

CIRCULAR DATED 2 DECEMBER 2019

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, or any other professional adviser(s) immediately.**

Unless otherwise stated, capitalised terms on this cover are defined in this Circular under the section entitled “DEFINITIONS”.

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Circular together with the Notice of Extraordinary General Meeting (“EGM”) and the accompanying Proxy Form to the purchaser or transferee, or to the bank, stockbroker or agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

In-principle approval has been granted by the SGX-ST to the Company for the listing of and quotation for the Rights Shares, the Warrants and the New Shares on the SGX-ST, subject to certain conditions. Official quotation of the Rights Shares, the Warrants and the New Shares on the SGX-ST will commence after all conditions imposed by the SGX-ST are satisfied.

The in-principle approval granted by the SGX-ST for the admission of, listing of and quotation for the Rights Shares, the Warrants and the New Shares is not to be taken as an indication of the merits of the Rights cum Warrants Issue, the Rights Shares, the Warrants, the New Shares, the Shares, the Company and/or its subsidiaries.

**The Company was placed on the SGX-ST Watch-List under the MTP entry criteria pursuant to Rule 1311(2) of the Listing Manual on 5 June 2017. Shareholders should note that the Company must satisfy the criteria set out in Section 2.1 of this Circular in order to avoid delisting. Should the Company be unable to satisfy the criteria set out in Section 2.1 of this Circular by 4 June 2020 being 36 months from the date on which it was placed on the SGX-ST Watch-List, the SGX-ST may either remove the Company from the Official List of the SGX-ST, or suspend trading of the Shares with a view to removing the Company from the Official List of the SGX-ST. Please refer to Section 2 of this Circular for more information including the Company’s efforts and plans to exit the MTP Watch-List.**

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



## VIBROPOWER CORPORATION LIMITED

(Company Registration No. 200004436E)  
(Incorporated in the Republic of Singapore)

### CIRCULAR TO SHAREHOLDERS

#### IN RELATION TO

- (A) **THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS CUM WARRANTS ISSUE OF UP TO 17,975,428 NEW ORDINARY SHARES OF THE COMPANY (“THE RIGHTS SHARES”) AT AN ISSUE PRICE OF S\$0.10 FOR EACH RIGHTS SHARE WITH UP TO 17,975,428 FREE DETACHABLE AND TRANSFERABLE WARRANTS (THE “WARRANTS”), EACH WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) NEW ORDINARY SHARE IN THE CAPITAL OF THE COMPANY (“NEW SHARE”) AT AN EXERCISE PRICE OF S\$0.10 FOR EACH NEW SHARE, ON THE BASIS OF ONE (1) RIGHTS SHARE WITH ONE (1) WARRANT FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF THE COMPANY HELD AS AT THE BOOKS CLOSURE DATE TO BE DETERMINED, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED; AND**
- (B) **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER OF THE RIGHTS OF THE INDEPENDENT SHAREHOLDERS TO RECEIVE A MANDATORY GENERAL OFFER FROM THE UNDERTAKING SHAREHOLDERS**

*Independent Financial Adviser in relation to the Whitewash Resolution*



**RHB Securities Singapore Pte. Ltd.**  
**RHB Securities Singapore Pte. Ltd.**  
(Company Registration No. 198701140E)  
(Incorporated in the Republic of Singapore)

#### IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	: 15 December 2019 at 9:30 a.m.
Date and time of Extraordinary General Meeting	: 17 December 2019 at 9:30 a.m.
Place of Extraordinary General Meeting	: 38 Tuas Crescent, Singapore 638725

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## DEFINITIONS

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

- “ARE”** : Application and acceptance form for Rights Shares with Warrants and Excess Rights Shares with Warrants to be issued to Entitled Depositors in respect of their provisional allotments of Rights Shares with Warrants under the Rights cum Warrants Issue
- “ARS”** : Application and acceptance form for Rights Shares with Warrants to be issued to Purchasers of the provisional allotments of Rights Shares with Warrants under the Rights cum Warrants Issue traded on the SGX-ST through the book-entry (scripless) settlement system
- “ATM”** : Automated teller machine
- “Act” or “Companies Act”** : Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
- “associate”** : (a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
- (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and
- (b) In relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more,
- or such other definition as the Listing Manual may from time to time prescribe
- “Authority”** : Monetary Authority of Singapore
- “Board” or “Board of Directors” or “Directors”** : The Directors of the Company as at the Latest Practicable Date
- “Books Closure Date”** : The time and date to be determined by the Directors and announced by the Company in due course, at and on which the Register of Members and Share Transfer Books of the Company will be closed to determine the provisional allotments of Rights Shares with Warrants to Entitled Shareholders under the Rights cum Warrants Issue and, in

