 2020 (“**Second Extension Announcement**”), the Company had sought and obtained a further extension of time from the SGX-ST, among others, to announce the FY2020 Results by 30 October 2020, for the reasons as set out in the Second Extension Announcement.

In view of the above, our review of the Group’s historical financial performance has been based on publicly available information disclosed by the Company for the following financial years / periods. A summary of the financial performance of the Group for the last three (3) financial years for FY2017, FY2018 and FY2019, as well as the unaudited interim condensed consolidated financial statement of the Group for the 9-month financial period ended 31 December 2019 (“**9M2020**”) and its comparative figures for the 9-month financial period ended 31 December 2018 (“**9M2019**”) (collectively, the “**Period Under Review**”) is set out below:

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Consolidated income statement

(S\$'000)	Audited			Unaudited	
	FY2017 ⁽¹⁾	FY2018 ⁽²⁾	FY2019	9M2019	9M2020
Revenue	304,576	233,868	124,984	97,518	58,110
Gross profit ⁽³⁾	83,439	53,845	32,628	23,618	12,199
Loss from operations	(57,982)	(184,745)	(14,301)	(20,462)	(12,775)
Loss before income tax	(87,607)	(206,458)	(35,045)	(34,255)	(37,091)
Loss for the year attributable to owners of the Company	(52,533)	(120,538)	(1,701)	(21,405)	(31,788)

Statement of financial position

(S\$'000)	Audited			Unaudited
	As at 30 March 2017 ⁽¹⁾	As at 31 March 2018 ⁽²⁾	As at 31 March 2019	As at 31 December 2019
Current assets	119,995	80,836	31,793	27,825
Current liabilities	507,286	508,356	455,770	460,685
Working capital	(387,291)	(427,520)	(423,977)	(432,860)
Non-current assets	608,064	241,306	227,870	217,792
Non-current liabilities	191,670	161,493	168,275	185,767
Equity attributable to owners of the Company	(24,212)	(231,950)	(228,602)	(259,703)

Consolidated cash flow statement

(S\$'000)	Audited			Unaudited	
	FY2017 ⁽¹⁾	FY2018 ⁽²⁾	FY2019	9M2019	9M2020
Net cash flows generated from/(used in) operating activities	(5,979)	9,965	241	278	857
Net cash flows (used in) investing activities	(2,682)	(4,594)	(853)	(285)	309
Net cash flows generated from/(used in) financing activities	9,915	(8,044)	(2,736)	(1,449)	(1,540)
Net increase/(decrease) in cash and cash equivalents	1,254	(2,673)	(3,348)	(1,456)	(374)
Cash and cash equivalents at end of year	8,306	5,260	1,835	3,725	1,460

Source: Company's annual reports for FY2018 and FY2019, as well as the unaudited financial statements for 9M2020, and Appendix A to the Circular.

Notes:

- (1) Based on the restated figures reflected in the annual report of the Company for FY2018.
- (2) Based on the restated figures reflected in the annual report of the Company for FY2019.
- (3) Gross profit is calculated based on revenue less changes in inventories of finished goods and purchase of goods.

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In relation to the Period Under Review, we note the following:

Consolidated income statement

FY2017 vs FY2018

The Group's revenue decreased by approximately S\$70.7 million or 23.2% from S\$304.6 million in FY2017 to S\$233.9 million in FY2018. In line with the decrease in revenue, the gross profit has similarly decreased by approximately S\$29.6 million or 35.5% from S\$83.4 million in FY2017 to S\$53.8 million in FY2018. Both the decrease in revenue and gross profit were mainly due to the severe lack of working capital as a result of a delay in obtaining refinancing.

The Group had recorded a higher loss from operations of approximately S\$184.7 million in FY2018, representing an increase of 218.4% as compared to approximately S\$58.0 million in FY2017. This was mainly due to the increase in (i) other operating expenses of approximately S\$72.8 million as a result of a higher revaluation deficit on freehold and leasehold land and buildings of approximately S\$98.6 million recorded in profit or loss during FY2018 as compared to S\$0.7 million in FY2017, (ii) impairment loss on property, plant and equipment ("PPE") of approximately S\$11.4 million, (iii) impairment loss on intangible assets of approximately S\$10.6 million, and (iv) depreciation of PPE of approximately S\$4.1 million; which was partially offset by a decrease in the staff costs of approximately S\$8.7 million.

As a result of the above, the Group recorded a net loss for the year of approximately S\$207.8 million or an increase of 128.4% in FY2018 as compared to S\$91.0 million in FY2017. We note that, excluding the effects of (i) non-cash expenses such as deficit on revaluation of PPE, depreciation and impairment costs, accretion of interest on Scheme liabilities and fair value loss on investment properties amounting to an aggregate of approximately S\$175.0 million, and (ii) other Scheme-related expenses such as interests and professional fees of approximately S\$4.1 million, the Group's net loss for FY2018 would have been S\$28.7 million.

The net loss attributable to owners of the Company was approximately S\$52.5 million and S\$120.5 million in FY2017 and FY2018 respectively.

FY2018 vs FY2019

The Group's revenue decreased by approximately S\$108.9 million or 46.6% from S\$233.9 million in FY2018 to S\$125.0 million in FY2019. In line with the decrease in revenue, the gross profit has similarly decreased by approximately S\$21.2 million or 39.4% from S\$53.8 million in FY2018 to S\$32.6 million in FY2019. Both the decrease in revenue and gross profit were mainly due to the severe lack of working capital and the ongoing discussions to complete the refinancing.

The Group had recorded a lower loss from operations of approximately S\$14.3 million in FY2019, representing a decrease of 92.3% as compared to a loss of operations of approximately S\$184.7 million in FY2018. This was mainly due to the decrease in (i) other operating expenses of approximately S\$119.5 million as a result of a lower revaluation deficit on freehold and leasehold land and buildings resulting in a surplus of approximately S\$0.2 million recorded in profit or loss during FY2019 as compared to a deficit S\$98.6 million in FY2018, (ii) depreciation of PPE of approximately S\$22.9 million, (iii) impairment loss on intangible assets of approximately S\$22.0 million, (iv) impairment loss on PPE approximately S\$11.2 million, and (v) staff costs of approximately S\$13.4 million.

As a result of the above, the Group recorded a net loss for the year of approximately S\$32.2 million or a decrease of 84.5% in FY2019 as compared to S\$207.8 million in FY2018. We note that, excluding the effects of mainly (i) non-cash expenses such as, depreciation costs and accretion of interest on Scheme liabilities amounting to an aggregate of approximately S\$26.1 million, and (ii) other Scheme-related expenses such as interests and professional fees of approximately S\$1.9 million, the Group's net loss for FY2019 would have been S\$4.2 million.

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The net loss attributable to owners of the Company was approximately S\$120.5 million and S\$1.7 million in FY2018 and FY2019 respectively.

9M2019 vs 9M2020

The Group's revenue decreased by approximately S\$39.4 million or 40.4% from S\$97.5 million in 9M2019 to S\$58.1 million in 9M2020. In line with the decrease in revenue, the gross profit has similarly decreased by approximately S\$11.4 million or 48.3% from S\$23.6 million in 9M2019 to S\$12.2 million in 9M2020. Both the decrease in revenue and gross profit were mainly due to (i) severe lack of working capital as a result of the delay in obtaining refinancing; and (ii) the scaling down of the business operations in the warehouse retail scheme retail activities and business operations at the Big Box building in Singapore, and ceased retail sales in Indonesia in July 2018.

The Group had recorded a lower loss from operations of approximately S\$12.8 million in 9M2020 as compared to approximately S\$20.5 million in 9M2019. This was mainly due to the decrease in (i) other operating expenses of approximately S\$10.0 million, (ii) staff costs of approximately S\$7.4 million, and (iii) depreciation and amortisation of approximately S\$0.7 million; which was partially offset by the increase in finance expenses of approximately S\$10.5 million.

As a result of the above, the Group recorded a net loss for the period of approximately S\$37.1 million or an increase of 8.2% in 9M2020 as compared to S\$34.3 million in 9M2019, mainly due to higher net finance expenses recorded of approximately S\$10.1 million in 9M2020. We note that, excluding the effects of mainly (i) non-cash expenses such as, depreciation costs and accretion of interest on Scheme liabilities amounting to an aggregate of approximately S\$28.8 million, and (ii) other Scheme-related expenses such as interests and professional fees of approximately S\$0.7 million, the Group's net loss for 9M2020 would have been approximately S\$7.6 million.

As a result of the above, the net loss attributable to owners of the Company was approximately S\$21.4 million and S\$31.8 million in 9M2019 and 9M2020 respectively.

Notice of three (3) consecutive years' losses (the "Notice of 3-Year Losses")

On 16 December 2019, in view of the above net losses recorded by the Group for FY2017, FY2018 and FY2019, the Company had, among others, on 16 December 2019:

- (a) given notice that it had recorded pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts);
- (b) its latest 6-month average daily market capitalisation as at 16 December 2019 was not applicable as trading in the Company's securities on the SGX-ST has been voluntary suspended by the Company since 4 August 2017;
- (c) drawn investors' attention to Rule 1311(1) of the Mainboard Rules, which states that the SGX-ST will place an issuer on the watch-list of the SGX-ST (the "**Watch-List**") if it records:
 - (i) pre-tax losses for the three (3) most recently completed financial years (based on audited full year consolidated accounts (the "**Financial Entry Criteria**")); and
 - (ii) an average daily market capitalisation of less than S\$40 million over the last six (6) months (the "**Market Cap Criteria**"); and
- (d) highlighted to investors that pursuant to Practice Note 13.2 Paragraph 2.1, the SGX-ST conducts quarterly reviews to identify issuers to be included on the Watch-List. The quarterly review will take place on the first market day of March, June, September and December of each year.

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The Company will make an immediate announcement should it be notified by the SGX-ST that it will be placed on the Watch-List. We note that the Group had historically been recording net losses since FY2014, and correspondingly the Company had previously announced Notices of 3-Year Losses on 18 July 2016, 21 July 2017 and 17 June 2019 in respect of the relevant past three (3) consecutive year period trailing from FY2015, FY2016 and FY2017 respectively.

While we note that the Company is looking to resume trading of the Shares through, among others, the implementation of the New Scheme and completion of the Proposed Transactions, there is no assurance that, upon resumption of trading of the Shares, the Shares will be maintained or resume trading at the historical price levels prior to the Trading Suspension. Based on the Last Traded Price and the Existing Issued Share Capital, the market capitalisation on the Company would be approximately S\$14.7 million, which is below the S\$40 million threshold under the Market Cap Criteria. Accordingly, there is no assurance that the SGX-ST will not place the Company on the Watch-List once the Market Cap Criteria is triggered since the Financial Entry Criteria has already been triggered in view of the Group's poor historical financial performance.

Statement of financial position

Current assets: As at 31 December 2019, current assets amounted to approximately S\$27.8 million, representing 11.3% of the total assets of the Group. The current assets mainly comprised (i) trade and other receivables of approximately S\$18.5 million; (ii) inventories of approximately S\$6.8 million; and (iii) cash and cash equivalents of approximately S\$2.5 million.

Current liabilities: As at 31 December 2019, current liabilities amounted to approximately S\$460.7 million, representing 71.3% of the total liabilities of the Group. The current liabilities mainly comprised (i) borrowings of approximately S\$277.6 million; and (ii) trade and other payables of approximately S\$180.5 million. Of the current borrowings, we note that they mainly consist of an aggregate amount due to Scheme Creditors of approximately S\$142.8 million comprising (a) sustainable debts of S\$132.6 million, and (b) the loan component of redeemable convertible bonds ("RCBs") of S\$10.2 million. The amounts due to Scheme Creditors represented approximately 51.4% of the total current borrowings as at 31 December 2019.

Non-current assets: As at 31 December 2019, non-current assets amounted to approximately S\$217.8 million, representing 88.7% of the total assets of the Group. The non-current assets mainly comprised (i) PPE of approximately S\$201.5 million; (ii) investment properties of approximately S\$7.0 million; and (iii) intangible assets of approximately S\$9.2 million.

Non-current liabilities: As at 31 December 2019, non-current liabilities amounted to approximately S\$185.8 million, representing 28.7% of the total liabilities of the Group. The non-current liabilities mainly comprised (i) borrowings of approximately S\$180.4 million and (ii) deferred tax liabilities of approximately S\$4.7 million. Of the non-current borrowings, we note that they mainly consist of an amount due to Scheme Creditors comprising the loan components of RCBs of approximately S\$93.0 million. The amounts due to Scheme Creditors represented approximately 51.6% of the total non-current borrowings as at 31 December 2019.

Working capital: The Group has historically recorded a negative working capital position of approximately S\$387.3 million as at 31 March 2017 and S\$427.5 million as at 31 March 2018. While we note that the negative working capital position of the Group had improved slightly to S\$424.0 million as at 31 March 2019, it had increased to S\$432.9 million as at 31 December 2019, mainly due to (i) an increase in the trade and other payables of approximately S\$5.1 million; (ii) a decrease in the inventories of approximately S\$2.8 million; (iii) a decrease in trade and other receivables of approximately S\$0.8 million; and (iv) a decrease in the cash and cash equivalents of approximately S\$0.4 million.

