

HOE LEONG CORPORATION LTD.
(the “Company”)
(Company registration number 199408433W)
(Incorporated in the Republic of Singapore)

- (1) **ENTRY INTO DEFINITIVE AGREEMENTS FOR:**
- (A) **THE S\$1 MILLION BRIDGING LOAN EXTENDED BY SHING HENG HOLDING PTE. LTD. (THE “INVESTOR”);**
 - (B) **THE PROPOSED ISSUE OF A S\$3 MILLION CONVERTIBLE LOAN NOTE TO THE INVESTOR; AND**
 - (C) **THE PROPOSED GRANT OF S\$9 MILLION IN OPTIONS TO THE INVESTOR;**
- (2) **THE PROPOSED ISSUE OF UP TO 586,211,427 SETTLEMENT SHARES TO RHB BANK BERHAD AND SING INVESTMENTS & FINANCE LIMITED;**
- (3) **THE PROPOSED ISSUE OF CONVERTIBLE BONDS CONSTITUTING S\$833,574 IN PRINCIPAL AMOUNT TO UNITED OVERSEAS BANK LTD; AND**
- (4) **THE PROPOSED ISSUE OF 65,391,302 REMUNERATION SHARES TO MR LIEW YOKE PHENG JOSEPH**
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1. INTRODUCTION

- 1.1. The board of directors (the “**Board**”) of Hoe Leong Corporation Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”, and each a “**Group Company**”) refers to the update announcement dated 4 September 2020 and the announcements dated 14 September 2020, 26 October 2020 and 1 December 2020 in relation to the entry into a binding term sheet with Shing Heng Holding Pte. Ltd. (the “**Previous Announcements**”). Unless otherwise defined, capitalised terms used herein shall have the meanings as ascribed in the Previous Announcements.
- 1.2. The Board is pleased to announce that on 21 December 2020, the Company has entered into the following Definitive Agreements:
- (a) in relation to the Loan, a loan agreement for a S\$1 million bridging loan extended by the Investor to the Company (the “**Loan Agreement**”);
 - (b) in relation to the Proposed Issue of Convertible Loan, a convertible loan note agreement (the “**Convertible Loan Note Agreement**”) for the issue by the Company to the Investor of a secured, unlisted and non-transferable S\$3 million convertible loan note (the “**Convertible Loan Note**”), convertible in whole (and not in part) into new Shares (the “**Conversion Shares**”) at the conversion price of S\$0.00146 for each Conversion Share, on the terms and conditions of the Convertible Loan Note Agreement (the “**Proposed Issue of Convertible Loan Note**”, together with the Proposed Grant of Options, the “**Proposed Investor Transactions**”); and
 - (c) in relation to the Proposed Grant of Options, an options agreement (the “**Options Agreement**”) for the grant by the Company to the Investor of 6,164,383,561 unlisted, non-transferrable Options for an aggregate consideration of S\$1.00, with each Option carrying the right to subscribe for one (1) new Share (an “**Option Share**”) at the exercise price of S\$0.00146 for each Option Share, on the terms and conditions of the Options Agreement.

- 1.3. In relation to the Debt-to-Equity Conversion, the Board wishes to announce that the Company has agreed on debt settlement arrangements with the lenders of the Group in respect of its vessel loans, namely, RHB Bank Berhad (“**RHB**”), Sing Investments & Finance Limited (“**SIF**”) and United Overseas Bank Ltd (“**UOB**”, and together with the RHB and SIF, the “**Vessel Lenders**”), pursuant to which the Company has on 21 December 2020 entered into the following agreements:
- (a) a debt settlement and subscription agreement with each of RHB and SIF (the “**RHB Agreement**” and “**SIF Agreement**”, respectively) for (a) partial cash payment; and (b) the allotment and issue of up to 241,985,142 and 344,226,285 new Shares (the “**Settlement Shares**”) to RHB and SIF, respectively, at the issue price of S\$0.00175 for each Settlement Share, in full and final settlement of the remaining amounts outstanding under the vessel loans extended by RHB to Arkstar Offshore Pte Ltd (the “**RHB Loan**”) and SIF to Arkstar Eagle 3 Pte Ltd (the “**SIF Loan**”), on the terms and conditions of the RHB Agreement and the SIF Agreement (the “**Proposed Issue of Settlement Shares**”); and
 - (b) a debt settlement and subscription agreement with UOB (the “**UOB Agreement**”) for (a) partial cash payment; and (b) the issue of zero interest convertible bonds constituting S\$833,574 in principal amount (the “**UOB Convertible Bonds**”) to UOB, convertible into 476,328,000 new Shares (the “**UOB Conversion Shares**”) at the conversion price of S\$0.00175 for each UOB Conversion Share, in full and final settlement of the remaining amount outstanding under the vessel loan extended by UOB to Arkstar Voyager Pte Ltd (the “**UOB Loan**”, and together with the RHB Loan and the SIF Loan, the “**Vessel Loans**”), on the terms and conditions of the UOB Agreement (the “**Proposed Issue of UOB Convertible Bonds**”, and together with the Proposed Issue of Settlement Shares, the “**Debt Conversion**”).
- 1.4. The Company proposes to further undertake the allotment and issue of 65,391,302 new Shares (the “**Remuneration Shares**”) at an issue price of S\$0.00175 for each Remuneration Share to Mr Liew Yoke Pheng Joseph (“**Mr. Liew**”) in part satisfaction of Mr Liew’s remuneration for the period up to 31 December 2020 (the “**Proposed Issue of Remuneration Shares**”, together with the Proposed Investor Transactions and Debt Conversion, the “**Proposed Transactions**”).
- 1.5. Please refer to paragraphs 6 and 7 below for further details on the Debt Conversion and the Proposed Issue of Remuneration Shares, respectively.

2. INFORMATION ON THE INVESTOR

As at the date of this announcement, the Investor is an investment holding company owned by Mr Lew Chee Beng (“**Mr Lew**”), Mdm Lew Puay Ling (daughter) and Mr Yeo Puay Hin (son-in-law). A well-regarded Singapore-based philanthropist, businessman and investor of commercial properties, Mr Lew is the founder and owner of Shing Heng Pawnshop Pte Ltd chain of pawnbroking in Singapore and Soon Huat Goldsmith Pte Ltd, which was founded in 1986. Mr Lew is also the founder of the Lew Foundation, a Singapore-based foundation which supports local institutions, non-profit organisations and charities in providing for elderly and youth in need. He also invests in commercial properties in Singapore. Since 1983, Mr Lew has held, and continues to hold several key leadership positions in various local clan and community associations. In August 2020, Mr Lew was conferred the Public Service Medal (Pingat Bakti Masyarakat) (Silver) in August 2020 for his commendable public service and contributions in Singapore.

As at the date of this announcement, each of the Investor and its shareholders (a) does not hold any Shares; and (b) is not related to any of the directors of the Company (the “**Directors**”), substantial shareholders of the Company, or their respective associates. There is also no connection (including business relationship) between the Investor and its shareholders and the Directors or substantial shareholders of the Company, save that Mr Lew and Mr Liew are directors of the Lew Foundation.

3. RATIONALE FOR THE PROPOSED INVESTOR TRANSACTIONS

3.1. Background to the Proposed Investor Transactions

Since the Shares have been suspended from trading on 2 September 2019 pursuant to Rule 1303(3) of the Listing Manual of the SGX-ST (the “**Listing Manual**”), the Company has been actively taking steps to streamline its cost structure with a view to improving profitability for its equipment segment and have also engaged an adviser to assist the Group in its strategic review of the Group’s existing business and in the formulation of plans to improve the financial position and/or performance of the Group. The Company has also assessed various options and investment proposals, resulting in the decision to proceed with the Proposed Investor Transactions.

3.2. Rationale of the Proposed Investor Transactions

The Company is of the view that the investment by the Investor through the Proposed Investor Transactions is beneficial to the Company and the Group as the Proposed Investor Transactions, if completed, will allow for certainty of funding resulting in the Company being able to strengthen its financial position, which is vital for the continuity of the Company as it will allow the Group to access funds to improve its cashflows, reduce its outstanding debt obligations and continue as a going concern.

Specifically, (a) the entry into the Loan Agreement will allow for the Group to have access to interim funding required for its working capital, pending the completion of the Proposed Investor Transactions; (b) the Convertible Loan Note when issued to the Investor upon completion of the Proposed Investor Transactions will provide the Group with the necessary funds to restructure its existing equipment business and fund its operations; and (c) the Options will allow the Group to have access to additional funds as and when the Investor exercises its Options in accordance with the terms of the Options Agreement.