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## DEFINITIONS

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		the case of Entitled Depositors, at and on which their provisional allotments under the Rights cum Warrants Issue will be determined
<b>“Business Day”</b>	:	A day on which the banks in Singapore are open for business (excluding Saturdays, Sundays and gazette public holidays)
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Circular”</b>	:	This circular to Shareholders dated 2 December 2019 (including its appendices)
<b>“Closing Date”</b>	:	The time and date to be determined by the Directors and announced by the Company in due course, being the last time and date for acceptance of and/or excess application and payment for, (and in the case of Entitled Scripholders, renunciation and payment for) the Rights Shares with Warrants under the Rights cum Warrants Issue
<b>“Code”</b>	:	The Singapore Code on Take-overs and Mergers, as may be amended or modified from time to time
<b>“Company”</b>	:	VibroPower Corporation Limited
<b>“Constitution”</b>	:	The constitution of the Company, as amended, modified or supplemented from time to time
<b>“control”</b>	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
<b>“controlling shareholder”</b>	:	A person who:  (a) holds directly or indirectly 15% or more of the voting shares in a company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder of the company; or  (b) in fact exercises control over a company
<b>“CPF”</b>	:	Central Provident Fund
<b>“Deed Poll”</b>	:	The deed poll to be executed by the Company constituting the Warrants (as the same may be amended, modified or supplemented from time to time) and containing, among others, provisions for the protection of the rights and interests of the Warranholders
<b>“Designated Account”</b>	:	The bank account to be specified and operated by the Company and maintained with a bank in Singapore for the purpose of crediting moneys received from the exercising Warranholders in satisfaction of the Exercise Price in relation to the Warrants exercised by such exercising Warranholders
<b>“EGM”</b>	:	The extraordinary general meeting of the Company, to be convened and held on 17 December 2019

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- “Entitled Depositors”** : Shareholders with Shares entered against their names in the Depository Register maintained by CDP as at the Books Closure Date and whose registered addresses with CDP are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure 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 CDP and who have tendered to the Share Registrar valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date and whose registered addresses with the Company are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure Date, provided the Share Registrar 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 with Warrants”** : The provisional allotments of Rights Shares with Warrants, which are available for application by Entitled Shareholders, subject to the terms and conditions in the ARE, the Offer Information Statement and the Constitution, comprising Rights Shares with Warrants not validly taken up by the Entitled Shareholders, the original allottee(s) or their respective renounee(s) or Purchasers, together with any Rights Shares with Warrants that are otherwise not allotted for whatever reason in accordance with the terms and conditions contained in the ARE, the Offer Information Statement and the Constitution
- “Exercise Period”** : The period during which the Warrants may be exercised commencing on and including the date of issue of the Warrants and expiring at 5.00 p.m. (Singapore time) on the date immediately preceding the fifth (5th) anniversary of the date of issue of the Warrants, unless such date is a date on which the Register of Members and/or Register of Warranholders of the Company is/are closed or is not a Market Day, in which event the Warrants shall expire on the date prior to the closure of the Register of Members and/or Register of Warranholders of the Company or on the immediately preceding Market Day, as the case may be (but excluding such period(s) during which the Register of Members and/or Register of Warranholders of the Company may be closed)
- “Exercise Price”** : The sum payable in respect of each New Share to which the Warranholder will be entitled to subscribe upon the exercise of a Warrant and which shall be S\$0.10, subject to certain adjustments in accordance with the terms and conditions of the Warrants to be set out in the Deed Poll
- “Exercise Proceeds”** : The estimated gross proceeds raised from the exercise of the Warrants into New Shares

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“Existing Issued Share Capital”	:	The existing issued and paid-up share capital of the Company comprising 35,950,856 Shares (excluding 1,076,800 treasury shares) as at the Latest Practicable Date
“Foreign Purchasers”	:	Persons purchasing the provisional allotments of Rights Shares with Warrants under the Rights cum Warrants Issue through the book-entry (scripless) settlement system whose registered addresses with CDP are outside Singapore
“Foreign Shareholders”	:	Shareholders purchasing the provisional allotments of Rights Shares with Warrants under the Rights cum Warrants Issue traded on the SGX-ST through the book-entry (scripless) settlement system and whose registered addresses with CDP are outside Singapore and who had not, at least three (3) Market Days prior to the Books Closure Date, provided to CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents
“FY”	:	Financial year ended or ending 31 December
“Group”	:	The Company and its subsidiaries, collectively for the time being
“HY”	:	Financial year ended or ending 30 June
“IFA”	:	RHB Securities Singapore Pte. Ltd., the independent financial adviser to the Independent Directors in relation to the Whitewash Resolution
“IFA Letter”	:	The letter dated 2 December 2019 from the IFA to the Independent Directors in relation to the Whitewash Resolution as set out in Appendix A to this Circular
“Independent Directors”	:	The Directors who are considered independent for the purpose of making the recommendation to the Independent Shareholders in respect of the Whitewash Resolution, namely, Ernest Yogarajah S/O Balasubramaniam and Toh Shih Hua
“Independent Shareholders”	:	Shareholders who are deemed to be independent for the purpose of the Whitewash Resolution, being Shareholders other than (i) the Undertaking Shareholders, (ii) parties acting in concert with the Undertaking Shareholders, and (iii) parties not independent of the persons mentioned in (i) and (ii) of this definition for the purpose of the Whitewash Resolution
“Irrevocable Undertakings”	:	The irrevocable undertakings of the Undertaking Shareholders set out in the deeds of undertaking dated 30 September 2019 given by the Undertaking Shareholders in favour of the Company as described in section 3.7 of this Circular, and each an “ <b>Irrevocable Undertaking</b> ”
“Issue Price”	:	The issue price of the Rights Shares, being S\$0.10 for each Rights Share