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Consolidated cash flow statement

The Group recorded (a) net cash used in operating activities of approximately S\$6.0 million in FY2017, as well as (b) net cash generated from operating activities of approximately S\$10.0 million, S\$0.2 million, S\$0.3 million and S\$0.9 million in FY2018, FY2019, 9M2019 and 9M2020 respectively. The Group recorded net cash from operating activities of approximately S\$0.9 million in 9M2020 mainly due to a lower operating cash outflow before working capital changes of approximately S\$1.7 million, a decrease in inventories of approximately S\$2.8 million and a decrease in trade and other receivables of approximately S\$0.9 million. This was offset by an increase in deposits and advance payments from customers of approximately S\$0.8 million and a decrease in trade and other payables of approximately S\$0.2 million.

Taking into account (a) the cash and cash equivalents at the beginning of the period of approximately S\$1.8 million; and (b) the net decrease in cash and cash equivalents of approximately S\$0.4 million, the Group's cash and cash equivalents as at 31 December 2019 amounted to approximately S\$1.4 million.

6.3.2 Historical finance expense

A breakdown of the Group's finance expenses incurred during the Period Under Review and as set out in the annual reports of the Company for FY2018 and FY2019 as well as the unaudited financial statements for 9M2019 and 9M2020 is set out below:

S\$'000	Audited			Unaudited	
	FY2017	FY2018	FY2019	9M2019	9M2020
Interest expense paid / payable on:					
- Term loans, bills payable & trust receipts, sustainable debt and others	18,380	18,992	14,242	9,056	6,661
- Finance lease liabilities	72	58	34	30	10
Accretion of interest expense:					
- Sustainable debt	1,612	903	—	—	—
- RCBs, loan component	9,814	3,593	6,895	5,132	17,646
Others	(86)	—	—	—	—
Total interest expense	29,792	23,546	21,171	14,218	24,317

Source: Company's annual reports for FY2018 and FY2019, as well as the unaudited financial statements for 9M2020.

We note that the total interest expense was approximately 34.0%, 11.4%, 60.4%, 41.5% and 65.6% of the loss before income tax recorded for FY2017, FY2018, FY2019, 9M2019 and 9M2020 respectively. We further note that the Group's accretion of interest expense due to the sustainable debt and RCBs amounted to approximately S\$11.4 million, S\$4.5 million, S\$6.9 million, S\$5.1 million and S\$17.6 million, which represented 38.3%, 19.1%, 32.5%, 35.9% and 72.4% of the total interest expense for FY2017, FY2018, FY2019, 9M2019 and 9M2020 respectively.

Accordingly, the completion of the Proposed Transactions and the successful implementation of the New Scheme would greatly reduce the interest burden of the Group and could possibly contribute positively to its financial performance going forward.

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6.4 NAV and NTA of the Group

The NTA of a group refers to the aggregate value of all the assets in their existing condition, net of any non-controlling interests, all liabilities and intangible assets of the group. The NTA approach may provide an estimate of the value of a group assuming the hypothetical sale of all its tangible assets over a reasonable period of time, the proceeds of which would be first used to settle the liabilities of the group with the balance available for distribution to its shareholders. Therefore, the NTA of a group is perceived as providing support for the value of the shareholders' equity.

Notwithstanding the foregoing, Shareholders should note that the analysis based on the NTA of the Group provides an estimate of the value of the Group based on a hypothetical scenario, and such hypothetical scenario is assumed without considering factors such as, *inter alia*, time value of money, market conditions, legal and professional fees, liquidation costs, taxes, contractual obligations, regulatory requirements and availability of potential buyers, which would theoretically lower the NTA that can be realised.

A summary of the latest available financial position of the Group as at 31 December 2019 is set out below:

(S\$'000)	Unaudited As at 31 December 2019
<u>Non-current assets</u>	
Property, plant and equipment	201,516
Investment properties	7,042
Intangible assets	9,234
Total non-current assets	217,792
<u>Current assets</u>	
Cash and cash equivalents	2,454
Trade and other receivables	18,544
Inventories	6,827
Total current assets	27,825
Total assets	245,617
<u>Non-current liabilities</u>	
Borrowings	180,389
Derivative financial liabilities	664
Deferred tax liabilities	4,714
Total non-current liabilities	185,767
<u>Current liabilities</u>	
Borrowings	277,633
Provision for warranties	67
Trade and other payables	180,496
Contract liabilities	1,804
Current tax payable	685
Total current liabilities	460,685
Total liabilities	646,452
Share Capital	175,622
Reserves and accumulated losses	(435,325)
Total equity	(400,835)
Less: Non-controlling interest	(141,132)
Equity attributable to owners of the Company ("NAV")	(259,703)
Net tangible assets ("NTA")	(268,937)

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	Unaudited As at 31 December 2019
Number of Shares	1,048,391,917
NAV per Share (S\$)	(0.248)
Premium of Conversion Price and Issue Price over the NAV per Share (S\$)	0.258
Premium of Effective Conversion Price over the NAV per Share (S\$)	0.257
NTA per Share (S\$)	(0.257)
Premium of the Conversion Price and Issue Price over the NTA per Share (S\$)	0.267
Premium of Effective Conversion Price over the NTA per Share (S\$)	0.266

Source: Company's unaudited consolidated financial statements for 9M2020 and Appendix A to the Circular

The Group was in a negative working capital position and recorded negative NAV of S\$259.7 million as at 31 December 2019. With reference to the table above on the summary of the unaudited financial position of the Group, we note that the Conversion Price and the Issue Price each represent a premium of approximately S\$0.258 and S\$0.267 to the NAV and NTA per Share respectively as at 31 December 2019, while the Effective Conversion Price represents a premium of approximately S\$0.257 and S\$0.266 to the NAV and NTA per Share as at 31 December 2019.

In our evaluation of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution, we have also considered whether there are any other assets which should be valued at an amount that is materially different from that which was recorded in the statement of financial position of the Group as at 31 December 2019 and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to impact the NAV and NTA of the Group as at 31 December 2019.

Management has represented to us that the COVID-19 outbreak and the elevated safe distancing measures announced on 3 April 2020 (the “**Circuit Breaker Measures**”) may have further impact on the Group's financial conditions and operations due to a temporary suspension of all its businesses and operations from 7 April 2020 to 19 June 2020 in compliance with the Circuit Breaker Measures. Pursuant to the Second Extension Announcement, the Company had sought and obtained a further extension of time from the SGX-ST to, among others, announce its FY2020 Results by 30 October 2020, for the reasons as set out in the Second Extension Announcement. As such, the Company is unable to quantify such impact as at the Latest Practicable Date.

In respect of the above, the Directors have also confirmed, to the best of their knowledge and belief as at the Latest Practicable Date, that:

- (i) save as disclosed in this Letter, there are no material differences between the realisable values of the Group's assets and their respective book values as at 31 December 2019 which would have a material impact on the NAV and NTA of the Group;
- (ii) save as disclosed in this Letter, they are not aware of any circumstances which may cause the NAV and NTA as at the Latest Practicable Date to be materially different from that recorded in the unaudited consolidated financial statements of the Group as at 31 December 2019;
- (iii) save as disclosed in this Letter, there are no other contingent liabilities, bad or doubtful debts, impairment losses or material events which would likely have a material impact on the NAV and NTA of the Group as at the Latest Practicable Date;
- (iv) save as disclosed in this Letter, there are no litigation, claim or proceedings pending or threatened against the Company or Group or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position of the Company and Group;

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- (v) there are no other intangible assets and which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards and/or the Singapore Financial Reporting Standards (International) and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group; and
- (vi) there are no material acquisitions or disposals of assets by the Group between 31 December 2019 and the Latest Practicable Date and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of the Group's material assets or material change in the nature of the Group's business.

6.5 Independent auditors' disclaimer of opinion

We note that the annual reports of the Company for FY2015, FY2016, FY2017, F2018 and FY2019 each contain a disclaimer of opinion from the Company's independent auditors in respect of the audited financial statements of the Company and the Group for the respective financial years. As a result of these disclaimers of opinion, the Company's independent auditors did not provide an audit opinion for the audited financial statements of the abovementioned financial years.

In the Company's annual report for FY2019, the Independent Auditors' Report on the Group's and Company's financial statements for FY2019 contained a disclaimer of opinion relating to the appropriateness of the going concern assumptions due to an inability to obtain sufficient and appropriate audit evidence. We have set out below, in italics, certain extracts from the Independent Auditors' Report pertaining to the disclaimer of opinion for the FY2019 financial statements. We recommend that the Recommending Directors advise the Independent Shareholders to read this section of the Company's annual report for FY2019 carefully:

Extracts from the Independent Auditor's Report for FY2019

"Because of the significance of the matters described in the 'Basis for disclaimer of opinion' section of our report, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements. Accordingly, we do not express an opinion on the accompanying consolidated financial statements of the Group or the balance sheet of the Company.

Basis for disclaimer of opinion

The Company has been placed under a Scheme of Arrangement (the "Scheme") sanctioned by the Court of Appeal in Singapore on 13 October 2010. The Company's ability to continue as a going concern is dependent mainly on the outcome of the successful implementation of the New Scheme, the completion of the issuance of the Convertible Loan, the Group's ability to secure financing as and when required, the profitability of future operations of the Group, and the continuing support of banks and other creditors, suppliers and other parties. These matters are explained in more detail in note 2 (and other notes) to these financial statements.

A significant subsidiary in Singapore had defaulted on its debt repayment obligation which was due on 31 March 2017. Receivers and managers were appointed in September 2017 over the assets of this subsidiary and the Warehouse Retail Scheme of this subsidiary was terminated by relevant authority in February 2018. These developments have severely affected the businesses of this subsidiary and certain entities within the Group (see notes 15 and 29).

The Group and the Company have deficiency in net assets of \$364,382,000 (2018: \$347,707,000) and \$402,456,000 (2018: \$355,942,000), respectively as at 31 March 2019 and the Group incurred a net loss of \$32,158,000 (2018: \$207,799,000) for the financial year then ended.

These factors indicate the existence of material uncertainties which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

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Notwithstanding the above, management has prepared these financial statements on a going concern basis which may not be appropriate. We are however unable to determine the adjustments that may be necessary as a result of these uncertainties.

Further, at the date of this report, the Company was unable to provide sufficient information for us to complete the audit of the consolidated financial statements of the Group and the balance sheet of the Company. Accordingly, we were not able to perform and complete our procedures to obtain sufficient and appropriate audit evidence over the financial statements of the Group, the balance sheet of the Company, and the accompanying disclosures for the year then ended. As such, we were not able to determine whether any adjustments might be necessary to the amounts and disclosures shown in the financial statements as at and for the year ended 31 March 2019.

We have also disclaimed our opinion on the auditors' report for the year ended 31 March 2018 issued on 10 June 2019."

We note that the basis of the independent auditors' disclaimer of opinion for FY2019 arises from the ability of the Group and the Company to remain as going concerns which are dependent on various assumptions (as set out in the extracts above) that are premised on future events and market conditions including, but not limited to, the outcome of the successful implementation of the New Scheme and the completion of the issuance of the Proposed Convertible Loan, the outcomes of which are inherently uncertain. Accordingly, these factors indicate the existence of material uncertainties which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. Notwithstanding the foregoing, the Directors had determined that it was appropriate for the Group and the Company to adopt the going concern assumption in preparing the financial statements for FY2019. In view of the foregoing, Shareholders should take note of such disclaimer of opinion when reviewing the latest audited financial statements of the Group.

We further note that as at the Latest Practicable Date, taking into account (i) the Group's internal resources, operating cashflows, working capital facilities; (ii) the estimated proceeds of S\$48.0 million to be raised from the Proposed Convertible Loan; (iii) approximately S\$3.5 million of proceeds to be raised from the Proposed Rights Issue; and (iv) the proceeds of up to S\$25.0 million to be raised from the additional loan of a principal amount of up to S\$25.0 million (the "Loan") pursuant to the loan agreement entered into between the Investor and two (2) wholly-owned subsidiaries of the Company on 9 December 2019 (the details of which are set out in Section 2.10 of the Circular), the Directors are of an opinion that the Group will have sufficient resources to meet the Company's obligations and continue to operate as a going concern. Please refer to Section 6.12 of the Circular for more details on the adequacy of working capital confirmation provided by the Directors.

While there is no assurance that the Proposed Transactions, the New Scheme and/or the steps taken or to be taken by the Company subsequent to the Proposed Transactions and the New Scheme to improve its financial position and performance will be successful or would result in an enhancement of Shareholders' value, we note that the SIC has granted the Conversion Whitewash Waiver and Rights Issue Whitewash Waiver, and the Company will be holding the EGM to seek Shareholders' approval for, *inter alia*, the Proposed Transactions, the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution. The Proposed Transactions, if approved, will relieve some of the Group's debt burdens, for example, by improving the equity position and reducing the gearing ratio of the Group as set out in the financial effects in Section 8 of the Circular.