The Directors are of the opinion that, as of the date of this announcement, after taking into consideration the Proposed Investor Transactions and the proceeds therefrom, the Debt Conversion and its present banking facilities, the working capital available to the Group is sufficient to meet its present requirements and that the Company will be able to operate on a going concern and therefore, have a viable proposal for the resumption of trading of its Shares.

4. THE PROPOSED ISSUE OF CONVERTIBLE LOAN NOTE

4.1. Principal terms of the Convertible Loan Note

The principal terms and conditions of the Convertible Loan Note are summarised as follows:

Principal amount:	S\$3,000,000 (the “ Principal Amount ”).
Maturity date:	Three (3) years from the Completion Date (as defined below) (or such other date as agreed between the Company and the Investor) (the “ Maturity Date ”).
Interest rate:	2.0% per annum on the Principal Amount for the period commencing from the second (2 nd) anniversary of the Completion Date (as defined below) until the earlier of the date falling on which (a) the full Principal Amount is repaid by the Company; or (b) the Convertible Loan Note is converted pursuant to a Conversion Right (as defined below) (both dates inclusive).
Status and transferability of the Convertible Loan Note:	The Convertible Loan Note constitutes a valid and legally binding and enforceable obligation of the Company. The Convertible Loan Note is unlisted and non-transferable.

Conversion Price: S\$0.00146 for each Conversion Share, subject to any adjustments required as summarised below in *Adjustments* pursuant to the Convertible Loan Note Agreement (the “**Conversion Price**”).

The Conversion Price of S\$0.00146 per Conversion Share represents a discount of approximately 27.0% to the volume weighted average price (the “**VWAP**”) of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company’s trading suspension on 2 September 2019.

Conversion Right: Optional conversion

The Investor shall have the option to convert the whole (and not part) of the Principal Amount, at any time prior to the Mandatory Conversion Right (as defined below) being effective or the Maturity Date, into Conversion Shares (the “**Optional Conversion Right**”).

Mandatory conversion

Upon satisfaction of the Mandatory Conversion Conditions below, the whole (and not part) of the Principal Amount shall be mandatorily converted, and the Investor shall be deemed to have converted the whole of the Principal Amount into Conversion Shares, with the conversion date being five (5) business days after the date on which the last of the Mandatory Conversion Conditions has been satisfied (the “**Mandatory Conversion Right**”, together with the Optional Conversion Right, each a “**Conversion Right**”).

Conversion Shares: The number of Conversion Shares to be issued upon the exercise of a Conversion Right will be determined by dividing the Principal Amount by the Conversion Price in effect on the relevant conversion date, rounded down to the nearest whole number. Fractions of Conversion Shares will not be issued.

Based on the Conversion Price of S\$0.00146, an aggregate of 2,054,794,520 Conversion Shares will be issued to the Investor.

Mandatory conversion conditions: The Mandatory Conversion Right shall automatically become effective upon the satisfaction of the following conditions (the “**Mandatory Conversion Conditions**”):

- (a) completion of the Restructuring Exercise;
- (b) unless otherwise waived by the Investor, the Company having obtained legal opinion(s) (in such form reasonably satisfactory to the Investor) that the Restructuring Exercise is in compliance with all applicable laws and regulations;
- (c) submission of the proposal for the resumption of trading based on the Proposed Transactions (the “**Resumption Proposal**”) to be reviewed and approved by the Investor (such approval not to be unreasonably withheld or delayed) and receipt of a no-objection letter from the SGX-ST indicating that it has no objection to the Resumption Proposal pursuant to Rule 1304(2) of the Listing Manual provided that if such approval is subject to any conditions, such conditions shall be acceptable to the Investor and shall have been fully fulfilled (unless waived by the SGX-ST) and not be amended, retracted, withdrawn or revoked as at the conversion date;

- (d) the Company obtaining approval-in-principle from the SGX-ST in respect of the resumption of trading of the Shares on the SGX-ST;
- (e) satisfactory resolution of all legal suits involving the Group, on terms as agreed between the Company and the Investor;
- (f) completion of the Debt Conversion;
- (g) obtaining the consent of UOB, being a lender of the Company to (1) continue to extend the existing banking facilities as of the date of the Convertible Loan Note Agreement on substantially similar terms; and (2) waive compliance by the Company with the financial covenants under such existing banking facilities (where appropriate); and
- (h) other lenders continuing to offer the existing banking facilities provided by such lenders as of the date of the Convertible Loan Note Agreement for working capital, trade lines and capital expenditure facilities extended to the Company's overseas subsidiaries, on substantially similar terms.

Status of the Conversion Shares:

The Conversion Shares to be issued pursuant to the conversion of the Convertible Loan Note, when allotted and issued, are duly authorised, validly issued and credited as fully paid-up, free from any and all encumbrances, listed and tradable on the SGX-ST and rank *pari passu* with all other existing Shares of the Company, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of such Shares.

Adjustments:

The Conversion Price is subject to certain anti-dilution adjustments under circumstances provided for in the Convertible Loan Note Agreement. Such circumstances relate to, *inter alia*:

- (a) an issue by the Company of Shares to Shareholders credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature or not) to its Shareholders (other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend);
- (b) a capital distribution made by the Company to its Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);
- (c) an offer or invitation made by the Company to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights;
- (d) any share split, consolidation, reclassification or subdivision of the Shares; or
- (e) a CLN Minimum Investor Shareholding Adjustment (as defined below).

Notice of expiry:

The Company shall, not later than one (1) month before the Maturity Date, announce the Maturity Date on SGXNet and take reasonable steps to notify the Investor in writing of the Maturity Date.

Alteration to terms: No material alteration to the terms of the Convertible Loan Note after the issue thereof to the advantage of the Investor shall be made, unless the alterations are made pursuant to the terms of the issue of the Convertible Loan Note or the prior approval of Shareholders in general meeting has been sought.

No modification or alteration to the terms of the Convertible Loan Note shall be made, except with the written consent of the Investor.

Repayment Unless converted in accordance with the terms of the Convertible Loan Note Agreement, the Company shall on the Maturity date redeem in full the Convertible Loan Note by payment in cash of 100% of the Principal Amount.

Default Interest: 3.5% per annum on the Principal Amount, calculated on a daily basis from the Maturity Date until the full Principal Amount is repaid by the Company (both dates inclusive).

Governing law: Singapore.

4.2. **Other terms of the Convertible Loan Note Agreement**

- Conditions precedent:**
- (a) Approval from and entry into binding agreements with the Vessel Lenders in respect of the Debt Conversion.
 - (b) Consent from the Vessel Lenders to freeze the shortfall in Vessel Loans on 31 December 2020 and waive all interests and related charges after 31 December 2020 if the Debt Conversion is not completed by 31 December 2020.
 - (c) Completion of the restructuring exercise (as approved by the Investor) to be undertaken by the Company in relation to the Group's equipment business pursuant to which a new intermediate investment holding company (a directly-owned subsidiary of the Company) (the "**Newco**") will acquire 100% of the share capital of the various companies¹ under the equipment business from the Company via a share swap (the "**Restructuring Exercise**").
 - (d) Provided there is no Mandatory Completion Conversion (as defined below), execution of the security documents in respect of the Loan Security (as defined below) in favour of the Investor.
 - (e) Save as disclosed publicly by the Company on SGXNet in the 12-month period up to the date of the Convertible Loan Note Agreement and/or to the Investor in writing up to the date of the Convertible Loan Note Agreement and the liquidation plans following the sale of vessels by the vessel chartering companies, namely (1) Arkstar Offshore Pte Ltd; (2) Arkstar Voyager Pte Ltd; (3) Arkstar Energy Pte Ltd; (4) Arkstar Unicorn Pte Ltd; (5) Arkstar Eagle 3 Pte Ltd; (6) Markstar Marine Sdn. Bhd.; and (7) Polaris Ship Management Pte. Ltd. (collectively, the "**Vessel Chartering Companies**"), no order being made, petition presented or meeting convened for the purpose of considering a resolution for the winding up of any Group Company, or for

¹ (i) Hoe Leong Crawler Parts Pte Ltd; (ii) Korea Crawler Track Ltd; and (iii) Trackspares (Aust) Pty. Ltd. (including its wholly-owned subsidiary, Trackex Pty. Ltd.).

the appointment of any liquidator (provisional or otherwise), judicial manager, administrator, receiver, receiver and manager, custodian or similar official in respect of any Group Company or any part of its property, assets and/or undertaking.