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“Last Traded Price”	:	The closing price of S\$0.112 per Share on the SGX-ST on 26 August 2019 (being the last Market Day on which the Shares were traded on the SGX-ST immediately prior to the release of the Rights cum Warrants Issue Announcement)
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 22 November 2019
“Listing Manual”	:	The listing manual of the SGX-ST, as amended, modified or supplemented from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“MTP”	:	Minimum trading price
“Net Proceeds”	:	Has the meaning ascribed to it in Section 3.6.2 of this Circular
“New Shares”	:	Up to 17,975,428 new Shares to be allotted and issued by the Company upon the exercise of the Warrants, subject to and in accordance with the terms and conditions of the Warrants to be set out in the Deed Poll, each a “New Share”
“Notice of EGM”	:	The notice of EGM (or any adjournment thereof) which is set out on pages 72 to 74 of this Circular
“NTA”	:	Net tangible assets
“Offer Information Statement”	:	The offer information statement to be issued by the Company in respect of the Rights cum Warrants Issue, together with the PAL, the ARE or the ARS (as the case may be) and all other accompanying documents issued by the Company, including, where the context admits, any supplementary or replacement document which may be issued by the Company and lodged with the Authority in connection with the Rights cum Warrants Issue
“Ordinary Resolution 1”	:	The proposed ordinary resolution to approve the Rights cum Warrants Issue
“Ordinary Resolution 2”	:	The proposed Whitewash Resolution
“PAL”	:	The provisional allotment letter to be issued to the Entitled Scripholders, setting out the provisional allotment of Rights Shares with Warrants of such Entitled Scripholders under the Rights cum Warrants Issue
“Participating Bank(s)”	:	The bank(s) that will be participating in the Rights cum Warrants Issue by making available their 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 with Warrants and/or applications for Excess Rights Shares with Warrants, as the case may be, to be made under the Rights cum Warrants Issue



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<b>“Proposed Resolutions”</b>	:	Ordinary Resolution 1 and Ordinary Resolution 2
<b>“Proxy Form”</b>	:	The proxy form attached to the Notice of EGM
<b>“Purchasers”</b>	:	Persons purchasing the provisional allotments of Rights Shares with Warrants under the Rights cum Warrants Issue through the book-entry (scripless) settlement system
<b>“Record Date”</b>	:	In relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered with the Company or the Securities Account of Shareholders must be credited with Shares, as the case may be, in order to participate in such dividends, rights, allotments or other distributions
<b>“Register of Members”</b>	:	Register of members of the Company
<b>“Register of Warranholders”</b>	:	Register of Warranholders required to be maintained pursuant to the Deed Poll
<b>“Registrar”</b>	:	The Registrar of Companies appointed under the Companies Act and includes any Deputy or Assistant Registrar of Companies
<b>“Rights cum Warrants Issue”</b>	:	The proposed renounceable non-underwritten rights cum warrants issue of up to 17,975,428 Rights Shares at the Issue Price, with up to 17,975,428 Warrants, each Warrant carrying the right to subscribe for one (1) New Share at the Exercise Price, on the basis of one (1) Rights Share with one (1) Warrant for every two (2) existing Shares held by Entitled Shareholders as at the Books Closure Date
<b>“Rights cum Warrants Issue Announcement”</b>	:	The announcement issued by the Company on 1 October 2019 in relation to the Rights cum Warrants Issue
<b>“Rights Shares”</b>	:	Up to 17,975,428 new Shares to be allotted and issued by the Company pursuant to the Rights cum Warrants Issue, each a “Rights Share”
<b>“Securities Account”</b>	:	A securities account maintained by a Depositor with the CDP, but does not include a securities sub-account maintained with a Depository Agent
<b>“Securities and Futures Act”</b>	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
<b>“SGX-ST”</b>	:	The Singapore Exchange Securities Trading Limited
<b>“SGXNET”</b>	:	The SGXNET Corporate Announcement System, being a system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST



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## DEFINITIONS

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<b>“Shareholders”</b>	:	Registered holders of Shares in the Register of Members, or where the registered holder is the CDP, the term <b>“Shareholders”</b> shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by the CDP whose Securities Accounts are credited with those Shares
<b>“Share Registrar” or “Warrant Agent”</b>	:	Boardroom Corporate & Advisory Services Pte Ltd
<b>“Shares”</b>	:	Ordinary shares in the capital of the Company, and each a <b>“Share”</b>
<b>“SIC”</b>	:	Securities Industry Council of Singapore
<b>“SIC Conditions”</b>	:	Conditions imposed by the SIC to which the Whitewash Waiver is subject, details of which are set out in Section 4.3 of this Circular
<b>“Singapore”</b>	:	Republic of Singapore
<b>“SRS”</b>	:	Supplementary Retirement Scheme
<b>“Substantial Shareholder”</b>	:	A person (including a corporation) who holds, directly or indirectly, 5% or more of the total issued shares (excluding treasury shares) of a company
<b>“Transfer Form”</b>	:	A transfer form as prescribed by the Company from time to time for the transfer of Warrant(s)
<b>“Transferor”</b>	:	A Warrantholder whose Warrants are registered otherwise than in the name of CDP and who intends to transfer his or her Warrant(s)
<b>“Undertaking Entitlement”</b>	:	An aggregate of 4,820,960 Rights Shares with 4,820,960 Warrants (the aggregate value of which is S\$482,096 based on the Issue Price) to be provisionally allotted to Undertaking Shareholders on the basis of their existing shareholdings in the Company as at the Latest Practicable Date
<b>“Undertaking Excess Application”</b>	:	Up to a maximum of 13,154,468 Rights Shares with up to a maximum of 13,154,468 Warrants (the aggregate value of which is S\$1,315,446.80 based on the Issue Price) which are not taken up by the other Shareholders who are eligible to participate in the Rights cum Warrants Issue or their renounces by way of acceptances and/or excess applications (subject to availability) undertaken to be subscribed by Benedict Chen Onn Meng by way of excess application pursuant to his Irrevocable Undertaking
<b>“Undertaking Shareholders”</b>	:	Benedict Chen Onn Meng and Chen Siew Meng
<b>“Warrantholders”</b>	:	Registered holders of Warrants, except that where CDP is the registered holder, the term <b>“Warrantholders”</b> shall, in relation to those Warrants, mean the Depositors whose Securities Accounts are credited with such Warrants

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## DEFINITIONS

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- “Warrants”** : Up to 17,975,428 free detachable and transferable warrants in registered form to be issued by the Company together with the Rights Shares pursuant to the Rights cum Warrants Issue, and (where the context so admits) such additional warrants as may be required or permitted to be issued by the Company pursuant to the terms and conditions of the warrants to be set out in the Deed Poll (any such additional warrants to rank *pari passu* with the warrants to be issued together with the Rights Shares and for all purposes to form part of the same series of warrants constituted by the Deed Poll), each a “Warrant”, with each Warrant entitling the holder thereof to subscribe for one (1) New Share at the Exercise Price, subject to the terms and conditions to be set out in the Deed Poll
- “Whitewash Resolution”** : The proposed whitewash resolution for the waiver by the Independent Shareholders of their rights to receive a mandatory general offer from the Undertaking Shareholders pursuant to Rule 14 of the Code as a result of the Undertaking Shareholders’ subscription of the Rights Shares with Warrants (including Excess Rights Shares with Warrants) under the Rights cum Warrants Issue and their exercise of the Warrants into New Shares
- “Whitewash Waiver”** : The waiver of the requirement for the Undertaking Shareholders to make a mandatory general offer for all the issued Shares in the capital of the Company not already owned or controlled by them as a result of subscription of the Rights Shares with Warrants (including Excess Rights Shares with Warrants) under the Rights cum Warrants Issue pursuant to the Irrevocable Undertakings and their exercise of the Warrants into New Shares

### **Currencies, Units and Others**

- “S\$” and “cents”** : Singapore dollars and cents, respectively, being the lawful currency of Singapore
- “%” or “percent”** : Percentage or per centum

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

**Subsidiaries and related corporations.** The terms “**subsidiaries**” and “**related corporations**” shall have the meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act.

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

**Time and date.** Any reference to a time of day and date in this Circular is made by reference to Singapore time and date, unless otherwise stated.

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## DEFINITIONS

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

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

**Rounding.** Any discrepancies in figures included in this Circular between the amounts listed and their actual values are due to rounding. Accordingly, figures may have been adjusted to ensure that totals or sub-totals shown, as the case may be, reflect an arithmetic aggregation of the figures that precede them.

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## LETTER TO SHAREHOLDERS

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### VIBROPOWER CORPORATION LIMITED

(Company Registration Number 200004436E)  
(Incorporated in the Republic of Singapore)

#### Directors

Benedict Chen Onn Meng *(Chief Executive Officer and Chairman)*  
Ernest Yogarajah S/O *(Independent and Non-Executive Director)*  
Balasubramaniam  
Toh Shih Hua *(Independent and Non-Executive Director)*

#### Registered Office:

11 Tuas Avenue 16  
Singapore 638929

2 December 2019

To: The Shareholders of **VIBROPOWER CORPORATION LIMITED**

Dear Sir/Madam

#### (A) RIGHTS CUM WARRANTS ISSUE

#### (B) WHITEWASH RESOLUTION

#### 1. INTRODUCTION

##### 1.1. Extraordinary General Meeting

The Directors are convening the EGM to be held on 17 December 2019 to seek:

- (a) the Shareholders' approval for the Rights cum Warrants Issue, including the allotment and issue of the Rights Shares, the Warrants and the New Shares; and
  - (b) Independent Shareholders' approval for the Whitewash Resolution,
- (collectively, the "**Proposed Resolutions**").

The Notice of EGM is set out on pages 72 to 74 of this Circular.