6.6 Historical market price performance and trading activity of the Shares

Unless otherwise defined or the context otherwise requires, all terms defined in the announcement released by the Company dated 4 August 2017 shall have the same meaning herein.

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On 4 August 2017, the Company had announced the Trading Suspension comprising, *inter alia*, the following salient information:

- (a) the Company has been actively engaged in negotiations with financier(s), and has obtained a non-binding term sheet (subject to, among other things, satisfactory due diligence which is currently being undertaken by the financier(s)) to obtain funding of up to S\$380 million that is required to refinance and repay the BBPL Facility (including the Unpaid Facility) and BBPL's other payment obligations (the **"Refinancing Options"**). Subject to further negotiations, the Refinancing Options may also include alternative transactions in relation to the financing and restructuring of the existing indebtedness of the Company and working capital requirements of the Group. Since July 2017, the Company has been requesting the directors of BBPL to consider the Refinancing Options;
- (b) the Company believes that, under the circumstances, the Refinancing Options (which remain subject to, among other things, satisfactory due diligence) would, if successfully completed, provide a total resolution for the Group, including in respect of BBPL's liabilities, the Rent Dispute, the Unpaid Facility, and the Settlement Sum (which would also facilitate termination of the Scheme), and the Company will work closely with the potential financier(s) with a view to achieving a satisfactory outcome for all stakeholder; and
- (c) in light of the foregoing at that time, the then-board of directors was of the opinion that it was in the best interest of the Company that the aforesaid trading halt of the Shares be converted to a trading suspension of the Shares with immediate effect and it would be prudent for the Company to request a voluntary suspension of trading on the Mainboard of the SGX-ST.

Prior to the Trading Suspension, the Last Traded Price was S\$0.014 on the Last Trading Day. Solely for illustrative purposes, the Conversion Price and the Effective Conversion Price represent discounts of approximately 28.6% and 35.7% respectively. Based on the then-latest publicly available financial information of the Group, being its annual report for FY2017 which was released on 17 July 2017, the Group had incurred a net loss of approximately S\$91.0 million for FY2017 (**"FY2017 Loss"**) and its equity attributable to owners of the Company amounted to a deficit of S\$24.2 million (or a negative S\$0.023 per Share) as at 31 March 2017. We note that KPMG LLP, the independent auditors of the Company, had issued a disclaimer of opinion in respect of the Company's and the Group's audited financial statements for FY2017 in its independent auditor's report as set out in the Company's annual report for FY2017. This was due to the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern as a result of the following factors:

- (a) the Group's ability to continue as a going concern being dependent on:
 - (i) the successful implementation of the Old Scheme;
 - (ii) the profitability of future operations;
 - (iii) the ability to secure financing as and when required;
 - (iv) the continued support of bank and other creditors, suppliers and other parties;
- (b) the Group having recorded the FY2017 Loss as well as both the Group and the Company being in a net current liabilities position of approximately S\$387.3 million and S\$238.5 million as at 31 March 2017 respectively; and
- (c) as at 31 March 2017, a subsidiary of the Company was in default of its loan repayment obligation which was due on 31 March 2017 and a subsidiary was in breach of certain loan financial covenants.

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Please refer to paragraphs 6.3 and 6.4 of this Letter for more information on the historical financial performance and financial position of the Group since the Trading Suspension.

Having regard to the Trading Suspension which has been in effect since 4 August 2017 and the continued weak performance of the Group's operations as well as the further deterioration in the Group's negative shareholders' equity since then, we are of the view that it would not be meaningful to benchmark the Conversion Price, the Effective Conversion Price and/or the Issue Price against the historical market prices of the Shares.

6.7 Assessment of the Conversion Price and Effective Conversion Price

For the purpose of assessing the Conversion Price and Effective Conversion Price, we have considered the following factors:

6.7.1 Financial position of the Group

As set out above in paragraph 6.4 of this Letter, based on the Group's unaudited consolidated financial statements for 9M2020, the Group had recorded negative NAV of approximately S\$259.7 million or S\$0.248 per Share, as well as a negative NTA or net tangible liabilities position of approximately S\$268.9 million or S\$0.257 per Share as at 31 December 2019 based on the Existing Issued Share Capital. Accordingly, the Conversion Price and Effective Conversion Price represent premiums of approximately S\$0.258 and S\$0.257 to the NAV per Share, as well as premiums of approximately S\$0.267 and S\$0.266 to the NTA per Share of the Group respectively as at 31 December 2019.

6.7.2 Terms of the Conversion Price

We note that the Conversion Price is the same as the Issue Price. However, having taken into account the Loan Interest to be repaid in the form of Conversion Shares to be allotted and issued to the Investor in addition to the repayment of the Principal Value, we note that the underlying Effective Conversion Price of S\$0.009 per Conversion Share is at a slight discount of S\$0.001 or 10.0% to the Issue Price of S\$0.01 per Rights Share that will be allotted and issued to the Entitled Shareholders pursuant to the Proposed Rights Issue.

Notwithstanding the above, we have considered that the Proposed Issue of Conversion Shares pursuant to the Proposed Convertible Loan is critical for the implementation of the New Scheme. The Investor will provide funding for the implementation of the New Scheme in the form of S\$48.0 million fully in cash to the Company in return for the allotment and issuance of the Conversion Shares, which will be used to, among others, (i) discharge the Company's obligations under the New Scheme; (ii) settle all related professional fees and expenses incurred by the Company in relation to or in connection with the Restructuring; and (iii) contribute to the general working capital and/or any other requirements of the Group. Under the terms of the New Scheme, the Existing Scheme Creditors and Non-Existing Scheme Creditors shall accept the payments using the Scheme Fund under the New Scheme given to them in full satisfaction and release and discharge all liabilities due to the Existing Scheme Creditors and Non-Existing Scheme Creditors and other Security Interest granted or created pursuant to the Existing Scheme. Accordingly, upon completion of the New Scheme, the Company would be able to resolve unsustainable liabilities and the right-sizing of its balance sheet would allow the Company to pursue post-restructuring business directions as a going concern. Furthermore, the Company will be able to receive any remaining balance net proceeds for its general working capital purposes.

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We have also considered other relevant considerations, including amongst others, that (i) the New Scheme (which the Proposed Convertible Loan and the Proposed Issue of Conversion Shares are components of) is the only viable debt restructuring proposal for the Company as well as the Existing Scheme Creditors and Non-Existing Scheme Creditors, as the Company has not received or submitted any other formal and/or reasonable viable debt restructuring proposals as at the Latest Practicable Date; and (ii) on 6 August 2020, the SGX-ST had advised that it has no objection to the Company lifting the trading suspension in its Shares, provided that the Company submits the following confirmations/documents to the SGX-ST and satisfies certain conditions set out in Section 6.7.2 of the Circular. Please refer to paragraph 7 of this Letter for further information on these other relevant considerations.

6.7.3 Valuation ratios of selected companies listed on the SGX-ST which are broadly comparable to the Group

For the purpose of our evaluation of the Conversion Price and the Effective Conversion Price, we have made reference to the valuation ratios of selected companies listed on the SGX-ST which are primarily engaged in the business of retail, distribution or trading of consumer electronics and/or furniture and furnishing products, which we consider to be broadly comparable to the principal business of the Group ("**Comparable Companies**"), to obtain an indication of the current market expectations with regard to the perceived valuation of the Group.

We wish to highlight that the Comparable Companies are not exhaustive and we recognise that there is no company listed on the SGX-ST which we may consider to be identical to the Group in terms of, *inter alia*, geographical markets, composition of business activities, scale of the business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/ industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria and that such businesses may have fundamentally different annual profitability objectives. The Recommending Directors should note that any comparison made with respect to the Comparable Companies merely serve to provide an illustrative perceived market valuation of the Group as at the Latest Practicable Date.

A brief description of the Comparable Companies is as follows:

Comparable companies	Stock exchange	Business description	Financial year ended
Casa Holdings Limited (" Casa ")	SGX-ST	Casa is a Singapore-based investment holding company. The Company is engaged in distributing home and cooking appliances, kitchen and bathroom fixtures, and accessories. The Company operates through two (2) segments: trading of home appliances and property development. It offers products under various categories, such as home and cooking appliances, kitchen and bathroom fixtures, water heater and property development.	30 September 2019
Koda Ltd (" Koda ")	SGX-ST	Koda is a Singapore-based investment holding company. The Company is engaged in the manufacture, retail and distribution of furniture and fixtures of wood (including upholstery) and furniture design services. The Company is an original design manufacturer of furniture. The Company designs and produces furniture for the dining room, living room, bedroom and home office. The Company has manufacturing bases in Malaysia and China.	30 June 2020

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Comparable companies	Stock exchange	Business description	Financial year ended
Kitchen Culture Holdings Ltd (“ Kitchen Culture ”)	SGX-Catalist	Kitchen Culture is engaged in investment holding. The Company is involved in selling and distribution of imported kitchen systems and appliances, wardrobe systems, and household furniture and accessories. Its segments include residential projects, distribution and retail, and others. The residential projects segment is involved in designing, assembling, installing, testing and inspection of various furniture and fittings, kitchen equipment and related products. The distribution and retail segment is involved in selling and distributing of products through a network of authorised dealers and retailers. The others segment includes investment holding. It also provides kitchen solutions in Singapore and Malaysia.	30 June 2020
Lorenzo International Limited (“ Lorenzo ”)	SGX-ST	Lorenzo is an investment holding company. The Company’s segments include retail, export, licensing retail system (LRS) and building materials. The retail segment relates to revenue generated from retail chain stores for the trading of sofa and other furniture. The export segment relates to revenue generated from overseas corporate customers for the trading of sofa and other furniture. Its LRS segment relates to revenue generated from overseas licensing for the trading of sofa and other furniture. The building materials segment relates to revenue generated from supply of stones and tiles for residential, commercial and industrial projects. It sells products under the Lorenzo brand name, which are grouped under two (2) collections: Dante for classic leather sofas and Enzo for wood-based products. The Enzo series of products includes furniture for the living room, dining room and bedroom. Its subsidiaries include Uhin Holding Pte Ltd., Builders Shop Pte Ltd and others.	31 March 2020

Source: Thomson Reuters Eikon, respective Comparable Companies’ websites and annual reports

In our evaluation, we have considered the following widely used valuation measures:

Valuation ratios	General description
Price-earnings (“ P/E ”) ratio	<p>P/E ratio or earnings multiple is the ratio of a company’s market capitalisation divided by the historical consolidated full-year or last twelve months (“LTM”) net profit attributable to shareholders.</p> <p>The P/E ratio is an earnings-based valuation methodology and is calculated based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses.</p> <p>The P/E ratio illustrates the ratio of the market capitalisation of a company in relation to the historical consolidated full-year net profit attributable to its shareholders (as the case may be). As such, it is affected by the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.</p>

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Valuation ratios	General description
	We have considered the P/E ratios of the Comparable Companies based on their respective closing prices on the Latest Practicable Date and their latest full year or LTM net earnings per share.
Price-to-net asset value (" P/NAV ") ratio	<p>NAV refers to consolidated net asset value, which is the total assets of a company less total liabilities.</p> <p>P/NAV refers to the ratio of a company's share price divided by NAV per share.</p> <p>The P/NAV ratio represents an asset-based relative valuation which takes into consideration the book value or NAV backing of a company.</p> <p>The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net assets of the company.</p>
Enterprise Value-to-Earnings before Interests, Taxes, Depreciation and Amortisation (" EV/EBITDA ") ratio	<p>EV refers to enterprise value which is the sum of a company's market capitalisation, preferred equity, minority interests, short-term and long-term debts (inclusive of finance leases), less its cash and cash equivalents.</p> <p>EBITDA refers to the historical consolidated full-year or LTM earnings before interest, taxes, depreciation and amortisation of a company.</p> <p>The EV/EBITDA ratio illustrates the ratio of the market value of an entity's business in relation to its historical pre-tax operating cash flow performance. The EV/EBITDA multiple is an earnings-based valuation methodology. The difference between EV/EBITDA and the P/E ratio (described above) is that it does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges.</p> <p>We have considered the EV/EBITDA ratios of the Comparable Companies based on their respective closing prices on the Latest Practicable Date, latest-available balance sheet values and latest full-year or LTM EBITDA.</p>

The valuation ratios of the Comparable Companies based on their respective last traded share prices as at the Latest Practicable Date are set out below:

Comparable Companies	Market capitalisation (S\$ million)	LTM P/E ⁽¹⁾ (times)	LTM EV/EBITDA ⁽²⁾ (times)	P/NAV ⁽³⁾ (times)
Casa	9.0	2.99	2.16	0.16
Koda ⁽⁴⁾	37.2	6.27	2.29	0.67
Kitchen Culture	44.6	n.a. ⁽⁵⁾	n.a. ⁽⁶⁾	n.a. ⁽⁷⁾
Lorenzo	7.0	n.a. ⁽⁵⁾	n.a. ⁽⁶⁾	n.a. ⁽⁷⁾
Max		6.27	2.29	0.67
Min		2.99	2.16	0.16
Mean		4.63	2.23	0.41
Median		4.63	2.23	0.41
Company (as implied by the Conversion Price)	10.5⁽⁸⁾	n.a.⁽⁹⁾	n.a.⁽⁹⁾	n.a.⁽¹⁰⁾

Source: Thomson Reuters Eikon, annual reports and announcements on SGXNET of the Comparable Companies and NCF calculations

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- (1) LTM P/E ratio is calculated based on the earnings as extracted from the latest available full year audited financial statements and/or unaudited financial results of the respective Comparable Companies, as the case may be.
- (2) LTM EV/EBITDA ratio is calculated based on the latest available full year audited financial statements or unaudited financial results of the respective Comparable Companies, as the case may be.
- (3) P/NAV ratio is calculated based on the NAV as extracted from the latest available full year audited and/or unaudited financial results of the respective Comparable Companies, as the case may be.
- (4) Koda's functional currency is reported in United States Dollars ("USD"). As such, the applicable exchange rate used is S\$1 : USD0.7393 as the Latest Practicable Date as extracted from Thomson Reuters Eikon.
- (5) Denotes "not applicable" as the respective Comparable Companies had recorded net losses attributable to owners of the company for the latest financial year.
- (6) Denotes "not applicable" as the respective Comparable Companies had recorded negative EBITDA for the latest financial year.
- (7) Denotes "not applicable" as the respective Comparable Companies had recorded negative capital and reserves attributable to equity holders of the company as at the end of the latest financial year.
- (8) For illustrative purposes, calculated based on the Conversion Price of S\$0.01 multiplied by 1,048,391,917 Shares outstanding as at the Latest Practicable Date. There is a negligible difference to the implied market capitalisation if the value is based instead on the Effective Conversion Price of S\$0.009 multiplied by 1,048,391,917 Shares outstanding as at the Latest Practicable Date.
- (9) Denotes "not applicable" as the Company had recorded negative EBITDA and net losses attributable to equity holders of the Company for the last twelve months ended 31 December 2019.
- (10) Denotes "not applicable" as the Company had recorded negative equity attributable to owners of the Company as at 31 December 2019.