- (f) No relevant authority or person taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might:
 - (i) make the transactions contemplated in the Convertible Loan Note Agreement and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, delay, restrain, prohibit or otherwise frustrate or be adverse to the same; and/or
 - (ii) render the Company unable to issue the Convertible Loan Note and/or Conversion Shares in the manner set out in the Convertible Loan Note Agreement.
- (g) No event or circumstance occurring that causes or would reasonably be expected to cause a material adverse change in the business, assets, operations, conditions (financial, trading or otherwise) of the Group (taken as a whole) having occurred between the date of the Convertible Loan Note Agreement and the Completion Date (as defined below), both dates inclusive, provided that any information which has been disclosed publicly by the Company on SGXNet in the 12-month period up to the date of the Convertible Loan Note Agreement and/or to the Investor in writing up to the date of the Convertible Loan Note Agreement shall not constitute such an event or circumstance.
- (h) The in-principle approval of the SGX-ST being obtained by the Company in relation to the listing and quotation of the Conversion Shares.
- (i) The grant by the Securities Industry Council of Singapore (the "**SIC**") (and the SIC not having revoked or repealed such grant) of the waiver of the obligation of the Investor and its concert parties to make a mandatory general offer under Rule 14.1 of the Singapore Code on Take-overs and Mergers (the "**Takeover Code**") for the Shares not held by the Investor following the issue of Conversion Shares pursuant to the conversion of the Convertible Loan Note under the Convertible Loan Note Agreement and new Shares pursuant to the exercise of the Options under the Options Agreement, subject to any conditions that the SIC may impose, provided that such conditions are reasonably acceptable to the Investor (the "**Whitewash Waiver**").

- (j) Approval from the shareholders of the Company (the “**Shareholders**”) of, *inter alia*, the Proposed Issue of Convertible Loan Note, the Proposed Grant of Options, the allotment and issue of the Conversion Shares, the Whitewash Waiver, the transfer of controlling interest in the Company, the Debt Conversion and the proposed appointment of a nominee of the Investor as a Director via an extraordinary general meeting (an “**EGM**”).

If any of the above conditions are not satisfied or waived by the Longstop Date (as defined below), the Convertible Loan Note Agreement shall terminate and the obligations of the parties thereunder shall cease and be of no further effect, and no party shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise in respect of the Proposed Issue of Convertible Loan Note, save for any antecedent breach of the Convertible Loan Note Agreement or the parties’ respective liability for the payment of costs and expenses.

Completion: Completion shall take place within seven (7) business days from the date falling on which all of the conditions precedent have been satisfied (the “**Completion Date**”) (the “**Completion**”).

Longstop date: 31 May 2021 (or such other date as may be mutually agreed between the Company and the Investor) (the “**Longstop Date**”).

Use of proceeds: Proceeds are to be used only for the following purposes:

- (a) payment of the costs and expenses not exceeding S\$100,000 (or such additional amount as approved by the Investor) incurred in respect of the Restructuring Exercise;
- (b) the working capital needs of the Company, the Newco and its subsidiaries (provided that no dividends shall be paid from the proceeds);
- (c) settlement of pre-Completion liabilities and legal suits involving the Group (provided that not more than S\$2,000,000 of the proceeds shall be applied to such settlement);
- (d) any legal and professional fees, costs and expenses, incurred or to be incurred in relation to the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options, subject to a maximum of S\$300,000; and
- (e) ongoing operating and compliance costs in relation to the listed status of the Company on the SGX-ST.

Security:

- (a) a first priority charge over all of the shares in capital of Newco owned by the Company;
- (b) a first priority debenture relating to all of the assets of Newco; and
- (c) a second priority charge over all of the shares (ordinary and preference) in the capital of Ho Leong Tractors Sdn. Bhd. owned by the Company,

(collectively, the “**Loan Security**”).

Nomination Right: Upon Completion and subject to the terms of the Convertible Loan Note Agreement, the Investor shall have the right to nominate for appointment of one (1) executive director to the Board and one (1) director to the board of Newco.

Termination Right:

- (a) Each of the Company and the Investor shall be entitled to terminate the Convertible Loan Note Agreement at any time prior to or on the Completion Date in the event of any breach of the representations, warranties and undertakings which has not been remedied to the reasonable satisfaction of the non-defaulting party within 30 business days (or such other period to be agreed between the Company and the Investor) of the receipt of notice of breach.
- (b) Upon termination, the parties to the Convertible Loan Note Agreement shall be released and discharged of their obligations, without prejudice to any rights in respect of any prior antecedent breach thereunder or the parties' respective liability for the payment of costs and expenses and the Convertible Loan Note Agreement shall be of no further effect and neither party thereto shall be under any liability to other in respect of the Convertible Loan Note Agreement.

Events of Default: If any of the following events (each an "Event of Default") occurs prior to the conversion of the Convertible Loan Note:

- (a) the Company fails to repay the whole (and not part) of the Principal Amount on the Maturity Date in accordance with the Convertible Loan Note Agreement, unless its failure to pay is caused by (1) administrative or technical error and payment is made within five (5) business days of its due date; or (2) a Disruption Event (as defined in the Convertible Loan Note Agreement) and payment is made within three (3) business days from the end of the Disruption Event;
- (b) any representations and warranties by the Company under the Convertible Loan Agreement proves to be incorrect or misleading in any material respect when made or deemed to be made;
- (c) at any time it is or becomes unlawful, or ceases to be valid or binding, for the Company to perform or comply with any or all of its payment or other material obligations under the Convertible Loan Note Agreement;
- (d) the delisting or an order for delisting or threatened delisting of the Shares from the SGX-ST;
- (e) the value of the total assets of the Group is less than its total liabilities (including actual or deferred liabilities); and
- (f) save as disclosed publicly by the Company on SGXNet in the 12-month period up to the date of the Convertible Loan Note Agreement and/or to the Investor in writing up to the date of the Convertible Loan Note Agreement and the liquidation plans following the sale of vessels by the Vessel Chartering Companies, an action has been taken in respect of a Group Company for winding up, dissolution, de-registration or reorganisation, or if a liquidator, provisional liquidator, official manager, administrator, receiver, receiver and manager, trustee, other controller or similar official has been appointed to or over a Group Company or any of the Group Company's assets, which would have a material adverse effect on the

business, assets, profits, prospects, operations, conditions (financial, trading or otherwise) of the Group (taken as a whole) (a "**Material Adverse Effect**"). For the avoidance of doubt, the liquidation of HLCP, KCT, Trackspares and/or Trackex will be deemed to have a Material Adverse Effect,

the Investor may in writing, inform the Company of the occurrence of such an Event of Default, indicating whether it agrees to waive the Event of Default or otherwise giving the Company up to 30 business days (or such other period to be agreed between the Company and the Investor) from the receipt of the notice notifying of such occurrence to remedy such default (the "**Remedy Period**"), provided always that, if such default is not remedied to the reasonable satisfaction of the Investor within the Remedy Period, the Convertible Loan Note (if so issued) shall become immediately due and payable by the Company to the Investor upon the expiry of such Remedy Period without further demand from the Investor.

Inter-conditionality:

The Proposed Issue of the Convertible Loan Note is inter-conditional with the Proposed Grant of Options and the completion of both shall take place simultaneously.

Minimum Investor Shareholding:

The Company and the Investor agree and acknowledge that:

- (a) the sum of (i) the total number of Conversion Shares to be issued at the Conversion Price to the Investor upon conversion of the entire Conversion Loan Note; and (ii) the total number of Option Shares to be issued at the Exercise Price (as defined below) to the Investor pursuant to the exercise of all the Options, shall constitute not less than 51% of the maximum fully-diluted enlarged share capital of the Company comprising up to 16,115,000,000 Shares (the "**Agreed Enlarged Share Capital**");
- (b) for the period of 18 months from the date of the Convertible Loan Note Agreement (the "**Dilution Protection Period**"), the total number of Conversion Shares to be issued at the Conversion Price to the Investor upon conversion of the entire Convertible Loan Note shall constitute not less than 12.75% of the Agreed Enlarged Share Capital (the "**CLN Minimum Investor Shareholding Percentage**");
- (c) at any time during the Dilution Protection Period, where the maximum Conversion Shares issued to the Investor pursuant to the conversion of the Convertible Loan Note constitutes less than the CLN Minimum Investor Shareholding Percentage, the Conversion Price shall be adjusted so that the number of Conversion Shares to be issued pursuant to the conversion of the Convertible Loan Note represents exactly (or as close as mathematically possible, rounding down to the nearest whole number of Conversion Shares) the CLN Minimum Investor Shareholding Percentage (the "**CLN Minimum Investor Shareholding Adjustment**"); and
- (d) at any time during the Dilution Protection Period, where the number of Conversion Shares to be issued pursuant to the conversion of the Convertible Loan Note constitutes more than the CLN Minimum Investor Shareholding Percentage, there shall be no downward adjustment required.