##### 1.2. Inter-conditionality

**Shareholders should note that the ordinary resolutions for the matters set out in Sections 1.1(a) and (b) above are inter-conditional of each other. If any of the ordinary resolutions are not passed, the Rights cum Warrants Issue would not take place.**

##### 1.3. Purpose of this Circular

The purpose of this Circular is to provide Shareholders with the relevant information on, explain the rationale for, and to seek Shareholders' approvals in relation to the Proposed Resolutions at the forthcoming EGM to be held at 38 Tuas Crescent, Singapore 638725 on 17 December 2019 at 9:30 a.m.

**Shareholders are advised that the SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.**

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## LETTER TO SHAREHOLDERS

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### 2. SGX-ST WATCH-LIST

#### 2.1. Placement on the SGX-ST Watch-List

The Company was placed on the SGX-ST Watch-List under the MTP entry criteria pursuant to Rule 1311(2) of the Listing Manual on 5 June 2017. Under Rule 1315 of the Listing Manual, the Company is required to take active steps to meet the requirements of Rule 1314 of the Listing Manual for removal from the SGX-ST Watch-List. Rule 1314 of the Listing Manual requires the Company to record a volume-weighted average price of at least S\$0.20 and an average daily market capitalisation of S\$40 million or more over the last six (6) months.

As at the Latest Practicable Date, the Shares continue to be traded and listed on the Official List of the SGX-ST.

#### 2.2. Failure to Meet Requirements

**Shareholders should note that the Company must satisfy the criteria set out in Section 2.1 of this Circular in order to avoid delisting. Should the Company be unable to satisfy the criteria set out in Section 2.1 of this Circular by 4 June 2020 being 36 months from the date on which it was placed on the SGX-ST Watch-List, the SGX-ST may either remove the Company from the Official List of the SGX-ST, or suspend trading of the Shares with a view to removing the Company from the Official List of the SGX-ST.**

#### 2.3. Steps Taken by the Company to Improve its Financial Circumstances

The Company has taken the following steps to improve its financial circumstances since being placed on the SGX-ST Watch-list on 5 June 2017:

- (a) While it has not made any acquisitions over the past 2 years, the Group has been actively looking at the acquisition of and/or strategic investment in similar businesses in Southeast Asia. The Group is exploring investments in similar businesses but have not reached any conclusive agreements at this time. Should there be any meaningful or material developments, the Company will make the necessary announcements.

The Group will consider making acquisitions of and/or strategic investments in similar businesses that require an initial capital investment not exceeding S\$1.2 million in aggregate. If such acquisitions and/or strategic investments materialise, the Group plans to finance the initial capital investment required for such acquisitions and/or strategic investments of up to S\$1.2 million from the proceeds of the Rights cum Warrants Issue, and finance the subsequent capital requirements of such acquisitions and/or strategic investments via a combination of the remaining proceeds (if any and as allocated for such use) raised from the Rights cum Warrants Issue, cash at hand, bank loans, or the issuance of new Shares, depending on the prevailing circumstances. Based on the size of such future acquisitions or investments, the Company will arrange for a funding structure that best suits the Company's requirements.

- (b) On 17 January 2018, the Company announced that the Company's wholly-owned subsidiary, Shanxi Weineng Coal Mine Gas Development Co., Ltd. resumed its operation supply of electricity in January 2018 and obtained approval from the relevant authority to increase the electricity capacity from 8 MW to 20MW. The subsidiary generated and contributed a revenue of S\$535,000 in the first 3 months of the financial year ended 31 December 2019. The subsidiary has since April 2019 been upgrading its existing power plant and has yet to complete the upgrade. The upgrade is expected to be completed by first quarter of next financial year and hence, the subsidiary is expected to contribute positively to the Group's revenue for the next financial year after it re-commences operations with an increased capacity following completion of the upgrade; and

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## LETTER TO SHAREHOLDERS

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- (c) On 27 February 2019, the Company issued a media release that its subsidiary Scott & English Pte Ltd has secured distribution rights for a range of Lister Petter Power Systems Limited products. The Lister Petter exclusive distributorship will add to the Group's marketing reach and business potential. Lister Petter distributes their engines globally through distributorship agreements. For markets which the Group does not have a direct presence in, the Group will be able to tap on Lister Petter's existing customer base and offer their existing customers a wider range of products, which Lister Petter may not carry at this time. For markets which the Group has a direct presence in, the Group will, with the Lister Petter distribution rights, be able to offer existing and new customers an even wider range of products to address their power needs.

The Group has been promoting the brand awareness of the Lister Petter products via marketing activities in the markets which the Group has the distribution rights. The Group has had some initial success with promoting Lister Petter products, which is expected to contribute positively to the Group's revenue for the next financial year.

The Group aims to improve its business, increase revenue and bottom line through the new Lister Petter distributorship, its power plant upgrading and acquisition of and/or strategic investment in similar businesses as described above.

The Company believes that the Rights cum Warrants Issue will put the Company in a better financial position to expand its business which in turn will improve its share price. While the Company would like to raise more than S\$1.54 million from the Rights cum Warrants Issue, taking into account the current market conditions and the effect on the Company's share capital as a result of the Rights cum Warrants Issue, the Company is of the view that the Net Proceeds represents an appropriate amount for its immediate needs should any potential investments materialise.