Based on the above, we observe that:

- (a) the Company had recorded a net loss attributable to owners of the Company for LTM ended 31 December 2019, hence the P/E ratio of the Company (as implied by the Conversion Price) would not be applicable. Solely for illustrative purposes, the P/E ratios of the Comparable Companies ranged between 2.99 times and 6.27 times, with the mean and median P/E ratios at 4.63 times and 4.63 times respectively;
- (b) the Company had recorded a negative EBITDA for LTM ended 31 December 2019, hence the EV/EBITDA ratio of the Company (as implied by the Conversion Price) would not be applicable. Solely for illustrative purposes, the EV/EBITDA ratios of the Comparable Companies ranged between 2.16 times and 2.29 times, with the mean and median P/E ratios at 2.23 times and 2.23 times respectively; and
- (c) the Company had recorded negative equity attributable to owners of the Company as at 31 December 2019, hence the P/NAV ratio of the Company (as implied by the Conversion Price) would not be applicable. Solely for illustrative purposes, the P/NAV ratios of the Comparable Companies ranged between 0.16 times and 0.67 times, with the mean and median P/NAV ratios at 0.41 times and 0.41 times respectively.

6.7.4 Comparison with recent transactions involving convertible loans / securities being granted to / issued by companies listed on the SGX-ST

In assessing the Conversion Price and the Effective Conversion Price, we have also looked at the salient statistics of completed transactions which involve convertible loans or securities being granted to or issued by companies (excluding real estate and business trusts) listed on the SGX-ST, that were announced during the 24-month period prior to the Announcement Date from 9 October 2018 and up to the Latest Practicable Date (the "**Comparable CL Transactions**").

We have tabulated the Comparable CL Transactions to illustrate, amongst others, the typical conversion price to NTA and premium/discount represented by the conversion price to the last volume weighted average trading price for the relevant share on the market day immediately preceding the date of the relevant announcement, wherein the shares were last traded. The table below summarises the salient statistics of the Comparable CL Transactions:

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Company	Date of announcement	Conversion Price (S\$)	Volume weighted average trading price on last full market day ("Last Traded Price") prior to announcement (S\$)	Tenure (in years)	Coupon / interest per annum (%)	Premium / (discount) of conversion price to Last Traded Price prior to announcement⁽¹⁾ (%)	Conversion Price to NTA per share⁽²⁾
GS Holdings Limited ⁽³⁾	17 Dec 2018	0.180	0.1800	3.0	8.0	–	12.73
Clearbridge Health Limited	31 Jan 2019	0.280	0.1572	3.0	7.0	78.1	5.42
Singapore Medical Group Limited	20 Feb 2019	0.423	0.4608	1.0	3.5	(8.2)	48.01
Mercurius Capital Investment Limited ⁽⁴⁾	30 Mar 2019	0.040	0.0300	0.5	8.0	33.3	512.19
Yongnam Holdings Limited	22 May 2019	0.179	0.1680	2.0	7.0	6.5 ⁽⁵⁾	0.38
Addvalue Technologies Ltd.	30 Jun 2019	0.023	0.0220	2.0	8.0	4.5 ⁽⁵⁾	N.A. ⁽⁶⁾
HC Surgical Specialists Limited	29 Jul 2019	0.536	0.5585	3.0	5.5	(4.0)	5.73
Ayondo Limited (CN-1)	22 Aug 2019	0.007	0.0459	1.0	8.0	(84.7)	N.A. ⁽⁶⁾
Ayondo Limited (CN-2)	22 Aug 2019	0.007	0.0459	3.0	–	(84.7)	N.A. ⁽⁶⁾
Ayondo Limited (CN-3)	22 Aug 2019	0.007	0.0459	3.0	12.0	(84.7)	N.A. ⁽⁶⁾
Capital World Limited	3 Oct 2019	0.015 ⁽⁷⁾	0.0150	1.0	15.0	N.A.	0.31
Mercurius Capital Investment Limited	15 Dec 2019	0.100	0.0498	1.0	10.0	100.8	22.08
Mercurius Capital Investment Limited	23 Dec 2019	0.100	0.0473	1.0	10.0	111.4	22.08
Mercurius Capital Investment Limited	3 Jan 2020	0.100	0.0480	1.0	10.0	108.3	22.08
Blackgold Natural Resources Limited (Series A)	5 Feb 2020	0.015	0.0129	3.0	–	16.3	1.70
Kitchen Culture Holdings Ltd. ⁽⁸⁾	4 May 2020	0.149	0.2085	1.5	15.0	(28.5)	N.A. ⁽⁶⁾
Asiatravel.com Holdings Ltd	23 Jul 2020	0.001	0.0270	0.3	10.0	(96.3)	N.A.
Addvalue Technologies Ltd.	5 Aug 2020	0.024 ⁽⁷⁾⁽⁹⁾	0.0265	1.0	5.0	(9.7)	N.A.
Alpha Energy Holdings Limited	18 Sep 2020	0.004 ⁽⁷⁾	0.0320	5.0	6.0	(89.1)	0.40
			Maximum	5.0	15.0	111.4	48.01
			Minimum	0.3	0.0	(96.3)	0.31
			Mean	1.9	7.8	(1.7)	12.81⁽⁴⁾
			Median	1.5	8.0	(2.0)	5.73⁽⁴⁾
The Company	17 Jul 2019	0.010 0.009	0.014⁽¹⁰⁾	1.0	10.0	(28.6)⁽¹¹⁾ (35.7)⁽¹²⁾	N.A.⁽¹³⁾

Source: Annual reports, announcements and shareholders' circulars of the respective companies in relation to the Comparable CL Transactions and NCF's calculations

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Notes:

- (1) The premium/(discount) of the conversion price to the Last Transacted Price prior to the announcement are set out in the respective announcements.
- (2) The NTA is computed based on the latest announced audited or unaudited financial statements of the respective companies before the respective date of announcement.
- (3) GS Holdings Limited had, on 19 June 2020, entered into a supplemental agreement with Guangzhou Ye Da Environmental Technology Development Co. Ltd. and Guangzhou Green Valley Ecological Environmental Co. Ltd. to amend, among others, the interest rates to 5% per annum and the conversion of the loan (excluding the accrued interests) to shares, of the convertible loan agreement entered into on 17 December 2018.
- (4) The transaction announced by Mercurius Capital Investment Limited on 30 March 2019 has been excluded as a statistical outlier in the mean and median computations.
- (5) Rounded to one (1) decimal place.
- (6) N.A. means not applicable as the company had recorded a net tangible liability position.
- (7) Rounded to three (3) decimal places.
- (8) The convertible loan agreement entered into between Kitchen Culture Holdings Ltd. and various investors on 4 May 2020 had been fully converted into shares of Kitchen Culture Holdings Ltd. as of 13 July 2020.
- (9) Addvalue Technologies Ltd had, on 14 August 2020, entered into a supplemental agreement with Mr Wang Yu Huei in respect of the convertible loan note of S\$2.0 million to revise the issue price from S\$0.2385 to S\$0.02394.
- (10) Last Traded Price on 28 July 2017 prior to the Trading Suspension.
- (11) As implied by the Conversion Price and based on the Last Trading Price.
- (12) As implied by the Effective Conversion Price and based on the Last Trading Price.
- (13) Denotes “not applicable” as the Company had recorded negative NTA as at 31 December 2019.

Based on the above, we note the following:

- (a) the Loan Interest of 10.0% is within the range of the corresponding coupon / interest rates of the Comparable CL Transactions but higher than the mean and median coupon / interest rates of 7.8% and 8.0% respectively;
- (b) the discounts of the Conversion Price and Effective Conversion Price to the Last Traded Price of approximately 28.6% and 35.7% respectively are within the range of the corresponding premiums/discounts of the Comparable CL Transactions but higher than the mean and median discounts of approximately 1.7% and 2.0% respectively. It should be noted that the last transacted price of the Shares referenced for the purpose of computing the discounts as implied by the Conversion Price was on 28 July 2017. The Shares have not been traded since the commencement of the Trading Suspension and there is no assurance that, assuming a resumption of trading of the Shares, the market prices of the Shares may be maintained at the price levels prior to the Trading Suspension; and
- (c) the Company had recorded a net tangible liabilities position as at 31 December 2019, hence the P/NTA ratio (as implied by the Conversion Price and the Effective Conversion Price) would not be applicable. Solely for illustrative purposes, the P/NTA per Share ratios of the Comparable CL Transactions ranged between 0.31 times and 48.01 times, with the mean and median P/NTA per Share ratios at 12.81 times and 5.73 times respectively.

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We wish to highlight that the Company is not in the same industry and does not conduct the same businesses as the other companies in the list of Comparable CL Transactions and would not, therefore, be directly comparable to the list of companies in terms of, *inter alia*, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria. Certain circumstances and terms relating to the convertible loans / securities involved in relation to the Comparable CL Transactions are also unique and might not be identical or comparable to that of the Proposed Convertible Loan and the Proposed Issue of Conversion Shares in terms of, *inter alia*, amount and tenure of the convertible loans / securities involved, financial performance and position of the companies, as well as the volatility and trading liquidity of the shares of such companies. Further, the list of Comparable CL Transactions is by no means exhaustive and information relating to the said companies was compiled from publicly available information. Accordingly, the Recommending Directors should note that the above comparison merely serves as a general guide to provide an indication of the relevant premium or discount in connection with the Comparable CL Transactions. Any comparison of the terms of the Proposed Convertible Loan and the Proposed Issue of Conversion Shares with that of the Comparable CL Transactions is for illustration purposes only and should not be conclusively relied upon.

6.8 Assessment of the Issue Price

For the purpose of assessing the Issue Price, we have considered the following factors:

6.8.1 Financial position of the Group

The Issue Price represents a premium of approximately S\$0.258 and S\$0.267 to the negative NAV per Share and the NTA per Share of the Group respectively as at 31 December 2019. Please refer to paragraphs 6.3 and 6.5 of this Letter for more information on the Group's financial position as at 31 December 2019.

6.8.2 Theoretical ex-rights price as a result of the Proposed Rights Issue

For the purpose of our evaluation, we have considered the theoretical ex-rights price of the Shares pursuant to the Proposed Rights Issue based on the method set out below.

We would like to highlight that no forecast is being made of the future price level of the Shares after the Proposed Rights Issue, as the analysis in this section is purely for the purpose of considering theoretical ex-rights prices under the various scenarios.

The ex-rights price refers to the adjustment to the price of the Shares, based on the Last Traded Price prior to the Trading Suspension, immediately after the Rights Issue (the “**Theoretical Ex-Price**”) owing to the issue of the Rights Shares and assumes that the resumption of trading in the Shares will take place immediately after the Proposed Rights Issue as follows:

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Based on the issuance of the Rights Shares and prior to the issuance of the Conversion Shares⁽¹⁾

Market Capitalisation	1,048,391,917 Shares at the assumed price of S\$0.014 being the last transacted price of the Shares on 28 July 2017 prior to the Trading Suspension	S\$14,677,487
Add: Proceeds from the Rights Issue (assuming full subscription of Rights Shares) ⁽¹⁾	349,463,972 Rights Shares at S\$0.01 per Rights Share	S\$3,494,639
Post-Rights Capitalisation:		S\$18,172,126
Post-Rights Issued Share Capital (number of Shares)		1,397,855,889
Theoretical Ex-Price		S\$0.013
Discount to Theoretical Ex-Price as implied by the Issue Price		23.08%

Note:

- (1) Assumes that the Group's outstanding RCBs will be fully discharged pursuant to the successful implementation of the New Scheme and there is no dilutive effect arising from such discharge.