Others: In the event that all of the Mandatory Conversion Conditions are satisfied on or before the Completion Date, the Company shall, in lieu of the issue of the Convertible Loan Note on the Completion Date, procure on the Completion Date such number of Conversion Shares (as determined by dividing the Principal Amount by the Conversion Price in effect on the Completion Date, rounded down to the nearest whole number) to be issued to the Investor (the “**Mandatory Completion Conversion**”).

Accordingly, no Convertible Loan Note will be issued to the Investor and no Loan Security will be granted by the Company in favour of the Investor.

4.3. **Issue Size**

The number of Conversion Shares to be allotted and issued by the Company, pursuant to the conversion of the Convertible Loan Note, is 2,054,794,520 (based on the Conversion Price of S\$0.00146 and assuming no adjustments to the Conversion Price). The Conversion Shares represent approximately 36.6% of the existing share capital of the Company (excluding treasury shares) and 13.7% of the enlarged share capital of the Company, assuming the maximum issuance of the Conversion Shares, Option Shares, Settlement Shares, UOB Conversion Shares and Remuneration Shares (the “**Enlarged Share Capital**”).

4.4. **Authority to issue the Convertible Loan Note and the Conversion Shares**

The Company will be seeking specific Shareholders’ approval for the Proposed Issue of Convertible Loan Note and the allotment and issue of the Conversion Shares at an EGM to be convened pursuant to Rules 805(1), 811(3) and 824 of the Listing Manual.

4.5. **Use of Proceeds**

The aggregate gross proceeds from the Convertible Loan Note will be S\$3,000,000 and is intended to be used by the Company in the following estimated proportions:

Use of Proceeds	S\$	Percentage Allocation
General working capital (including any potential investments in plant and equipment for expansion and enhancement of operational capacity)	3,000,000	100%
TOTAL	3,000,000	100%

Pending the deployment for the uses identified above, the gross proceeds may be deposited with banks and/or financial institutions or invested in money market instruments and/or securities, or used for any other purpose on a short-term basis, as the Directors may in their absolute discretion deem fit.

The Company will make periodic announcements on the utilisation of gross proceeds as and when such funds are materially disbursed, and provide a status report on the use of the proceeds from the Proposed Issue of Convertible Loan Note in the Company’s interim and full year financial statements issued under Rule 705 of the Listing Manual and its annual reports. Where the proceeds have been used for working capital purposes, the Company will disclose a breakdown with specific details on how the proceeds have been applied in the announcements and status reports. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

4.6. **Rule 812 of the Listing Manual**

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

4.7. No Placement Agent

There is no placement agent appointed for the Proposed Issue of Convertible Loan Note. The Proposed Issue of Convertible Loan Note will be by way of a private placement pursuant to an exempted offer under Section 272B of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”). Hence, no prospectus or offer information statement will be issued in connection with the Proposed Issue of Convertible Loan Note.

5. THE PROPOSED GRANT OF OPTIONS

5.1. Principal terms of the Options

The principal terms and conditions of the Options are summarised as follows:

Number of Options: 6,164,383,561 Options, subject to any adjustments required as summarised below in *Adjustments* pursuant to the Options Agreement.

Consideration: S\$1.00.

Status and transferability of the Options: The Options constitute a valid and legally binding and enforceable obligation of the Company and are unlisted and non-transferable.

Exercise rights of the Options: Each Option entitles the Investor to subscribe for one (1) Option Share at the Exercise Price (as defined below) during the Exercise Period (as defined below).

The Investor may only exercise the Options in tranches of 175,000,000 Options at any time during the Exercise Period (as defined below), save where (a) the exercise of Options is pursuant to the Option Exercise Undertaking (as defined below), in which case, the Investor may exercise such number of Options (not being in tranches of 175,000,000 Options) constituting S\$1,500,000 in principal amount at the Exercise Price; or (b) the balance of Options held by the Investor is less than 175,000,000 Options, in which case, the Investor may exercise all but not some of such balance of the Options.

Exercise Price: S\$0.00146 for each Option Share, subject to any adjustments required as summarised below in *Adjustments* pursuant to the Options Agreement (the “**Exercise Price**”).

The Exercise Price of S\$0.00146 per Option Share represents a discount of approximately 27.0% to the VWAP of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company's trading suspension on 2 September 2019.

Exercise Period: The period commencing on and including the date of issue of the Options and expiring on the earlier of (a) the date on which the Investor receives from the Company full repayment of the principal amount and any accrued interest under the Convertible Loan Note Agreement in cash upon written request by the Investor, in the event an event of default under the Convertible Loan Note Agreement occurs and such event of default is not waived or remedied within the Remedy Period (if any); or (b) the fourth (4th) anniversary of the date of issue of the Options, unless such date is a date on which the register of members is closed or is not a market day, in which event, such period shall end on the date prior to the closure of the register of members of the Company or immediate preceding market day (as the case may

be) (the “**Exercise Period**”).

At the expiry of the Exercise Period, the Options, if not exercised, shall lapse and cease to be valid for any purpose.

Exercise Date:

The exercise date, in relation to the exercise of the Options, shall be the market day (falling within the Exercise Period) on which the applicable conditions referred to in Options Agreement are fulfilled, or (if fulfilled on different days) on which the last of such conditions is fulfilled, provided that if any such day falls on a date when the register of members of the Company is closed, the option exercise date shall be the following market day on which the register of members is open (the “**Exercise Date**”).

The Options which are exercised shall be treated as exercised on the Exercise Date, and shall immediately thereafter be cancelled on the Exercise Date.

Gross proceeds to be raised from the Proposed Grant of Options:

S\$9,000,000 (assuming the exercise of all Options) (the “**Option Proceeds**”).

Status of the Option Shares:

The Option Shares to be issued pursuant to the exercise of the Options, when allotted and issued, are duly authorised, validly issued and credited as fully paid-up, free from any and all encumbrances, listed and tradable on the SGX-ST and rank *pari passu* with all other existing Shares of the Company, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of such Shares.

Adjustments:

The Exercise Price and number of Options are subject to certain anti-dilution adjustments under circumstances provided for in the Options Agreement. Such circumstances relate to, *inter alia*:

- (a) an issue by the Company of Shares to Shareholders credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature or not) to its Shareholders (other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend);
- (b) a capital distribution made by the Company to its Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);
- (c) an offer or invitation made by the Company to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights;
- (d) any share split, consolidation, reclassification or subdivision of the Shares; or
- (e) an Options Minimum Investor Shareholding Adjustment (as defined below).

Notice of expiry:

The Company shall, not later than one (1) month before the expiry date of the Options (being the last day of the Exercise Period), announce the expiry date on SGXNet and take reasonable steps to notify the Investor in writing of the expiry date.

Alteration to terms: No material alteration to the terms of the Options after the issue thereof to the advantage of the Investor shall be made, unless the alterations are made pursuant to the terms and conditions of the Options or the prior approval of Shareholders in general meeting has been sought.

No modification or alteration to the terms of the Options shall be made, except with the written consent of the Investor.

Governing law: Singapore.

5.2. Other terms of the Options Agreement

- Conditions precedent:**
- (a) Approval from and entry into binding agreements with the Vessel Lenders in respect of the Debt Conversion;
 - (b) Consent from the Vessel Lenders to freeze the shortfall in Vessel Loans on 31 December 2020 and waive all interests and related charges after 31 December 2020 if the Debt Conversion is not completed by 31 December 2020.
 - (c) Completion of the Restructuring Exercise.
 - (d) Save as disclosed publicly by the Company on SGXNet in the 12-month period up to the date of the Options Agreement and/or to the Investor in writing up to the date of the Options Agreement and the liquidation plans following the sale of vessels by the Vessel Chartering Companies, no order being made, petition presented or meeting convened for the purpose of considering a resolution for the winding up of any Group Company, or for the appointment of any liquidator (provisional or otherwise), judicial manager, administrator, receiver, receiver and manager, custodian or similar official in respect of any Group Company or any part of its property, assets and/or undertaking.
 - (e) No relevant authority or person taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might:
 - (i) make the transactions contemplated in the Options Agreement and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, delay, restrain, prohibit or otherwise frustrate or be adverse to the same; and/or
 - (ii) render the Company unable to issue the Options and/or Option Shares in the manner set out in the Options Agreement.
 - (f) No event or circumstance occurring that causes or would reasonably be expected to cause a material adverse change in the business, assets, operations, conditions (financial, trading or otherwise) of the Group (taken as a whole) having occurred between the date of the Options Agreement and the Completion Date, both dates inclusive,

provided that any information which has been disclosed publicly by the Company on SGXNet in the 12-month period up to the date of the Options Agreement and/or to the Investor in writing up to the date of the Options Agreement shall not constitute such an event or circumstance.