As market capitalization is a function of share price, once the Company's financial performance improves, the Company's management believes that the Company's market capitalization will also move in tandem.

**While the Company continues to make all efforts and consider various options, there is no assurance that the Company be able to satisfy the criteria set out in Section 2.1 of this Circular by 4 June 2020.**

### 2.4. Company's Market Capitalisation

The Company's market capitalisation as at the date the Company was placed on the SGX-ST Watch-List and as at the Latest Practicable Date are as follows:

	Date	Share price	No. of shares	Market capitalisation (S\$)
Date of placing the SGX-ST Watch-List	5/6/2017	0.26	35,950,856	9,347,223
Latest practicable date	22/11/2019	0.11	35,950,856	3,954,594

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### 2.5. Volume Weighted Average Price for the Company's shares

Six (6) month volume weighted average price ("VWAP") for the Company's shares and the closing price on the Latest Practicable Date are as follows:

	Share price
6-month VWAP	0.117
Closing price on the LPD	0.11

### 3. THE RIGHTS CUM WARRANTS ISSUE

#### 3.1. Introduction

On 1 October 2019, the Company announced that it is proposing to undertake the Rights cum Warrants Issue, subject to *inter alia*, the following:

- (a) the Whitewash Waiver being granted by the SIC;
- (b) the approval in-principle of the SGX-ST for the listing of and quotation of the Rights Shares, the Warrants and the New Shares on the SGX-ST, and such approval not having been withdrawn or revoked on or prior to the completion of the Proposed Rights cum Warrants Issue (other than in a case where the AIP for the listing of and quotation for the Warrants is revoked due to insufficient number of holders) and if such approval is granted subject to conditions, such conditions being acceptable to and fulfilled by the Company;
- (c) the Rights cum Warrants Issue including the issue of the Rights Shares, the Warrants and the New Shares being approved by Shareholders at the EGM;
- (d) the Whitewash Resolution being approved by the Independent Shareholders at the EGM; and
- (e) the lodgement of the Offer Information Statement, together with all other accompanying documents (if applicable) in respect of the Rights cum Warrants Issue, by the Company with the Authority.

An application was made by the Company, on behalf of the Undertaking Shareholders, to the SIC for, *inter alia*, the Whitewash Waiver. On 25 October 2019, the Company announced the receipt of the Whitewash Waiver granted by the SIC, subject to the satisfaction of certain conditions which are set out in Section 4.3 of this Circular.

On 20 November 2019, the Company announced that the SGX-ST had granted its in-principle approval for the listing of and quotation for the Rights Shares, the Warrants and the New Shares on the SGX-ST, subject to, *inter alia*, the following:

- (i) compliance with the SGX-ST's continuing listing requirements;
- (ii) Shareholders' approval for the Proposed Rights cum Warrants Issue and the Whitewash Resolution;
- (iii) a written undertaking from the Company that it will comply with Listing Rules 704(30), 815 and 1207(20) in relation to the use of the proceeds from the 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;
- (iv) a written undertaking from the Company that it will comply with Listing Rule 877(10) with regards to the allotment of any excess Rights Shares;



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- (v) a written confirmation from financial institution(s) as required under Listing Rule 877(9) that the undertaking shareholders who have given the irrevocable undertakings have sufficient financial resources to fulfil their obligations under its undertakings;
- (vi) a written confirmation from the Company that there is a satisfactory spread of warrant holders (at least 100) to provide an orderly market for the warrants in compliance with Listing Rule 826;
- (vii) a written confirmation from the Company that the terms of the warrant issue do not permit revision of the exercise price/ratio in any form, other than in compliance with Listing Rule 829(1); and
- (viii) a written undertaking from the Company that Listing Rules 820, 830 and 831 will be complied with.

The in-principle approval granted by the SGX-ST is not to be taken as an indication of the merits of the Rights cum Warrants Issue, the Rights Shares, the Warrants, the New Shares, the Shares, the Company and/or its subsidiaries. The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

### 3.2. Principal Terms of the Rights cum Warrants Issue

#### (1) Principal Terms of the Rights Shares

The principal terms of the Rights Shares are summarised below.

**Basis of provisional allotment** : One (1) Rights Share for every two (2) existing Shares held by Entitled Shareholders as at the Books Closure Date.

**Number of Rights Shares** : Based on the Existing Issued Share Capital of the Company of 35,950,856 issued Shares (excluding 1,076,800 treasury shares) as at the Latest Practicable Date, the Company is proposing to issue up to 17,975,428 Rights Shares with 17,975,428 Warrants pursuant to the Rights cum Warrants Issue.

Upon the allotment and issuance of the 17,975,428 Rights Shares, the Company will have an enlarged issued share capital comprising 53,926,284 Shares (excluding 1,076,800 treasury shares).