Based on the above scenario, we note that the Issue Price would be at a discount of approximately 23.08% to the Theoretical Ex-Price.

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6.8.3 Market statistics of selected rights issues

In assessing the reasonableness of the Issue Price, we have looked at the salient statistics of selected completed rights issues of shares with and without free detachable warrants (excluding rights issue of warrants) by companies (excluding real estate and business trusts) listed on the SGX-ST (the “**Comparable Transactions**”) announced during the 24-month period prior to the Announcement Date from 9 October 2018 and up to the Latest Practicable Date. The table below summarises the salient statistics of the Comparable Transactions:

Company	Date of announcement	Terms of the rights issue	Issue price of the rights shares (S\$)	Last transacted price prior to announcement (S\$)	Theoretical ex-rights price ⁽¹⁾ (S\$)	Premium / (Discount) of issue price to	
						Last Transacted Price prior to announcement (%)	Premium / (Discount) of issue price to theoretical ex-rights price ⁽²⁾ (%)
TEE International Limited	29 Nov 2018	38 for 100	0.100	0.183	0.160 ⁽³⁾	(45.36)	(37.54) ⁽³⁾
China Star Food Group Limited	10 Dec 2018	1 for 1	0.015	0.039	0.027	(61.54)	(44.44)
Lifebrandz Ltd.	14 Dec 2018	1 for 2	0.007	0.013	0.011	(46.15)	(36.36)
Annaik Limited	28 Dec 2018	1 for 4 with 1 free warrant for every rights share	0.065	0.100	0.093	(35.00)	(30.11)
Sapphire Corporation Limited	30 Dec 2018	1 for 4	0.128	0.144	0.1408	(11.11)	(9.09)
Global Dragon Limited	31 Dec 2018	1 for 3	0.0675	0.060	0.0679	12.50	9.05
Raffles United Holdings Ltd.	9 Jan 2019	1 for 1	0.050	0.082	0.069	(39.02)	(27.54)
Informatics Education Ltd.	14 Mar 2019	3 for 1 with 1 free warrant for 3 rights shares	0.050	0.040	0.050	25.00	–

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Company	Date of announcement	Terms of the rights issue	Issue price of the rights shares (\$\$)	Last transacted price prior to announcement (\$\$)	Theoretical ex-rights price ⁽¹⁾ (\$\$)	Premium / (Discount) of issue price to Last Transacted Price prior to announcement (%)	Premium / (Discount) of issue price to theoretical ex-rights price⁽²⁾ (%)
MSM International Limited	31 Mar 2019	1 for 4	0.070	0.100	0.094	(30.00)	(25.53)
Asiamedic Limited	15 May 2019	4 for 1	0.012	0.013	0.0122	(7.69)	(1.64)
Alpha Energy Holdings Limited	26 Jun 2019	2 for 1	0.014	0.054	0.270	(74.07)	(48.15)
Chip Eng Seng Corporation Ltd.	22 Aug 2019	1 for 4	0.630	0.680	0.670	(7.35)	(5.97)
The Trendlines Group Ltd	26 Sep 2019	1 for 9	0.105	0.088	0.0845	19.32	24.26
Vibropower Corporation Limited	1 Oct 2019	1 for 2 with 1 free warrant for 1 rights share	0.100	0.112	0.108	(10.71)	(7.41)
Synagie Corporation Ltd.	8 Nov 2019	3 for 20	0.100	0.139	0.134	(28.06)	(25.37)
Japfa Ltd.	18 Dec 2019	1 for 10	0.500	0.575	0.570	(13.04)	(12.28)
AGV Group Limited	21 Feb 2020	5 for 1	0.025	0.027	0.0253	(7.41)	(1.19)
Singapore Airlines Limited ⁽⁴⁾	15 Apr 2020	3 for 2	3.000	6.500	4.400	(53.85)	(31.82)
Sembcorp Marine Ltd	8 Jun 2020	5 for 1	0.200	0.850	0.308	(76.47)	(35.06)
Leader Environmental Technologies Limited	12 Jun 2020	4 for 5	0.015	0.055	0.0372	(72.73)	(59.68)
Highest discount							
Mean				0.014 ⁽⁵⁾	0.013 ⁽⁶⁾	(76.47)	(59.68)
Median						(28.14)	(20.29)
Highest premium						(29.03)	(25.45)
The Company	17 July 2019	1 for 3	0.01	0.014 ⁽⁵⁾	0.013 ⁽⁶⁾	25.00	24.26
						(28.57) ⁽⁶⁾	(23.08) ⁽⁶⁾

Source: Thomson Reuters Eikon, announcements, circulars and/or offer information statements of the respective companies and NCF's calculations

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Notes:

- (1) Computed based on the last transacted price immediately prior to the announcement of the respective Comparable Transaction.
- (2) For the purpose of comparison, the premium and/or discount are calculated based on the theoretical ex-rights price of the respective companies, which does not take into account the issuance of warrants in its computation.
- (3) Based on NCF's calculations and assuring none of the existing bonus warrants were exercised on or prior to the books closure date under the maximum subscription scenario.
- (4) Excludes the renounceable rights issue of mandatory convertible bonds undertaken by Singapore Airlines Limited in connection with its rights issue of shares.
- (5) Last Traded Price on 28 July 2017 prior to the Trading Suspension.
- (6) Based on the Last Traded Price.

Based on the above, we note the following:

- (a) The discount of approximately 28.57% as implied by the Issue Price to the Last Traded Price of S\$0.014 prior to the release of the Announcement is within the range of the corresponding discounts of the Comparable Transactions, higher than the mean discount of 28.14% but lower than the median discount of 29.03%; and
- (b) the discount of approximately 23.08% as implied by the Issue Price to the Theoretical Ex-Price is within the range of the corresponding discounts of the Comparable Transactions, higher than the mean discount of 20.29% but lower than the median discount of 25.45%.

It should be noted that the last transacted price of the Shares referenced for the purpose of computing the discounts as implied by the Issue Price and the Theoretical Ex-Price was on 28 July 2017. The Shares have not been traded since the commencement of the Trading Suspension and there is no assurance that, assuming a resumption of trading of the Shares, the market prices of the Shares may be maintained at the price levels prior to the Trading Suspension.

We wish to highlight that the Company is not in the same industry and does not conduct the same businesses as the other companies in the list of Comparable Transactions and would not, therefore, be directly comparable to the list of companies in terms of, *inter alia*, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria. Further, the list of Comparable Transactions is by no means exhaustive and information relating to the said companies was compiled from publicly available information. Accordingly, the Recommending Directors should note that the above comparison merely serves as a general guide to provide an indication of the relevant premium or discount in connection with the Comparable Transactions. Any comparison of the terms of the Proposed Rights Issue with that of the Comparable Transactions is for illustration purposes only and should not be conclusively relied upon.

6.9 Financial effects of the Proposed Transactions

The financial effects have been prepared based on the audited consolidated financial statements of the Group for FY2019 and are set out in Section 8 of the Circular. Shareholders are advised to read the information carefully, including the bases and assumptions set out therein.

For the purposes of our assessment below, we have considered the following scenarios:

Scenario	Description
Scenario 1	: After the drawdown and utilisation of proceeds from the Proposed Convertible Loan and corporate actions on the settlement of scheme debt, but before the Proposed Rights Issue
Scenario 2	: After the Proposed Rights Issue and the Proposed Issue of Conversion Shares

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Share Capital

The effect of the Proposed Transactions on the issued share capital of the Group is expected to be as follows, assuming that the drawdown and utilisation of proceeds from the Proposed Convertible Loan and corporate actions on the settlement of scheme debt, the Proposed Rights Issue and the Proposed Issue of Conversion Shares had been completed on 31 March 2019.

Share Capital	No. of Shares	S\$'000
Issued share capital as at the Latest Practicable Date	1,048,391,917	175,622
Share capital after the Proposed Rights Issue	1,397,855,889	179,116
Share capital after the Proposed Rights Issue and the Proposed Issue of Conversion Shares	6,677,855,889	231,916

Earnings / Loss per Share (“EPS” or “LPS”)

The Proposed Transactions will have the following impact on the EPS / LPS of the Group for FY2019, assuming that the drawdown and utilisation of proceeds from the Proposed Convertible Loan and corporate actions on the settlement of scheme debt, the Proposed Rights Issue and the Proposed Issue of Conversion Shares were completed on 1 April 2018:

	Before the Proposed Transactions	Adjusted for Scenario 1	Adjusted for Scenario 2
Net profit / (loss) attributable to owners of the Company (S\$'000)	(1,702)	263,510	258,710
EPS / (LPS) (cents)	(0.16) ⁽¹⁾	25.13	3.87

Note:

(1) LPS based on basic net loss per Share and diluted net loss per Share is the same.

We note that the LPS of the Group would improve from approximately 0.16 cents for FY2019 to an EPS of 25.13 cents and 3.87 cents as adjusted for Scenario 1 and Scenario 2 respectively.

NTA per Share

The Proposed Transactions will have the following impact on the NTA and the NTA per Share of the Group as at 31 March 2019, assuming that the drawdown and utilisation of proceeds from the Proposed Convertible Loan and corporate actions on the settlement of scheme debt, the Proposed Rights Issue and the Proposed Issue of Conversion Shares on 31 March 2019:

	Before the Proposed Transactions	After the Proposed Rights Issue but before the Proposed Issue of Conversion Shares ⁽¹⁾	Adjusted for Scenario 1	Adjusted for Scenario 2 ⁽²⁾
NTA attributable to equity holders of the Company as at 31 March 2019 (S\$'000)	(237,880)	(234,386)	27,331	78,826
NTA per Share (cents)	(22.69)	(16.77)	2.61	1.18

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Notes:

- (1) Assuming that the drawdown and utilisation of proceeds from the Proposed Convertible Loan and corporate actions on the settlement of scheme debt has not taken place.
- (2) Assuming that the drawdown and utilisation of proceeds from the Proposed Convertible Loan and corporate actions on the settlement of scheme debt has taken place.

We note that the NTA per Share attributable to equity holders of the Company would improve from approximately a negative NTA per Share of 22.69 cents as at 31 March 2019 to a positive NTA per Share of 2.61 cents and 1.18 cents as adjusted for Scenario 1 and Scenario 2 respectively.

Gearing

The Proposed Transactions will have the following impact on the gearing of the Group as at 31 March 2019, assuming that the drawdown and utilisation of proceeds from the Proposed Convertible Loan and corporate actions on the settlement of scheme debt, the Proposed Rights Issue and the Proposed Issue of Conversion Shares on 31 March 2019:

	Before the Proposed Transactions	Adjusted for Scenario 1	Adjusted for Scenario 2
Total borrowings (S\$'000)	440,645	270,520	222,520
Shareholders' equity (S\$'000)	(228,603)	36,608	88,102
Gearing (times) ⁽¹⁾	n.a. ⁽²⁾	7.39	2.53

Notes:

- (1) Gearing is defined as the Group's total borrowings divided by shareholders' equity.
- (2) Denotes "not applicable" as the Company had recorded negative equity attributable to owners of the Company as at 31 March 2019.

We note that shareholders' equity would improve from a negative position of approximately S\$228.6 million to S\$36.6 million and S\$88.1 million as adjusted for Scenario 1 and Scenario 2 respectively. The net gearing of the Group would be approximately 7.39 times and 2.53 times as adjusted for Scenario 1 and Scenario 2 respectively.

Shareholders should note that the above analysis has been prepared solely for illustrative purposes only and does not purport to be indicative or a projection of the results and/or financial position of the Company and the Group after the completion of the Proposed Transactions.

6.10 Dilution Effect of the Proposed Transactions on the Independent Shareholders

The dilution effects to existing Shareholders upon the completion of the Proposed Rights Issue and the Proposed Issue of Conversion Shares are set out in Section 9 of the Circular.

For the purpose of our evaluation, we have considered the following:

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6.10.1 Scenario A – Assuming all Entitled Shareholders subscribe in full to their respective pro-rata entitlement of their Rights Shares only

Name	Shareholdings as at the Latest Practicable Date		Immediately after completion of the Proposed Rights Issue but before the Proposed Issue of Conversion Shares in full				Immediately after completion of the Proposed Rights Issue and the Proposed Issue of Conversion Shares in full			
	Direct	Deemed	Direct		Deemed		Direct		Deemed	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾
The Investor	–	–	–	–	–	–	–	–	–	–
Mr Sng ⁽⁴⁾	281,366,775	26.83	103,588,856	9.88	375,155,700	26.83	138,118,474	9.88	375,155,700	5.62
Ms Tong ⁽⁵⁾	103,588,856	9.88	281,366,775	26.83	138,118,474	9.88	375,155,700	26.83	138,118,474	2.07
Independent Shareholders ⁽⁶⁾⁽⁷⁾	663,436,286	63.29	–	–	884,581,715	63.29	–	–	884,581,715	13.24
Total	1,048,391,917	100.00	384,955,631	36.71	1,397,855,889	100.00	513,274,174	36.71	6,677,855,889	100.00
									513,274,174	7.69

Notes:

(1) Based on the Existing Issued Share Capital as at the Latest Practicable Date.