- (g) The in-principle approval of the SGX-ST being obtained by the Company in relation to the listing and quotation of the Option Shares.
- (h) The grant by the SIC (and the SIC not having revoked or repealed such grant) of the Whitewash Waiver.
- (i) Approval from the Shareholders of, *inter alia*, the Proposed Issue of Convertible Loan Note, the Proposed Grant of Options, the allotment and issue of the Option Shares, the Whitewash Waiver, the transfer of controlling interest in the Company, the Debt Conversion and the proposed appointment of a nominee of the Investor as a Director via an EGM.

If any of the above conditions are not satisfied or waived by the Longstop Date, the Options Agreement shall terminate and the obligations of the parties thereunder shall cease and be of no further effect, and no party shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise in respect of the Proposed Grant of Options, save for any antecedent breach of the Options Agreement or the parties' respective liability for the payment of costs and expenses.

- Completion:** Completion shall take place on the Completion Date.
- Longstop date:** Same Longstop Date as under the Convertible Loan Note Agreement.
- Termination rights:**
- (a) Each of the Company and the Investor shall be entitled to terminate the Options Agreement at any time prior to or on the Completion Date in the event of any breach of the representations, warranties and undertakings which has not been remedied to the reasonable satisfaction of the non-defaulting party within 30 business days (or such other period to be agreed between the Company and the Investor) of the receipt of notice of breach.
 - (b) Upon termination, the parties to the Options Agreement shall be released and discharged of their obligations, without prejudice to any rights in respect of any prior antecedent breach thereunder or the parties' respective liability for the payment of costs and expenses and the Options Agreement shall be of no further effect and neither party thereto shall be under any liability to other in respect of the Options Agreement.
- Inter-conditionality:** The Proposed Grant of Options is inter-conditional with the Proposed Issue of the Convertible Loan Note and the completion of both shall take place simultaneously.
- Minimum Investor Shareholding:** The Company and the Investor agree and acknowledge that:
- (a) the sum of (i) the total number of Option Shares to be issued at the Exercise Price to the Investor pursuant to the exercise of all the Options; and (ii) the total number of Conversion

Shares to be issued at the Conversion Price to the Investor upon conversion of the entire Conversion Loan Note, shall constitute not less than 51% of the Agreed Enlarged Share Capital;

- (b) at any time during the Dilution Protection Period, the total number of Option Shares to be issued at the Exercise Price to the Investor upon exercise of all the Options shall constitute not less than 38.25% of the Agreed Enlarged Share Capital (the “**Options Minimum Investor Shareholding Percentage**”);
- (c) at any time during the Dilution Protection Period, where the maximum Option Shares to be issued to the Investor pursuant to the exercise of all the Options constitutes less than the Options Minimum Investor Shareholding Percentage, the number of Options and/or the Exercise Price shall be adjusted so that the number of Options Shares to be issued pursuant to the exercise of all the Options represents exactly (or as close as mathematically possible, rounding down to the nearest whole number of Option Shares) the Options Minimum Investor Shareholding Percentage (the “**Options Minimum Investor Shareholding Adjustment**”); and
- (d) at any time during the Dilution Protection Period, where the number of Option Shares to be issued pursuant to the exercise of all the Options constitutes more than the Options Minimum Investor Shareholding Percentage, there shall be no downward adjustment required.

Others: The Investor undertakes that it shall exercise Options constituting S\$1,500,000 in principal amount at the Exercise Price to subscribe for such number of Option Shares (as determined by dividing S\$1,500,000 by the Exercise Price) within seven (7) business days of the date falling on which all of the Mandatory Conversion Conditions has been satisfied or such other date, provided that the Option Shares will be issued on the same date as the Conversion Shares (the “**Option Exercise Undertaking**”).

5.3. Issue Size

The number of Option Shares to be allotted and issued by the Company, pursuant to the full exercise of all Options, is 6,164,383,561 (based on the Exercise Price of S\$0.00146 and assuming no adjustments to the Exercise Price). The Option Shares represent approximately 109.7% of the existing share capital of the Company (excluding treasury shares) and 41.2% of the Enlarged Share Capital.

5.4. Authority to issue the Option Shares

The Company will be seeking specific Shareholders’ approval for the Proposed Grant of Options and the allotment and issue of the Option Shares at an EGM to be convened pursuant to Rules 805(1), 811(3) and 824 of the Listing Manual.

5.5. Use of proceeds

Assuming that all the Options are validly exercised, the aggregate gross proceeds from the issuance of Option Shares will be S\$9,000,000. No material expenses are expected to be incurred from the Proposed Grant of Options. The aggregate gross proceeds from the exercise of the Options shall be used by the Company in the following estimated proportions:

Use of Proceeds	S\$	Percentage Allocation
General working capital (including any potential investments in plant and equipment for expansion and enhancement of operational capacity)	9,000,000	100%
TOTAL	9,000,000	100%

Pending the deployment for the uses identified above, the Option Proceeds may be deposited with banks and/or financial institutions or invested in money market instruments and/or securities, or used for any other purpose on a short-term basis, as the Directors may in their absolute discretion deem fit.

The Company will make periodic announcements on the utilisation of Option Proceeds as and when such funds are materially disbursed, and provide a status report on the use of the Option Proceeds from the Proposed Grant of Options in the Company's interim and full year financial statements issued under Rule 705 of the Listing Manual and its annual reports. Where the Option Proceeds have been used for working capital purposes, the Company will disclose a breakdown with specific details on how the Option Proceeds have been applied in the announcements and status reports. Where there is any material deviation from the stated use of Option Proceeds, the Company will announce the reasons for such deviation.

5.6. Rule 812 of the Listing Manual

The Investor is not a person who falls within the categories set out in Rule 812(1) of the Listing Manual. Accordingly, none of the Option Shares will be placed by the Company to any person who is a Director or substantial shareholder of the Company, or any other person in the categories set out in Rule 812(1) of the Listing Manual.

5.7. No placement agent

There is no placement agent appointed for the Proposed Grant of Options. The Proposed Grant of Options will be by way of a private placement pursuant to an exempted offer under Section 272B of the SFA. Hence, no prospectus or offer information statement will be issued in connection with the Proposed Grant of Options.

6. THE DEBT CONVERSION

6.1. Background and Rationale

After discussions with the Vessel Lenders and the Investor, the Company and Vessel Lenders agreed to the following debt settlement in relation to the Vessel Loans (the "**Settlement**") comprising:

- (a) a sum of S\$1.0 million in cash to be paid by the Company to the Vessel Lenders on a *pari passu* basis in partial satisfaction of the amounts owing to the Vessel Lenders under the Vessel Loans, based on the agreed forecasted amounts owing as at 31 December 2020 (the "**Partial Cash Settlement**");
- (b) the Debt Conversion which comprises the Proposed Issue of Settlement Shares and the Proposed Issue of UOB Convertible Bonds; and

- (c) a freeze by the Vessel Lenders on the amounts outstanding under the Vessel Loans on 31 December 2020 and a waiver of all interests and related charges thereafter².

The Board is of the view that the Debt Conversion is beneficial to the Company and the Group as it is part of the Settlement which is vital for the Loan, the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options to be completed and implemented. This will in turn allow for certainty of funding resulting in the Company being able to strengthen its financial position, which is vital for the continuity of the Company as it will allow the Group to access funds to improve its cashflows, reduce its outstanding debt obligations and continue as a going concern.

6.2. The Proposed Issue of Settlement Shares

6.2.1. Introduction

Pursuant to the Settlement, the agreed outstanding amounts owing by the Group to RHB and SIF under the RHB Loan and the SIF Loan as at 31 December 2020 are set out in the table below, and shall be satisfied via the Partial Cash Settlement and the Proposed Issue of Settlement Shares to RHB and SIF.

Lender	Remaining amount owing (S\$)
RHB	651,216 (the "RHB Loan Outstanding Amount")
SIF	926,362 (the "SIF Loan Outstanding Amount")

In connection therewith, the Company has on 21 December 2020 entered into:

- (a) the RHB Agreement for (i) the allotment and issue of up to 241,985,142 Settlement Shares to RHB at the issue price of S\$0.00175 for each Settlement Share to capitalise the amount of S\$423,474 under the RHB Loan Outstanding Amount; and (ii) a cash settlement of S\$227,742 to be paid by the Company to RHB, as full and final settlement of the RHB Loan Outstanding Amount; and
- (b) the SIF Agreement for (i) the allotment and issue of up to 344,226,285 Settlement Shares to SIF at the issue price of S\$0.00175 for each Settlement Share to capitalise the amount of S\$602,396 under the SIF Loan Outstanding Amount; and (ii) a cash settlement of S\$323,966 to be paid by the Company to SIF, as full and final settlement of the SIF Loan Outstanding Amount.