**Issue Price** : S\$0.10 for each Rights Share, payable in full on acceptance and/or application.

The Issue Price of S\$0.10 for each Rights Share and the Exercise Price of S\$0.10 for each New Shares represent:

- (a) a discount of approximately 10.71% to the closing price of S\$0.112 per Share on the SGX-ST on 26 August 2019 (being the last Market Day on which the Shares were traded on the SGX-ST immediately prior to the release of the Rights cum Warrants Issue Announcement) (the “**Last Traded Price**”); and

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- (b) a discount of approximately 7.41% to the theoretical ex-rights price<sup>1</sup> (“**TERP**”) of approximately S\$0.108 per Share based on the Last Traded Price.

Note:

- (1) The theoretical ex-rights price is the theoretical market price of each Share assuming all the Rights Shares are issued at the Issue Price, and is calculated based on the Last Traded Price, and the number of Shares following completion of the Rights cum Warrants Issue, disregarding any expenses or transaction costs. For the avoidance of doubt, the theoretical ex-rights price computations do not include the New Shares to be issued from the exercise of the Warrants.

- Status of the Rights Shares** : 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 then existing Shares for any dividends, rights, allotments or other distributions that may be declared or paid, the Record Date for which falls on or after the date of issue of the Rights Shares.
- Eligibility to participate in the Rights cum Warrants Issue** : Please refer to Section 3.4 of this Circular.
- Listing of the Rights Shares** : On 19 November 2019, the SGX-ST had granted its in-principle approval for the listing of and quotation for the Rights Shares on the SGX-ST, subject to certain conditions which are set out in Section 3.1 of this Circular. The in-principle approval granted by the SGX-ST for the listing of and quotation for the Rights Shares is not to be taken as an indication of the merits of the Rights cum Warrants Issue, the Rights Shares, the Warrants, the New Shares, the Shares, the Company and/or its subsidiaries.
- Trading of the Rights Shares** : Upon the listing of and quotation for the Rights Shares on the SGX-ST, the Rights Shares will be traded on the SGX-ST 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.
- Non-underwritten** : The Rights cum Warrants Issue is not underwritten.
- In view of the Irrevocable Undertakings and the savings in costs in respect of undertaking fees and commission, the Company has decided to proceed with the Rights cum Warrants Issue on a non-underwritten basis. The details of the Irrevocable Undertakings are set out in Section 3.7 of this Circular.

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## LETTER TO SHAREHOLDERS

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The Rights cum Warrants Issue will not be withdrawn after commencement of the ex-rights trading of the Shares pursuant to Rule 820(1) of the Listing Manual.

**Acceptance, excess application :  
and payment procedures**

Entitled Shareholders will be at liberty to accept, decline or otherwise renounce (in full or in part) or in the case of Entitled Depositors, trade their provisional allotments of the Rights Shares with Warrants on the SGX-ST during the provisional allotment trading period prescribed by the SGX-ST and will be eligible to apply for additional Rights Shares with Warrants in excess of their provisional allotments under the Rights cum Warrants Issue.

The basis of allotting any Excess Rights Shares with Warrants will be determined at the absolute discretion of the Directors. In the allotment of Excess Rights Shares with Warrants, preference will be given to the rounding of odd lots, and the Directors and Substantial Shareholders (including the Undertaking 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 cum Warrants Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares with Warrants. The Company will also not make any allotment and issuance of any Excess Rights Shares with Warrants that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting. Please refer to Section 3.5 of this Circular for more details.

The procedures for acceptance, payment and excess application by Entitled Depositors and the procedures for acceptance, payment, splitting, renunciation and excess application by Entitled Shareholders will be set out in the Offer Information Statement to be despatched to Entitled Shareholders in due course, subject to, *inter alia*, the Rights cum Warrants Issue being approved by Shareholders at the EGM.

**Governing law**

: Laws of the Republic of Singapore

The terms and conditions of the Rights cum Warrants Issue are subject to such changes as the Board may, in its absolute discretion, deem fit. As and when there are any changes to the terms and conditions of the Rights cum Warrants Issue, the Company will announce such changes on the SGXNET. The final terms and conditions of the Rights cum Warrants Issue will be contained in the Offer Information Statement to be lodged with the Authority in connection with the Rights cum

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Warrants Issue and to be despatched by the Company to the Entitled Shareholders in due course, subject to, *inter alia*, the approval of the Shareholders for the Rights cum Warrants Issue at the EGM.

### (2) Principal Terms of the Warrants and the New Shares

The principal terms of the Warrants and the New Shares are summarised below.

**Basis of provisional allotment** : One (1) free detachable Warrant for every one (1) Rights Share successfully subscribed.

**Number of Warrants to be issued** : Based on the Existing Issued Share Capital of the Company of 35,950,856 issued Shares (excluding 1,076,800 treasury shares) as at the Latest Practicable Date and assuming that (a) all Entitled Shareholders subscribe in full and pay for their *pro rata* entitlements of Rights Shares; and (b) there are no adjustments to the number of Warrants to be issued, up to 17,975,428 free detachable Warrants will be issued together with the 17,975,428 Rights Shares subscribed.