(2) Based on the Post-Rights Issued Share Capital.

(3) Based on the Post-Completion Share Capital.

(4) Mr Sng is deemed to have an interest in the Shares held by his spouse, Ms Tong by virtue of Section 4 of the SFA.

(5) Ms Tong is deemed to have an interest in the shares held by her spouse, Mr Sng by virtue of Section 4 of the SFA.

(6) Includes the Shares held by Mr Yap Hock Soon, Mr Raymond Koh Bock Swi and Mr Ng Leok Cheng, who are deemed to be independent in respect of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution, as defined in the Circular.

(7) It should be noted that Mr Yap Hock Soon is the brother-in-law of Mr Sng and the Shares held by Mr Yap Hock Soon includes the Shares held in name of Mr Yap Hock Soon's wife. Notwithstanding Mr Yap Hock Soon is deemed to be independent in respect of the Proposed RS Whitewash Resolution as he is not an associated person or an associate as defined under the SFA and the Mainboard Rules respectively, he has confirmed that he is not acting or accustomed to act in concert with the Major Shareholders as defined under the Code.

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6.10.2 Scenario B – Major Shareholders subscribe in full to their pro-rata entitlement of their Rights Shares and all unsubscribed Rights Shares (assuming the other Entitled Shareholders do not exercise their entitlement(s) at all to subscribe for the Rights Shares)

Name	Shareholdings as at the Latest Practicable Date				Immediately after completion of the Proposed Rights Issue but before the Proposed Issue of Conversion Shares in full				Immediately after completion of the Proposed Rights Issue and the Proposed Issue of Conversion Shares in full			
	Direct		Deemed		Direct		Deemed		Direct		Deemed	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽³⁾
The Investor	—	—	—	—	—	—	—	—	5,280,000,000	79.07	—	—
Mr Sng ⁽⁴⁾	281,366,775	26.83	103,588,856	9.88	536,792,448	38.39	197,627,155	14.14	536,792,448	8.04	197,627,155	2.96
Ms Tong ⁽⁵⁾	103,588,856	9.88	281,366,775	26.83	197,627,155	14.14	536,792,448	38.39	197,627,155	2.96	536,792,448	8.04
Independent Shareholders ⁽⁶⁾⁽⁷⁾	663,436,286	63.29	—	—	663,436,286	47.47	—	—	663,436,286	9.93	—	—
Total	1,048,391,917	100.00	384,955,631	36.71	1,397,855,889	100.00	734,419,603	52.53	6,677,855,889	100.00	734,419,603	11.00

Notes:

- (1) Based on the Existing Issued Share Capital as at the Latest Practicable Date.
- (2) Based on the Post-Rights Issued Share Capital.
- (3) Based on the Post-Completion Share Capital.
- (4) Mr Sng is deemed to have an interest in the Shares held by his spouse, Ms Tong by virtue of Section 4 of the SFA.
- (5) Ms Tong is deemed to have an interest in the shares held by her spouse, Mr Sng by virtue of Section 4 of the SFA.
- (6) Includes the Shares held by Mr Yap Hock Soon, Mr Raymond Koh Bock Swi and Mr Ng Leok Cheng, who are deemed to be independent in respect of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution, as defined in the Circular.
- (7) It should be noted that Mr Yap Hock Soon is the brother-in-law of Mr Sng and the Shares held by Mr Yap Hock Soon includes the Shares held in name of Mr Yap Hock Soon's wife. Notwithstanding Mr Yap Hock Soon is deemed to be independent in respect of the Proposed RS Whitewash Resolution as he is not an associated person or an associate as defined under the SFA and the Mainboard Rules respectively, he has confirmed that he is not acting or accustomed to act in concert with the Major Shareholders as defined under the Code.

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Based on the above, we note the following:

- (a) Assuming that only the Major Shareholders subscribe in full to their pro-rata entitlement of their Rights Shares and all unsubscribed Rights Shares (assuming the other Entitled Shareholders do not exercise their entitlement(s) at all to subscribe for the Rights Shares) (the “**Minimum Subscription Scenario**”):
 - (i) the Independent Shareholders will experience a significant dilution in their aggregate shareholding interest from approximately 63.29% to 47.47% after completion of the Proposed Rights Issue but before the Proposed Issue of Conversion Shares in full; and
 - (ii) the Independent Shareholders will experience a further significant dilution in their aggregate shareholding interest from approximately 47.47% to 9.93% after completion of the Proposed Rights Issue and the Proposed Issue of Conversion Shares in full;
- (b) assuming that all Entitled Shareholders subscribe in full to their respective pro-rata entitlement of their Rights Shares only (the “**Maximum Subscription Scenario**”):
 - (i) there would be no change to the aggregate shareholding interest of the Independent Shareholders which would remain at approximately 63.29% after completion of the Proposed Rights Issue but before the Proposed Issue of Conversion Shares in full; and
 - (ii) the Independent Shareholders will only experience a significant dilution in their aggregate shareholding interest from approximately 63.29% to 13.24% after completion of the Proposed Rights Issue and the Proposed Issue of Conversion Shares in full.

7 OTHER RELEVANT CONSIDERATIONS

7.1 Inter-conditionality of the Proposed Transactions, the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution

Shareholders should note that, among others, approval of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution are conditions precedent for the Proposed Transactions. In view of this, in the event that the Proposed CS Whitewash Resolution and/or the Proposed RS Whitewash Resolution are not passed by Independent Shareholders, the Proposed Transactions will not proceed.

Shareholders should also note that ordinary resolutions 1 to 5 relating to the (i) Proposed Convertible Loan and the Proposed Issue of Conversion Shares, (ii) Proposed CS Whitewash Resolution, (iii) Transfer of Controlling Interest, (iv) Proposed Rights Issue and (v) Proposed RS Whitewash Resolution are inter-conditional. Accordingly, in the event that any of these ordinary resolutions is not passed, the other ordinary resolutions will be deemed not to have been passed and the aforementioned transactions will not proceed.

7.2 Residual value of the Group in the event of winding-up or liquidation

In view of the negative NAV of the Group of S\$259.7 million based on the unaudited consolidated financial statements of the Group as at 31 December 2019, it appears unlikely that Shareholders would be able to realise any value from their Shares in the event of a winding-up or liquidation of the Company in the absence of a successful debt restructuring exercise.

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7.3 Implications of approval of the Proposed CS Whitewash Resolution and Proposed RS Whitewash Resolution

By voting in favour of the Proposed RS Whitewash Resolution, the Independent Shareholders will be waiving their rights to receive a General Offer respectively from the Major Shareholders at the highest price paid by the Major Shareholders and their Concert Parties for the Shares in the past six (6) months preceding the Announcement Date which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code.

By voting in favour of the Proposed CS Whitewash Resolution, the Independent Shareholders will be waiving their rights to receive a General Offer respectively from (a) the Investor at the highest price paid by the Investor and its Concert Parties for the Shares in the past six (6) months preceding the Announcement Date which it would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code.

The Independent Shareholders should note that, should they approve the Proposed Transactions, the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution, assuming the completion of the Proposed Rights Issue first and under the Minimum Subscription Scenario, the Major Shareholders would hold Shares carrying in aggregate up to a maximum of approximately 52.5% of the voting rights of the Company based on the Post-Rights Share Capital. The Company would then possibly be in a relatively less favourable position in the context of interest from potential parties seeking control of the Company, by virtue of a significant controlling stake held by the Major Shareholder and their Concert Parties after completion of the Proposed Rights Issue but before the Proposed Issue of Conversion Shares. Accordingly, it may be less likely for a third party to make a takeover offer for the Company without the support of the Major Shareholders and their Concert Parties.

Furthermore, assuming that the Investor subsequently exercises its option to convert the entire Proposed Convertible Loan to the Conversion Shares, the Investor would potentially hold Shares carrying over 50.0% of the voting rights of the Company based on the Post-Completion Share Capital. The Investor and its Concert Parties will thereafter be free to acquire further Shares without incurring any obligation under Rule 14.1 of the Code to make a general offer for the Company.

7.4 Absence of suitable alternative debt restructuring proposals and fund-raising options

As at the Latest Practicable Date, only the New Scheme has been approved by the Scheme Creditors and sanctioned by the Court, and the Company has not received any other viable alternative debt restructuring proposals for the Group. We note that the Company had in the past been granted several extensions of the existing moratorium over the Company (“**Moratorium**”) by the Court. Furthermore, as recently announced by the Company on 17 August 2020, the Company had applied to and was granted by the Court in relation a further extension of (a) the existing moratorium over the Company and (b) the long stop date for the implementation of the New Scheme until 13 November 2020. Accordingly, the New Scheme (from which the Proposed Transactions have arisen) represents the only viable proposal, as at the Latest Practicable Date, for the debt restructuring of the Group. In addition, the Company may or may not be able to secure an alternative debt restructuring proposal that will be approved by creditors and/or sanctioned by the Court if the New Scheme is not carried out.

Notwithstanding that the Proposed Rights Issue is a condition subsequent to the utilisation of the entire amount of the Proposed Convertible Loan, we further understand from the Directors that the Company has also decided to proceed with the Proposed Rights Issue after considering all other alternative fund-raising options available to the Company. In this regard, we note that the Directors have considered and explored alternative fund-raising options, which, for various reasons as summarised below, are regarded to be less optimal when compared to the Proposed Rights Issue.

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(a) Borrowings from banks and financial institutions

We note that the Company had been placed under the Existing Scheme for close to 10 years prior to the announcement of the New Scheme in July 2018. Accordingly we understand from the Directors that it has not been possible for the Company to obtain any bilateral loans from banks and financial institutions as companies placed under a scheme of arrangement pursuant to Section 210 of the Companies Act are commonly classified in Singapore as Non-Performing Loan (“NPL”) companies with no credit-ratings. While the Constitution of the Company does not contain any restriction on the amount or type of borrowings by the Company, the Company would be unable to or would face significant difficulty to raise funds via conventional financing and/or other debt instruments for the repayment of Assessed Amount and other liabilities to those Excluded Creditors in view of the aforementioned. As disclosed by the Company in the Announcement, we further note that the primary intended use of the net proceeds from the Proposed Rights Issue is for the Group to repay the liabilities to the Excluded Creditors, especially the repayment of Assessed Amount, which is the condition imposed by the Investor to the Group.

(b) Other fund-raising options

We understand from the Directors that the Company has decided to proceed with the Proposed Transactions after considering all other alternative fund-raising options available to the Company. The Directors are of the view that other fund-raising options such as raising funds from or issuing debt instruments to other strategic investors or partners (other than the Investor), or the members of public would be difficult in view of the Group’s current weak financial performance and position (in particular since trading of the Shares have been suspended since 4 August 2017), which would make it difficult to seek any meaningful amount of funds without the Company having to agree to terms which could potentially have detrimental impact and restrictions on the Group and its business.

7.5 Possibility of resumption of trading of the Shares after the completion of the Proposed Transaction and the New Scheme

We note that trading in the Shares on the SGX-ST has been halted and subsequently suspended since 4 August 2017.

On 6 August 2020, the SGX-ST advised that it has no objection to the Company lifting the trading suspension in its Shares, provided that the Company submits the following confirmations/documents to the SGX-ST and satisfies the conditions there:

- (a) a written confirmation by the Board of the Completion of the New Scheme;
- (b) the Group’s pro-forma financial statements (i.e. balance sheet, income statement and cash flow statement) which have been reviewed by the Company’s auditors, to demonstrate that the Group is able to operate as a going concern; and
- (c) a written confirmation by the Board that the Group will be able to meet its obligations to its creditors and can operate as a going concern for the 12 months commencing from the completion of the New Scheme, after taking into account the net proceeds from the Rights Issue.

The Directors are also of the view that the Proposed Transactions will provide the Company and its Creditors with finality and certainty with respect to the resolution of the Company’s obligations owed to the Existing Scheme Creditors and Non-Existing Scheme Creditors.

Accordingly as at the Latest Practicable Date, the New Scheme (from which the Proposed Transactions have arisen) represents the only viable proposal, which is acceptable to all relevant stakeholders of the Company, towards a resumption of trading of the Shares.

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7.6 Listing status of the Company

As set out in paragraph 6.10 of this Letter, we note that under the Minimum Subscription Scenario, the percentage of the total number of Shares (excluding treasury Shares) held in public hands (the **“Free Float Percentage”**) may fall below 10% following the completion of the Proposed Transactions. Pursuant to Rule 723 of the Mainboard Rules, the Company must ensure that at least 10% of the total number of Shares excluding treasury Shares (excluding preference Shares and convertible equity securities) is at all times held by the public (the **“Free Float Requirement”**).