6.2.2. Information on RHB and SIF

RHB is a financial institution listed on the Main Market of Bursa Malaysia. RHB through its Singapore branch is a foreign full licensed bank in Singapore, with its core businesses in retail banking, commercial banking, corporate and investment banking and treasury.

As at the date of this announcement, RHB holds 280,903,297 Shares representing approximately 4.999% of the total issued and paid-up share capital of the Company. Save as disclosed in this announcement, (i) RHB is not related to any of the Directors, substantial shareholders of the Company, or their respective associates; and (ii) there is no connection (including business relationship) between RHB and the Directors or substantial shareholders of the Company.

SIF is a licensed finance company in Singapore and is listed on the Mainboard of the SGX-ST. Its principal activities include the acceptance of fixed and saving deposits from the public and the provision of loans and credit facilities to individuals and corporations.

² Save for RHB, where such waiver is only applicable provided that the Debt Conversion is completed by 31 March 2021 (or such other date to be mutually agreed in writing between RHB or the Company).

As at the date of this announcement, SIF holds 118,555,561 Shares representing approximately 2.11% of the total issued and paid-up share capital of the Company. Save as disclosed in this announcement, (i) SIF is not related to any of the Directors, substantial shareholders of the Company, or their respective associates; and (ii) there is no connection (including business relationship) between SIF and the Directors or substantial shareholders of the Company.

6.2.3. Conditions Precedent

Completion of the Proposed Issue of Settlement Shares to RHB and SIF is conditional upon the following:

- (a) Shareholders' approval being obtained at an EGM to be duly convened for, *inter alia*, the Proposed Issue of Convertible Loan Note, the Proposed Grant of Options, the Proposed Issue of Settlement Shares and the Proposed Issue of UOB Convertible Bonds;
- (b) the in-principle approval of SGX-ST being obtained by the Company in relation to the listing and quotation of, *inter alia*, the Settlement Shares;
- (c) the receipt of all necessary approvals, consents or waivers from any governmental body, regulatory authority or other third party for the Proposed Issue of Settlement Shares (where applicable), and if such approvals, consents or waivers are granted subject to conditions, such conditions being acceptable to the relevant party, and if any conditions are required to be satisfied by completion, such conditions being so satisfied; and
- (d) the representations and warranties set out in the RHB Agreement and SIF Agreement being true and accurate in all material respects.

6.2.4. The Settlement Shares

The issue price of S\$0.00175 per Settlement Share represents a discount of approximately 12.5% to the VWAP of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company's trading suspension on 2 September 2019.

The Settlement Shares, when allotted and issued, are duly authorised, validly issued and credited as fully paid-up, free from any and all encumbrances, listed and tradable on the SGX-ST and rank *pari passu* with all other existing Shares of the Company, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of such Shares.

6.2.5. Issue Size

The number of Settlement Shares to be allotted and issued by the Company to RHB is up to 241,985,142, representing approximately 4.3% of the existing share capital of the Company (excluding treasury shares) and 1.6% of the Enlarged Share Capital.

The number of Settlement Shares to be allotted and issued by the Company to SIF is up to 344,226,285, representing approximately 6.1% of the existing share capital of the Company (excluding treasury shares) and 2.3% of the Enlarged Share Capital.

6.2.6. Rule 812 of the Listing Manual

RHB and SIF are not persons who fall within the categories set out in Rule 812(1) of the Listing Manual. Accordingly, none of the Settlement Shares will be placed by the Company to any person who is a Director or substantial shareholder of the Company, or any other person in the categories set out in Rule 812(1) of the Listing Manual.

6.2.7. Authority to issue the Settlement Shares

Pursuant to Rules 805(1) and 811(3) of the Listing Manual, the Company will be seeking specific Shareholders' approval for the Proposed Issue of Settlement Shares at an EGM to be convened.

6.2.8. No placement agent

There is no placement agent appointed for the Proposed Issue of Settlement Shares. The Proposed Issue of Settlement Shares will be by way of a private placement pursuant to an exempted offer under Section 272B of the SFA. Hence, no prospectus or offer information statement will be issued in connection with the Proposed Issue of Settlement Shares.

6.3. **The Proposed Issue of UOB Convertible Bonds**

6.3.1. Introduction

Pursuant to the Settlement, the agreed outstanding amount owing by the Group to UOB under the UOB Loan is S\$1,281,866 (the "**UOB Loan Outstanding Amount**"), which shall be satisfied via the Partial Cash Settlement and the Proposed Issue of UOB Convertible Bonds.

In connection therewith, the Company has on 21 December 2020 entered into the UOB Agreement for (i) the issue of the UOB Convertible Bonds, which shall be reconstituted from the amount of S\$833,574 under the UOB Loan Outstanding Amount; and (ii) a cash settlement of S\$448,292 to be paid by the Company to UOB, as full and final settlement of the UOB Loan Outstanding Amount.

6.3.2. Information on UOB

UOB is a financial institution headquartered in Singapore and listed on the Mainboard of the SGX-ST. UOB is a full licensed bank in Singapore providing a wide range of financial services including personal financial services, private banking, commercial and corporate banking, investment banking, corporate finance, capital market activities, treasury services, futures broking, asset management, venture capital management, insurance and stockbroking services.

As at the date of this announcement, UOB holds 1,610,543,486 Shares representing approximately 28.66% of the total issued and paid-up share capital of the Company. Save as disclosed in this announcement, (i) UOB is not related to any of the Directors, substantial shareholders of the Company, or their respective associates; and (ii) there is no connection (including business relationship) between UOB and the Directors or substantial shareholders of the Company.

6.3.3. Principal terms of the UOB Convertible Bonds

The principal terms and conditions of the Convertible Loan Note are summarised as follows:

Principal amount:	S\$833,574
Expiry date:	Three (3) years from the Completion Date.
Interest rate:	Nil.
Status and transferability:	<p>The UOB Convertible Bonds constitute senior, direct, unsubordinated, unconditional and unsecured obligations of the Company and will at all times rank <i>pari passu</i> among themselves and without any preference or priority among themselves.</p> <p>The UOB Convertible Bonds are unlisted and non-transferable.</p>
Conversion Price:	S\$0.00175 for each UOB Conversion Share (the " UOB Conversion Price ").

The UOB Conversion Price of S\$0.00175 per UOB Conversion Share represents a discount of approximately 12.5% to the VWAP of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company's trading suspension on 2 September 2019.

Conversion Right:

Optional conversion

UOB shall have the option to convert the all or any part of the principal amount of the UOB Convertible Bonds, at any time after the Completion Date and prior to the Expiry date, into UOB Conversion Shares (the "**UOB Optional Conversion Right**").

Mandatory conversion

Any outstanding amounts of the UOB Convertible Bonds (which has not been converted pursuant to the UOB Optional Conversion Right or cancelled pursuant to an Adjustment Event (as defined below)) as at the Expiry Date shall be mandatorily converted, and UOB shall be deemed to have converted such amount of the UOB Convertible Bonds into UOB Conversion Shares, with the conversion date being the Expiry Date.

Conversion Shares:

The number of UOB Conversion Shares to be issued upon the exercise of a conversion right will be determined by dividing the relevant amount of the UOB Convertible Bonds by the UOB Conversion Price, rounded down to the nearest whole number. Fractions of UOB Conversion Shares will not be issued and no cash adjustments will be made in respect thereof.

Based on the UOB Conversion Price of S\$0.00175, the maximum number of UOB Conversion Shares to be issued to the UOB is 476,328,000.

Status of the Conversion Shares:

The UOB Conversion Shares when allotted and issued, are duly authorised, validly issued and credited as fully paid-up, free from any and all encumbrances, listed and tradable on the SGX-ST and rank *pari passu* with all other existing Shares of the Company, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of such Shares.

Adjustments:

In the event (an "**Adjustment Event**") that Arkstar Voyager Pte Ltd ("**AVPL**") recovers any amount of the receivables under the vessel charter between AVPL and Makamin Offshore Saudi Ltd, which is outstanding and payable to AVPL (the "**Vessel Charter Receivables**"), the Company shall promptly reduce the amount of the outstanding UOB Convertible Bonds by the amount of recovered Vessel Charter Receivables (converted at the prevailing exchange rate of US\$:S\$, as reflected on Bloomberg L.P. on the date of such adjustment event).

In the event that the Vessel Charter Receivables is equivalent to or exceeds the principal amount of the UOB Convertible Bonds (or such outstanding amount of the UOB Convertible Bonds on the date of such adjustment event), the UOB Convertible Bonds shall be fully cancelled.

Cancellation of UOB Convertible Bonds:

All UOB Convertible Bonds which are converted and/or adjusted in accordance with the terms and conditions of the UOB Agreement will be cancelled forthwith.

Notice of expiry: The Company shall, not later than one (1) month before the Expiry Date, announce the Expiry Date on SGXNet and take reasonable steps to notify UOB in writing of the Expiry Date.

Alteration to terms: No material alteration to the terms of the Convertible Bonds after the issue thereof to the advantage of UOB shall be made, unless the alterations are made pursuant to the terms and conditions of the UOB Convertible Bonds or the prior approval of Shareholders in general meeting has been sought.

No modification or alteration to the terms of the Convertible Bonds shall be made, except with the written consent of UOB.

Governing law: Singapore.

6.3.4. Conditions Precedent

Completion of the Proposed Issue of UOB Convertible Bonds is conditional upon the following:

- (a) Shareholders' approval being obtained at an EGM to be duly convened for, *inter alia*, the Proposed Issue of Convertible Loan Note, the Proposed Grant of Options, the Proposed Issue of Settlement Shares and the Proposed Issue of UOB Convertible Bonds;
- (b) the in-principle approval of SGX-ST being obtained by the Company in relation to the listing and quotation of, *inter alia*, the UOB Conversion Shares;
- (c) the receipt of all necessary approvals, consents or waivers from any governmental body, regulatory authority or other third party for the Proposed Issue of UOB Convertible Bonds (where applicable), and if such approvals, consents or waivers are granted subject to conditions, such conditions being acceptable to the relevant party, and if any conditions are required to be satisfied by completion, such conditions being so satisfied; and
- (d) the representations and warranties set out in the UOB Agreement being true and accurate in all material respects.

6.3.5. Issue Size

The maximum number of UOB Conversion Shares to be allotted and issued by the Company to UOB is 476,328,000, representing approximately 8.5% of the existing share capital of the Company (excluding treasury shares) and 3.2% of the Enlarged Share Capital.

6.3.6. Rule 812 of the Listing Manual

UOB is a substantial shareholder of the Company and accordingly, is person who falls within the categories set out in Rule 812(1) of the Listing Manual. Pursuant to Rule 812(2) of the Listing Manual, the Company will be seeking specific Shareholders' approval for the Proposed Issue of UOB Convertible Bonds at an EGM to be convened.

6.3.7. Authority to issue the UOB Convertible Bonds and the UOB Conversion Shares

Pursuant to Rules 805(1), 811(3) and 824 of the Listing Manual, the Company will be seeking specific Shareholders' approval for the Proposed Issue of UOB Convertible Bonds and the allotment and issue of the UOB Conversion Shares at an EGM to be convened.

6.3.8. No placement agent

There is no placement agent appointed for the Proposed Issue of UOB Convertible Bonds. The Proposed Issue of UOB Convertible Bonds will be by way of a private placement pursuant to an exempted offer under Section 272B of the SFA. Hence, no prospectus or offer information statement will be issued in connection with the Proposed Issue of UOB Convertible Bonds.

7. THE PROPOSED ISSUE OF REMUNERATION SHARES

7.1. Background and Rationale

The Company intends to issue 65,391,302 Remuneration Shares to Mr Liew at an issue price of S\$0.00175 for each Remuneration Share, in satisfaction of a portion of Mr Liew's remuneration for the period from 23 October 2019 to 31 December 2020 amounting to S\$114,434.78.

The Board is of the view that the Proposed Issue of Remuneration Shares will allow the Company to conserve its cash reserves and provide the Company with more working capital and greater financial flexibility to grow its business in a sustainable and viable manner.

7.2. Information on Mr Liew

Mr Liew is the Executive Chairman and Chief Executive Officer of the Company. As at the date of this announcement, Mr Liew does not hold any Shares. Save as disclosed in this announcement, (i) Mr Liew is not related to any of the Directors, substantial shareholders of the Company, or their respective associates; and (ii) there is no connection (including business relationship) between Mr Liew and the Directors or substantial shareholders of the Company.

7.3. The Remuneration Shares

The issue price of S\$0.00175 per Remuneration Share represents a discount of approximately 12.5% to the VWAP of S\$0.002 for each Share based on the trades done on 30 August 2019, being the last full market day when the Shares were traded prior to the Company's trading suspension on 2 September 2019.

The Remuneration Shares, when allotted and issued, are duly authorised, validly issued and credited as fully paid-up, free from any and all encumbrances, listed and tradable on the SGX-ST and rank *pari passu* with all other existing Shares of the Company, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of such Shares.

7.4. Issue size

The number of Remuneration Shares to be allotted and issued by the Company is up to 65,391,302, representing approximately 1.2% of the existing share capital of the Company (excluding treasury shares) and 0.4% of the Enlarged Share Capital.

7.5. Rule 812 of the Listing Manual

Mr. Liew is a Director of the Company and accordingly, is person who falls within the categories set out in Rule 812(1) of the Listing Manual. Pursuant to Rule 812(2) of the Listing Manual, the Company will be seeking specific Shareholders' approval for the Proposed Issue of Remuneration Shares at an EGM to be convened.

7.6. Authority for the issue of the Remuneration Shares

Pursuant to Rules 805(1) and 811(3) of the Listing Manual, the Company will be seeking specific Shareholders' approval for the Proposed Issue of Remuneration Shares at an EGM to be convened.

7.7. No placement agent

There is no placement agent appointed for the Proposed Issue of Remuneration Shares. The Proposed Issue of Remuneration Shares will be by way of a private placement pursuant to an exempted offer under Section 272B of the SFA. Hence, no prospectus or offer information statement will be issued in connection with the Proposed Issue of Remuneration Shares.

7.8. Sale of Remuneration Shares

In compliance with the requirement for the Company to maintain a public float of 10% pursuant to Rule 723 of the Listing Manual, Mr Liew has agreed to sell, and will direct the Company to issue, the Remuneration Shares to his nominee, Mr Lee Tiam Nam ("**Mr Lee**"). Mr Lee is the Executive Chairman of Grand Venture Technology Limited, a Catalist-listed company, where Mr Liew is the Lead Independent Director of. Save as disclosed in this announcement, Mr Lee has confirmed to the Company that he is not related to the Investor, the Group, the Directors, the substantial Shareholders or their respective associates. Mr Lee does not belong to any of the categories of persons under Rule 812 of the Listing Manual.

8. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

The *pro forma* financial effects of the Proposed Issue of Convertible Loan Note, the Proposed Grant of Options, the Proposed Issue of Settlement Shares, the Proposed Issue of UOB Convertible Bonds and the Proposed Issue of Remuneration Shares (collectively, the "**Proposed Transactions**") on the Company's share capital and the Group's net tangible assets ("**NTA**") or net tangible liabilities ("**NTL**") per share and earnings or loss per share ("**EPS**" or "**LPS**") as set out below are strictly for illustrative purposes and are not indicative of the actual financial position and results of the Group following the Proposed Transactions.

As at the date of this announcement, the share capital of the Company is S\$114,461,000 comprising 5,619,432,579 Shares, excluding 470,000 treasury shares.

Upon completion of the Proposed Transactions, and the allotment and issue on a maximum basis of the (a) Conversion Shares pursuant to the conversion of the Convertible Loan Note, (b) Option Shares pursuant to the exercise of all Options to the Investor, (c) Settlement Shares, (d) UOB Conversion Shares and (e) Remuneration Shares, the Company will have an enlarged issued share capital of approximately S\$128,435,000 comprising approximately 14,966,541,389 Shares. When issued on a maximum basis, the Conversion Shares, Option Shares, Settlement Shares, UOB Conversion Shares and Remuneration Shares represent approximately 0.12 time of the issued share capital of the Company as at the date of this announcement, and would represent approximately 62.5% of the Enlarged Share Capital of the Company.

The *pro forma* financial effects have been prepared based on the latest audited financial results of the Group for the financial year ended 31 December 2019, and on the following bases and assumptions:

- (a) interest on the Group's vessel loans for the financial year ended 31 December 2020 are charged to the Group on 31 December 2020;
- (b) the Convertible Loan Note is converted into Conversion Shares;
- (c) the Group raises gross proceeds of approximately S\$9,000,000 from the exercise of all Options;
- (d) the Settlement Shares, UOB Conversion Shares and Remuneration Shares are issued on a maximum basis; and
- (e) the expenses incurred for the Proposed Transactions are not considered for the purposes of computing the financial effects.