Under Rule 724(1) of the Mainboard Rules, if the percentage of the total number of Shares (excluding any Shares held in treasury) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares. Notwithstanding that the Shares have already been suspended, Rule 724(2) of the Mainboard Rules states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares (excluding any Shares held in treasury) held in public hands to at least 10%, failing which the Company may be removed from the Official List. Accordingly we note that following the completion of the Proposed Transactions and assuming the Minimum Subscription Scenario takes place, the Company may need to, as part of the resumption proposal to be submitted to the SGX-ST to resume trading of the Shares, also undertake steps to satisfy the Free Float Requirement in order to preserve its listing status in accordance with the Mainboard Rules.

7.7 No assurance of improvement to the Group’s financial position and performance or enhancement of shareholders’ value

Shareholders should note that there is no assurance that the discharge of the Company’s obligations under the New Scheme, the settlement of liabilities owed to the Existing Scheme Creditors and Non-Existing Scheme Creditors, the injection of new funds from any excess amounts of the proceeds from the Proposed Transactions, and/or the steps taken or to be taken by the Company subsequent to the Proposed Transactions and the New Scheme to improve its financial position and performance will be successful or would result in an enhancement of Shareholders’ value.

Shareholders should further note that, upon the completion of the New Scheme, the Company will continue its current consumer electronics business, furniture business and supply chain management business. As at the Latest Practicable Date, the Investor has no plan to inject any of its business into the Group and has no plan to be involved in the day-to-day operation of the Group.

As mentioned in paragraph 6.3 of this Letter, Shareholders should also note that the Company had announced that it has met the Financial Entry Criteria under Rule 1311(1) of the Mainboard Rules. In the event that there is no subsequent improvement to the Group’s financial position and performance, and assuming the Shares resume trading on the SGX-ST, there is no assurance that the SGX-ST will not place the Company on the Watch-List once the Market Cap Criteria is triggered.

7.8 Support from Major Shareholders in respect of the Proposed Rights Issue

To demonstrate their commitment to the Company and their support of the Proposed Rights Issue, the Major Shareholders have provided the Irrevocable Undertaking to the Company to, amongst others, fully subscribe for their entitlement of such number of the Rights Shares, and any unsubscribed Rights Shares (of other Shareholders who do not exercise their entitlement(s) to subscribe for the Rights Shares).

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7.9 Abstention from voting in respect of the Proposed RS Whitewash Resolution

We note that, as set out in Section 12 of the Circular, the Major Shareholders and their Concert Parties, as well as parties not independent of them, will abstain from voting at the EGM on the Proposed RS Whitewash Resolution, which is ordinary resolution 5 as set out in the Notice of EGM, and will decline to accept appointment as proxies for any Shareholder to vote in respect of the Proposed RS Whitewash Resolution unless specific instruction has been given by the Shareholder concerned in his/her proxy form as to the manner in which votes are to be cast in respect of the Proposed RS Whitewash Resolution.

8. OPINION

8.1 Opinion on the Proposed CS Whitewash Resolution

In arriving at our opinion in respect of the Proposed CS Whitewash Resolution, we have taken into consideration, *inter alia*, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter:

- (a) the rationale for the Proposed Convertible Loan and the use of the net proceeds from the Proposed Convertible Loan to, among others, (i) release and discharge all liabilities pursuant to the implementation of the New Scheme, (ii) settle any fees and/or expenses incurred by the Company in relation to or in connection with the Restructuring (as defined in the New Scheme), and (iii) for working capital purposes and/or any other requirements of the Group in respect of any excess net proceeds;
- (b) the historical financial performance of the Group, in particular (i) the Group having recorded net losses consistently during the Period Review, (ii) the Company having announced the Notice of 3-Year Losses in view of the net losses recorded for FY2017, FY2018 and FY2019 in accordance with the Financial Entry Criteria, (iii) and the historical interest expense incurred by the Group during the Period Under Review, of which a substantial portion is attributed to debt and liabilities which are due to the Creditors;
- (c) the financial position of the Group, in particular the Group having recorded a negative working capital position and negative NAV of S\$259.7 million as at 31 December 2019;
- (d) the independent auditors' disclaimer of opinion in respect of the latest audited financial statements for FY2019;
- (e) it would not be meaningful to benchmark the Conversion Price, the Effective Conversion Price and/or the Issue Price against the historical market prices of the Shares in view of (i) the Trading Suspension which has been effect since 4 August 2017; and (ii) continued weak performance of the Group's operations as well as the further deterioration in the Group's negative shareholders' equity since the Trading Suspension;
- (f) our assessment of the Conversion Price and the Effective Conversion Price as follows:
 - (i) the Conversion Price and the Effective Conversion Price each represent a premium of approximately S\$0.258 and S\$0.267, as well as S\$0.257 and S\$0.266 to the NAV and NTA per Share respectively as at 31 December 2019;
 - (ii) notwithstanding that the Effective Conversion Price is at a slight discount of S\$0.001 or 10.0% to the Issue Price, we have considered that the Proposed Issue of Conversion Shares pursuant to the Proposed Convertible Loan is critical for the implementation of the New Scheme for the reasons set out in paragraph 6.7.2 of this Letter;

APPENDIX B – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE PROPOSED CS WHITEWASH RESOLUTION AND THE PROPOSED RS WHITEWASH RESOLUTION

- (iii) in comparison with the Comparable Companies:
 - A. the Company had recorded a net loss attributable to owners of the Company and negative EBITDA for LTM, hence the P/E ratio and the EV/EBITDA ratio of the Company (as implied by the Conversion Price) would not be applicable;
 - B. the Company had recorded negative equity attributable to owners of the Company as at 31 December 2019, hence the P/NAV ratio of the Company (as implied by the Conversion Price) would not be applicable;
- (iv) in comparison with the Comparable CL Transactions:
 - A. the Loan Interest of 10.0% is within the range of the corresponding coupon / interest rates of the Comparable CL Transactions but higher than the mean and median coupon / interest rates of 7.8% and 8.0% respectively;
 - B. the discounts of the Conversion Price and Effective Conversion Price to the Last Traded Price of approximately 28.6% and 35.7% respectively are within the range of the corresponding premiums/discounts of the Comparable CL Transactions but higher than the mean and median discounts of approximately 1.7% and 2.0% respectively;
 - C. the Company had recorded a net tangible liabilities position as at 31 December 2019, hence the P/NTA ratio (as implied by the Conversion Price and the Effective Conversion Price) would not be applicable;
- (g) the financial effects of the Proposed Transactions;
- (h) the dilution effect of the Proposed Transactions on the Independent Shareholders, with the potential dilution in shareholdings of the Independent Shareholders under (A) the Minimum Subscription Scenario at approximately 47.47% after completion of the Proposed Rights Issue but before the Proposed Issue of Conversion Shares in full, and a further significant dilution to 9.93% after completion of the Proposed Rights Issue and the Proposed Issue of Conversion Shares in full; and (B) the Maximum Subscription Scenario with there being no change to the aggregate shareholding interest of the Independent Shareholders which would remain at approximately 63.29% after completion of the Proposed Rights Issue but before the Proposed Issue of Conversion Shares in full, and only a further significant dilution to 13.24% after completion of the Proposed Rights Issue and the Proposed Issue of Conversion Shares in full; and
- (i) other relevant considerations as set out in paragraph 7 of this Letter, namely (i) the inter-conditional of the Proposed Transactions, the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution; (ii) the residual value of the Group in the event of winding-up or liquidation; (iii) the implications of approval of the Proposed CS Whitewash Resolution; (iv) absence of suitable alternative debt restructuring proposals and fund-raising options; (v) the possibility of resumption of trading of the Shares after the completion of the Proposed Transactions and the New Scheme; (vi) possible impact on the listing status of the Company as a result of the drop in the Free Float Percentage following the completion of the Proposed Transactions; and (vii) no assurance of improvement to the Group's financial position and performance or enhancement of shareholders' value.

APPENDIX B – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE PROPOSED CS WHITEWASH RESOLUTION AND THE PROPOSED RS WHITEWASH RESOLUTION

Having regard to the considerations set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that the Proposed Convertible Loan and the Proposed Issue of Conversion Shares, which collectively are the subject of the Proposed CS Whitewash Resolution, are fair and reasonable.

Accordingly, we would advise the Recommending Directors to recommend that the Independent Shareholders vote in favour of the Proposed CS Whitewash Resolution at the EGM.

8.2 Opinion on the Proposed RS Whitewash Resolution

In arriving at our opinion in respect of the Proposed RS Whitewash Resolution, we have taken into consideration, *inter alia*, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter:

- (a) the rationale for the Proposed Rights Issue and the use of the net proceeds from the Proposed Rights Issue to, among others, (i) pay for the cost and expenses arising or in connection with the Proposed Rights Issue, (ii) settle the liabilities owed to Excluded Creditors, and (iii) for working capital purposes and/or any other requirements of the Group in the aforementioned order of priority;
- (b) the historical financial performance of the Group as summarised in paragraph 8.1(b) of this Letter;
- (c) the financial position of the Group, in particular the Group having recorded a negative working capital position and negative NAV of S\$259.7 million as at 31 December 2019;
- (d) the independent auditors' disclaimer of opinion in respect of the latest audited financial statements for FY2019;
- (e) it would not be meaningful to benchmark the Conversion Price, the Effective Conversion Price and/or the Issue Price against the historical market prices of the Shares in view of (i) the Trading Suspension which has been effect since 4 August 2017; and (ii) continued weak performance of the Group's operations as well as the further deterioration in the Group's negative shareholders' equity since the Trading Suspension;
- (f) our assessment of the Issue Price as follows:
 - (i) the Issue Price represents a premium of approximately S\$0.258 and S\$0.267 to the NAV and NTA per Share respectively as at 31 December 2019;
 - (ii) the Issue Price represents a discount of approximately 23.08% to the Theoretical Ex-Price;
 - (iii) in comparison with the Comparable Transactions:
 - A. the discount of approximately 28.57% as implied by the Issue Price to the Last Traded Price of S\$0.014 prior to the release of the Announcement is within the range of the corresponding discounts of the Comparable Transactions, higher than the mean discount of 28.14% but lower than the median discount of 29.03%; and

APPENDIX B – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE PROPOSED CS WHITEWASH RESOLUTION AND THE PROPOSED RS WHITEWASH RESOLUTION

- B. the discount of approximately 23.08% as implied by the Issue Price to the Theoretical Ex-Price is within the range of the corresponding discounts of the Comparable Transactions, higher than the mean discount of 20.29% and lower than the median discount of 25.45%.

It should be noted that the last transacted price of the Shares referenced for the purpose of computing the discounts as implied by the Issue Price and the Theoretical Ex-Price was on 28 July 2017. The Shares have not been traded since the commencement of the Trading Suspension and there is no assurance that, assuming a resumption of trading of the Shares, the market prices of the Shares may be maintained at the price levels prior to the Trading Suspension;

- (g) the financial effects of the Proposed Transactions;
- (h) the dilution effect of the Proposed Transactions on the Independent Shareholders as summarised in paragraph 8.1(h) of this Letter; and
- (i) other relevant considerations as set out in paragraph 7 of this Letter, namely (i) the inter-conditionality of the Proposed Transactions, the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution; (ii) the residual value of the Group in the event of winding-up or liquidation; (iii) the implications of approval of the Proposed RS Whitewash Resolution; (iv) the absence of suitable alternative debt restructuring proposals and fund-raising options; (v) the possibility of resumption of trading of the Shares after the completion of the Proposed Transactions and the New Scheme; (vi) possible impact on the listing status of the Company as a result of the drop in the Free Float Percentage following the completion of the Proposed Transactions; (vii) no assurance of improvement to the Group's financial position and performance or enhancement of shareholders' value; (viii) the support from Major Shareholders in respect of the Proposed Rights Issue; and (ix) abstention from voting on the Proposed RS Whitewash Resolution by the Major Shareholders and their Concert Parties as well as parties not independent of them.

Having regard to the considerations set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that the Proposed Rights Issue, which is the subject of the Proposed RS Whitewash Resolution, is fair and reasonable.

Accordingly, we would advise the Recommending Directors to recommend that the Independent Shareholders vote in favour of the Proposed RS Whitewash Resolution at the EGM.

The Recommending Directors should also note that transactions in the Shares are subject to possible market fluctuations and accordingly, our opinion on the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This Letter is addressed to the Recommending Directors for their benefit, in connection with and for the purpose of their consideration of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution only. The recommendation made by the Recommending Directors to the Independent Shareholders in relation to the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution shall remain the sole responsibility of the Recommending Directors.

APPENDIX B – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE PROPOSED CS WHITEWASH RESOLUTION AND THE PROPOSED RS WHITEWASH RESOLUTION

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors 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 NCF in each specific case except for the EGM and the purpose of the Proposed CS Whitewash Resolution and the Proposed RS Whitewash Resolution. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly,

For and on behalf of
Novus Corporate Finance Pte. Ltd.

Andrew Leo
Chief Executive Officer

Melvin Teo
Associate Director

NOTICE OF EXTRAORDINARY GENERAL MEETING

TT INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198403771D)

Unless otherwise defined, all capitalised terms herein shall bear the same meaning as used in the circular dated 20 October 2020 issued by the Company to its shareholders (“Circular”).