8.1. Share Capital

	Number of Shares (excluding treasury shares)
Before the Proposed Transactions	5,619,432,579
After completion of the Proposed Transactions ⁽¹⁾	6,271,035,308
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the (a) UOB Conversion Shares, (b) Conversion Shares and (c) Option Shares ⁽²⁾	14,966,541,389

Notes:

- (1) 586,211,427 Settlement Shares and 65,391,302 Remuneration Shares will be issued upon the completion of the Proposed Transactions (assuming that the Mandatory Conversion Conditions are not satisfied on or before the Completion Date).
- (2) An additional 2,054,794,520 Conversion Shares, 6,164,383,561 Option Shares and 476,328,000 UOB Conversion Shares will be issued upon the conversion of the Convertible Loan Note, exercise of all Options and the conversion of the principal amount of the UOB Convertible Bonds.

8.2. NTA or NTL per Share

Assuming that the Proposed Transactions were completed on 31 December 2019, the *pro forma* financial effects on the Group's NTA/NTL per Share would be as follows:

	(NTL)/NTA (S\$'000)	Number of Shares ('000)	(NTL)/NTA per Share (Singapore cents)
Before the Proposed Transactions	7,139	5,619,433	0.13
After completion of the Proposed Transactions ⁽¹⁾	7,688	6,271,035	0.12
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the UOB Conversion Shares ⁽²⁾	8,522	6,747,363	0.13
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the (a) UOB Conversion Shares ⁽²⁾ and (b) Conversion Shares ⁽³⁾	11,522	8,802,158	0.13

	(NTL)/NTA (S\$'000)	Number of Shares (‘000)	(NTL)/NTA per Share (Singapore cents)
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the (a) UOB Conversion Shares ⁽²⁾ , (b) Conversion Shares ⁽³⁾ and (c) Option Shares ⁽⁴⁾	20,522	14,966,542	0.14

Notes:

- (1) 586,211,427 Settlement Shares and 65,391,302 Remuneration Shares will be issued upon the completion of the Proposed Transactions (assuming that the Mandatory Conversion Conditions are not satisfied on or before the Completion Date).
- (2) An additional 476,328,000 UOB Conversion Shares will be issued upon the conversion of the full principal amount of the UOB Convertible Bonds.
- (3) An additional 2,054,794,520 Conversion Shares will be issued upon the conversion of the Convertible Loan Note.
- (4) An additional 6,164,383,561 Option Shares will be issued upon the exercise of all Options.

8.3. EPS or LPS

Assuming that the Proposed Transactions were completed on 1 January 2019, the *pro forma* financial effects on the Group's earnings / loss per Share would be as follows:

	Profit / (Loss) before income tax (S\$'000)	Weighted average number of Shares (‘000)	EPS / (LPS) (Singapore cents)
Before the Proposed Transactions	(16,881)	5,619,433	(0.30)
After completion of the Proposed Transactions ⁽¹⁾	(16,881)	6,271,035	(0.27)
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the UOB Conversion Shares ⁽²⁾	(16,881)	6,747,363	(0.25)
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the (a) UOB Conversion Shares ⁽²⁾ and (b) Conversion Shares ⁽³⁾	(16,881)	8,802,158	(0.19)

	Profit / (Loss) before income tax (S\$'000)	Weighted average number of Shares (‘000)	EPS / (LPS) (Singapore cents)
After completion of the Proposed Transactions ⁽¹⁾ and allotment and issue on a maximum basis of the (a) UOB Conversion Shares ⁽²⁾ , (b) Conversion Shares ⁽³⁾ and (c) Option Shares ⁽⁴⁾	(16,881)	14,966,542	(0.11)

Notes:

- (1) 586,211,427 Settlement Shares and 65,391,302 Remuneration Shares will be issued upon the completion of the Proposed Transactions (assuming that the Mandatory Conversion Conditions are not satisfied on or before the Completion Date).
- (2) An additional 476,328,000 UOB Conversion Shares will be issued upon the conversion of the full principal amount of the UOB Convertible Bonds.
- (3) An additional 2,054,794,520 Conversion Shares will be issued upon the conversion of the Convertible Loan Note.
- (4) An additional 6,164,383,561 Option Shares will be issued upon the exercise of all Options.

9. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this announcement, none of the Directors and to the best of the knowledge of the Directors, none of the controlling shareholders of the Company have any interest, direct or indirect, in the Proposed Transactions, other than through their respective directorships and shareholdings in the Company, if any.

10. WHITEWASH WAIVER

10.1. Under Rule 14.1 of the Takeover Code, except with the consent of the SIC, where:

- (a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company; and
- (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1% of the voting rights,

such person must extend offers immediately to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares (including, where applicable, to make a general offer for the downstream companies held by such company) (a “**Mandatory Offer**”). In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

- 10.2. Assuming the conversion of the Convertible Loan Note and exercise of all Options, the Investor will hold approximately 8,219,178,081 Shares representing approximately 54.9% of the enlarged issued share capital of the Company after the completion of the Proposed Transactions and the allotment and issue on a maximum basis of the (a) Conversion Shares, (b) Option Shares and (c) UOB Conversion Shares. This triggers the requirement for the Investor and its concert parties to make a Mandatory Offer, unless the Whitewash Waiver is obtained and independent Shareholders approve at an EGM to be convened for, *inter alia*, the Whitewash Waiver.
- 10.3. The Company will in due course submit an application to the SIC to seek the Whitewash Waiver for the Investor and its concert parties to make a Mandatory Offer as a result of the Proposed Issue of Convertible Loan Note and the Proposed Grant of Options and the allotment and issue of the (a) Conversion Shares pursuant to the conversion of the Convertible Loan Note, (b) Option Shares pursuant to the exercise of all Options to the Investor, and will make the necessary announcements upon receipt of the Whitewash Waiver from the SIC.

11. REGULATORY AND SHAREHOLDER APPROVALS REQUIRED

- 11.1. The Proposed Issue of Convertible Loan Note and the Proposed Grant of Options are subject to the conditions precedent as set out in the Convertible Loan Note Agreement and the Options Agreement, and includes the following:
- (a) the Whitewash Waiver granted by the SIC; and
 - (b) approval of Shareholders for, *inter alia*, the Proposed Issue of Convertible Loan Note, the Proposed Grant of Options (including the transfer of controlling interest in the Company to the Investor), the Debt Conversion, the approval of the independent Shareholders for the Whitewash Waiver and the proposed appointment of a nominee of the Investor as a Director, at the EGM to be convened.
- 11.2. The Company will also be seeking specific Shareholders' approval for the Proposed Issue of Remuneration Shares.
- 11.3. A circular to Shareholders containing, *inter alia*, further information on the Proposed Transactions and the report from an independent financial adviser in relation to the Whitewash Waiver, together with the notice of the EGM, will be despatched to Shareholders in due course.
- 11.4. The Company will in due course apply to the SGX-ST for the listing and quotation of the (a) Conversion Shares when issued pursuant to conversion of the Convertible Loan Note; (b) Option Shares when issued pursuant to the exercise of all Options; (c) Settlement Shares; (d) UOB Conversion Shares when issued pursuant to conversion of the UOB Convertible Bonds and (e) Remuneration Shares, on the Main Board of the SGX-ST, and will make the necessary announcements upon receipt of the approval in-principle of the SGX-ST for the listing and quotation of the Conversion Shares, the Option Shares, the Settlement Shares, the UOB Conversion Shares and the Remuneration Shares.
- 11.5. Based on the Proposed Transactions as disclosed herein, the Company will also be submitting an application to the SGX-ST for the resumption of trading of the Shares on the SGX-ST.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Convertible Loan Note Agreement, the Options Agreement, the RHB Agreement, the SIF Agreement and the UOB Agreement are available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. at the registered office of the Company at 6 Clementi Loop, Singapore 129814 for a period of three (3) months commencing from the date of this announcement.

Due to the mandatory safe distancing measures issued by the Singapore Ministry of Health in relation to the COVID-19 outbreak, please contact the Company at +65 6463 8666 prior to making any visits to arrange for a suitable time slot for the inspection

13. DIRECTORS' RESPONSIBILITY STATEMENT

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

14. FURTHER ANNOUNCEMENTS

The Company will make further announcements, in compliance with the requirements of the Listing Manual, when there are material developments in respect of the Proposed Transactions.

15. CAUTIONARY STATEMENT

Shareholders should note that the Proposed Transactions remain subject to, amongst others, the fulfilment of the conditions precedent under the definitive agreements entered into. **There is no certainty or assurance that the conditions precedent for the Proposed Transactions can be fulfilled or that the Proposed Transactions will be undertaken at all.** Although the Company's Shares are under suspension, shareholders, securityholders and investors are advised to read this announcement and any past and future announcements by the Company carefully when dealing with the shares and securities of the Company. Shareholders, securityholders, and investors should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take or when dealing with their shares or securities of the Company.

By Order of the Board

Mr Liew Yoke Pheng Joseph
Executive Chairman and Chief Executive Officer
21 December 2020