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“EGM”) of TT International Limited (“Company”) will be held on 4 November 2020 at 1.00 p.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

ORDINARY RESOLUTION 1: THE PROPOSED CONVERTIBLE LOAN AND THE PROPOSED ISSUE OF UP TO 5,280,000,000 CONVERSION SHARES

That subject to and contingent upon the passing of Ordinary Resolution 2, Ordinary Resolution 3, Ordinary Resolution 4 and Ordinary Resolution 5:

- (a) the Proposed Convertible Loan having a principal value of S\$48,000,000 from the Investor to the Company and the proposed allotment and issue of up to 5,280,000,000 ordinary shares (“**Proposed Issue of Conversion Shares**”) (subject to any Anti-dilution Adjustments) pursuant to the conversion of the Proposed Convertible Loan and interest payable be and is hereby approved;
- (b) the Directors or any of them be and are hereby authorised to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they or he may consider necessary, desirable or expedient for the purposes of or in connection with and to give full effect to this resolution; and
- (c) any acts, matters and things done or performed, and/or documents (including but not limited to the Convertible Loan Agreement) signed, executed, sealed and/or delivered by the Directors or any of them in connection with the Proposed Issue of Conversion Shares as payment of the Proposed Convertible Loan pursuant to the Convertible Loan Agreement and this resolution be and are hereby approved, confirmed and ratified.

ORDINARY RESOLUTION 2: THE PROPOSED WHITEWASH WAIVER TO RECEIVE MANDATORY OFFER FROM THE INVESTOR AS A RESULT OF THE PROPOSED ISSUE OF CONVERSION SHARES

That subject to and contingent upon the passing of Ordinary Resolution 1, Ordinary Resolution 3, Ordinary Resolution 4 and Ordinary Resolution 5, approval be and is hereby given as follows:

That subject to the satisfaction of all the conditions set out in the Securities Industry Council’s letter dated 2 October 2020, the shareholders of the Company (“**Shareholders**”) do hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a mandatory general offer under Rule 14 of the Singapore Code on Take-overs and Mergers (“**Takeover Code**”) from the Investor, in respect of all or any part of the Shares held by such Shareholders, in the event that the acquisition of Shares by the Investor pursuant to the Proposed Issue of Conversion Shares results in it incurring an obligation to make a mandatory general offer pursuant to Rule 14 of the Takeover Code.

ORDINARY RESOLUTION 3: THE POTENTIAL TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO THE INVESTOR ARISING FROM THE PROPOSED ISSUE OF CONVERSION SHARES

That subject to and contingent upon the passing of Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 4 and Ordinary Resolution 5, approval be and is hereby given as follows:

- (a) for the potential transfer of Controlling Interest to the Investor; and
- (b) the Directors or any of them be and are hereby authorised to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they or he may consider necessary, desirable or expedient for the purposes of or in connection with and to give full effect to this resolution.

NOTICE OF EXTRAORDINARY GENERAL MEETING

ORDINARY RESOLUTION 4: THE PROPOSED RIGHTS ISSUE

That subject to and contingent upon the passing of Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 3 and Ordinary Resolution 5:

The renounceable non-underwritten rights issue of up to 349,463,972 new ordinary shares in the capital of the Company ("**Rights Shares**") at an issue price of S\$0.01 per Rights Share ("**Rights Issue Price**"), on the basis of one (1) Rights Share for every three (3) existing ordinary shares in the capital of the Company (each, a "**Share**") held by Shareholders as at a time and date as the Directors may, in their absolute discretion, determine ("**Record Date**"), fractional entitlements to be disregarded, be and is hereby approved and authority be and is hereby given to the Directors or any of them to:

- (a) create and issue up to 349,463,972 Rights Shares at the Rights Issue Price for each Rights Share; and
- (b) provisionally allot and issue up to 349,463,972 Rights Shares at the Rights Share Issue Price for each Rights Share on the basis of (1) Rights Share for every three (3) Shares held by Shareholders as at the Record Date, on the terms and conditions set out below and/or otherwise on such terms and conditions (including the basis of provisional allotments of the Rights Shares) as the Directors may in their absolute discretion think fit:
 - (i) the provisional allotments of the Rights Shares under the Proposed Rights Issue shall be made on a renounceable basis to Shareholders whose name appear in the Register of Members of the Company or the records of The Central Depository (Pte) Limited ("**CDP**") as at the Record Date ("**Entitled Shareholders**") with registered addresses in Singapore or who have, at least three (3) Market Days prior to the Record Date, provided to the CDP or the share registrar of the Company ("**Share Registrar**"), as the case may be, addresses in Singapore for the service of notices and documents. The provisional allotments of the Rights Shares are not intended to be offered and sold to persons located, resident or with a registered address in the United States or any jurisdiction in which the Proposed Rights Issue may not be lawfully made;
 - (ii) no provisional allotment of the Rights Shares shall be made in favour of Shareholders with registered addresses outside Singapore as at the Record Date, and who have not, at least three (3) Market Days prior to the Record Date, provided to the CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices or documents ("**Foreign Shareholders**");
 - (iii) the provisional allotment of the Rights Shares which would otherwise accrue to Foreign Shareholders shall be disposed of by the Company in such manner and on such terms and conditions as the Directors shall deem fit for the purpose of renouncing the provisional allotments relating thereto to purchasers thereof and to pool and thereafter distribute the net proceeds, if any, thereof (after deducting all expenses) proportionally among such Foreign Shareholders in accordance with their respective shareholdings as at the Record Date provided that if the amount to be distributed to any single or joint Foreign Shareholder is less than S\$10.00, such amount shall instead be retained or dealt with for the sole benefit of the Company;
 - (iv) the provisional allotment of the Rights Shares not taken up or allotted for any reason shall be used to satisfy applications for Excess Rights Shares (if any) or allotted or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company; and
 - (v) the Rights Shares when issued and fully paid up will rank *pari passu* in all respects with the then existing Shares save for any dividends, rights, allotments or other distribution that may be declared or paid the record date for which falls before the date of issue of the Rights Shares;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the Directors or any of them be and are hereby authorised to fix the Record Date in their absolute discretion; and
- (d) the Directors or any of them be and are hereby authorised to take such steps, complete and do all such acts, matters and things as he may consider necessary or expedient for the purposes of or in connection with the Proposed Rights Issue (including but not limited to amending, finalising, approving and executing all such documents as may be required in connection with the Proposed Rights Issue), make such amendments to the terms of the Proposed Rights Issue and exercise such discretion as the Directors or any of them may in their absolute discretion deem fit, advisable or necessary in connection with all or any of the above matters.

ORDINARY RESOLUTION 5: THE PROPOSED WHITEWASH WAIVER TO RECEIVE MANDATORY OFFER FROM THE MAJOR SHAREHOLDERS AS A RESULT OF THE PROPOSED ISSUE OF RIGHTS SHARES

That subject to and contingent upon the passing of Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 3 and Ordinary Resolution 4, approval be and is hereby given as follows:

That subject to the satisfaction of all the conditions set out in the Securities Industry Council's letter dated 2 October 2020, the Shareholders do hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a mandatory general offer under Rule 14 of the Takeover Code from the Major Shareholders, in respect of all or any part of the Shares held by such Shareholders, in the event that the acquisition of Shares by the Major Shareholders pursuant to the proposed allotment and issue of Rights Shares results in them incurring an obligation to make a mandatory general offer pursuant to Rule 14 of the Takeover Code.

BY ORDER OF THE BOARD TT INTERNATIONAL LIMITED

Tong Jia Pi Julia
Executive Director

20 October 2020

Notes:

- (i) The EGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of EGM will not be sent to members. Instead, this Notice of EGM will be sent to members by electronic means via publication on the Company's website at the URL www.tt-intl.com. This Notice will also be made available on the SGX website at the URL <https://www.sgx.com/securities/companyannouncements>.
- (ii) Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the EGM in advance of the EGM, addressing of substantial and relevant questions at the EGM and voting by appointing the Chairman of the EGM as proxy at the EGM, are set out in the accompanying Company's announcement dated 20 October 2020. This announcement may be accessed at the Company's website at the URL www.tt-intl.com, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
- (iii) **Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM.**

Where a member (whether individual or corporate) appoints the Chairman of the EGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the EGM as proxy for that resolution will be treated as invalid.

CPF or SRS investors who wish to appoint the Chairman of the EGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00p.m on 26 October 2020.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (iv) The Chairman of the EGM, as proxy, need not be a member of the Company.
- (v) The instrument appointing the Chairman of the EGM as proxy must be submitted to the Company in the following manner:
 - (a) if submitted by post, be deposited at the Share Registration Office of the Company at M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902; or
 - (b) if submitted electronically, be submitted via email to the Share Registration Office of the Company at gpb@mncsingapore.com,

in either case not less than 48 hours before the time appointed for holding the EGM.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

- (vi) The instrument or form appointing a proxy or proxies in the case of an individual shall be signed by the appointor or his/her attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- (vii) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited 72 hours before the time appointed for the EGM in order for the Depositor to be entitled to attend the EGM and to appoint the Chairman of the EGM to vote on its/his/her behalf at the EGM.
- (viii) The Circular to Shareholders dated 20 October 2020 will be sent to members by electronic means via publication on the Company's website at the URL www.tt-intl.com, and it will also be made available on the SGX website at the URL <https://www.sgx.com/securities/companyannouncements>.

PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the EGM as a proxy to attend, speak and vote at the EGM and/ or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the EGM as a proxy for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

TT INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Reg. No. 198403771D)

PROXY FORM EXTRAORDINARY GENERAL MEETING ("EGM")

IMPORTANT:

Alternative Arrangements for EGM

1. The EGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of EGM will not be sent to members. Instead, the Notice of EGM will be sent to members by electronic means via publication on the Company's website at the URL www.tt-intl.com. The Notice of EGM will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the EGM in advance of the EGM, addressing of substantial and relevant questions at the EGM and voting by appointing the Chairman of the EGM as proxy at the EGM, are set out in the accompanying Company's announcement dated 20 October 2020. This announcement may be accessed at the Company's website at the URL www.tt-intl.com, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
3. **Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM.**
4. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the EGM as a member's proxy to attend, speak and vote on his/her/its behalf at the EGM.

CPF/SRS Investors

5. CPF/SRS investors who wish to appoint the Chairman of the EGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 26 October 2020.

Personal Data

6. By submitting an instrument appointing the Chairman of the EGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 20 October 2020.

I/We _____ (name) _____ (NRIC/Passport/Unique Entity Number)
of _____ (Address)

being a member/members of TT INTERNATIONAL LIMITED (the "**Company**"), hereby appoint:

the Chairman of the EGM as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the EGM of the Company to be held by way of electronic means on 4 November 2020 at 1.00 p.m. (Singapore time) and at any adjournment thereof.

I/We have indicated with an "✓" in the appropriate box against each item below how I/we wish the Chairman of the EGM as my/our proxy to vote, or to abstain from voting.

Ordinary Resolutions	For	Against	Abstain
Ordinary Resolution 1 To approve the Proposed Convertible Loan and the Proposed Issue of Conversion Shares			
Ordinary Resolution 2 To approve the proposed whitewash waiver to receive mandatory offer from the Investor as a result of the Proposed Issue of Conversion Shares			
Ordinary Resolution 3 To approve the Potential Transfer of Controlling Interest in the Company to the Investor arising from the Proposed Issue of Conversion Shares			
Ordinary Resolution 4 To approve the Proposed Rights Issue			
Ordinary Resolution 5 To approve the proposed whitewash waiver to receive mandatory offer from the Major Shareholders as a result of the proposed issue of Rights Shares			

Note: Voting will be conducted by poll. If you wish the Chairman of the EGM as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with an "✓" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution.

If you wish the Chairman of the EGM as your proxy to abstain from voting on a resolution, please indicate with an "✓" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of ordinary shares that the Chairman of the EGM as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution.

In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the EGM as your proxy for that resolution will be treated as invalid.

Dated this _____ day of _____ 2020

Total number of Shares held:	
(a) CDP Register	
(b) Register of Members	

*Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by the member.
2. **Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the EGM as his/ her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM.** This proxy form may be accessed at the Company's website at the URL www.tt-intl.com, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. Where a member (whether individual or corporate) appoints the Chairman of the EGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the EGM as proxy for that resolution will be treated as invalid.

CPF/SRS investors who wish to appoint the Chairman of the EGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 26 October 2020.

3. The Chairman of the EGM, as a proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the EGM as proxy must be submitted to the Company in the following manner:
 - (a) if submitted by post, be deposited at the Share Registration Office of the Company at M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902; or
 - (b) if submitted electronically, be submitted via email to the Share Registration Office of the Company at gpb@mncsingapore.com,

in either case not less than 48 hours before the time appointed for holding the EGM.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. The instrument appointing the Chairman of the EGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the EGM as proxy 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.
6. Where an instrument appointing the Chairman of the EGM as proxy is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the EGM as proxy 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 the Chairman of the EGM as proxy (including any related attachment). 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 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.