**Detachability and trading of the Warrants and the New Shares** : The Warrants will be detached from the Rights Shares on allotment and issue and will be listed and traded separately on the SGX-ST, under the book-entry (scripless) settlement system upon the listing and quotation of the Warrants on the SGX-ST, subject to, *inter alia*, there being a sufficient spread of holdings on the Warrants to provide for an orderly market in the Warrants. For the purposes of trading on the SGX-ST, each board lot of Warrants will consist of 100 Warrants or such other board lot size which the SGX-ST may require and as may be notified by the Company.

**Listing of the Warrants and the New Shares** : On 19 November 2019, the SGX-ST had granted its in-principle approval for the listing of and quotation for the Warrants and the New Shares on the SGX-ST, subject to certain conditions which are set out in Section 3.1 of this Circular. The in-principle approval granted by the SGX-ST for the listing of and quotation for the Warrants and the New Shares is not to be taken as an indication of the merits of the Rights cum Warrants Issue, the Rights Shares, the Warrants, the New Shares, the Shares, the Company and/or its subsidiaries.

Under Rule 826 of the Listing Manual, it is provided that as a guide, the SGX-ST expects at least 100 warrant holders for a class of company warrants for a sufficient spread of holdings of the warrants to provide for an orderly market in the trading of the warrants. **In the event that permission is not granted by the SGX-ST for the listing of and quotation for the Warrants because such condition is not met for any reason in respect**

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**of any Warrants issued, Warrantheolders should note that they will not be able to trade their Warrants on the SGX-ST.**

- Form and subscription rights** : The Warrants will be issued in registered form and will be constituted by the Deed Poll. Subject to the terms and conditions of the Warrants to be set out in the Deed Poll, each Warrant will entitle the Warrantheolder, at any time during the Exercise Period, to subscribe for one (1) New Share at the Exercise Price in force on the relevant exercise date.
- Exercise Price** : S\$0.10 for each New Share on the exercise of a Warrant, which price will be subject to adjustments under certain circumstances in accordance with the terms and conditions of the Warrants as set out in a Deed Poll. For avoidance of doubt, if the adjustment involves issue of additional Warrants, it is not deemed to be replacing the existing Warrants.
- Exercise Period** : The period during which the Warrants may be exercised commencing on and including the date of issue of the Warrants and expiring at 5.00 p.m. (Singapore time) on the date immediately preceding the fifth (5th) anniversary of the date of issue of the Warrants, unless such date is a date on which the Register of Members and/or Register of Warrantheolders of the Company is/are closed or is not a Market Day, in which event the Warrants shall expire on the date prior to the closure of the Register of Members and/or Register of Warrantheolders of the Company or on the immediately preceding Market Day, as the case may be, but excluding such period(s) during which the Register of Warrantheolders may be closed pursuant to the terms and conditions of the Warrants to be set out in the Deed Poll.
- The Deed Poll does not permit an extension of the Exercise Period. Unexercised Warrants at the expiry of the Exercise Period shall lapse and cease to be valid for any purpose.
- Notice of expiry of the Warrants shall be given to all Warrantheolders not later than one (1) month before the expiry date, and the Company shall announce the same on the SGXNET.
- Mode of payment for exercise of Warrants** : Warrantheolders who exercise their Warrants must pay the Exercise Price by way of remittance in Singapore currency by banker's draft or cashier's order drawn on a bank in Singapore in favour of the Company for the full amount of the monies payable in respect of the Warrant(s) exercised.

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**Adjustments to the Exercise Price and/or the number of Warrants** :

The Exercise Price and/or the number of Warrants to be held by each Warrantholder will, after their issue, be subject to adjustments under certain circumstances, which will be provided for in the terms and conditions of the Warrants to be set out in the Deed Poll. Such circumstances include:

(a) Consolidation, subdivision, or reclassification

Any consolidation, subdivision, or reclassification of the Shares; or

(b) Capitalisation issues

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 and including any capital redemption reserve fund) to its Shareholders (other than an issue of Shares in respect of which Shareholders may elect to receive Shares in lieu of cash or other dividend); or

(c) Capital distribution

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); or

(d) Rights issues

An offer or invitation made by the Company to its Shareholders under which they may acquire or subscribe for Shares by way of rights; or

(e) Issues at discount other than by way of rights

An issue (otherwise than pursuant to: (i) a rights issue available to all Shareholders and requiring an adjustment under sub-section (d) above; and (ii) an issue of Shares in respect of which Shareholders may elect to receive Shares in lieu of cash or other dividend) by the Company of Shares if the total effective consideration for each Share is less than ninety (90) per cent. of the average of the last dealt prices on the five (5) Market Days immediately preceding the date of announcement of the terms of such issue.

In any consolidation and reclassification of Shares, the Warrants will have to be replaced by new Warrants after such adjustment. Any additional warrants issued pursuant to such adjustments shall rank *pari passu* with the Warrants issued under the Rights cum Warrants Issue and will for all purposes

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form part of the same series. Any such adjustments shall be announced by the Company on SGXNET.

- Replacement of Warrant Certificates** : Should any Warrant Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Warrant Agent, upon payment by the claimant of the expenses incurred in connection therewith and the replacement fee of S\$2.00 (or such other sum being the replacement fee for the time being, which replacement fee shall not exceed the maximum sum for the time being prescribed by any applicable law) for every Warrant Certificate issued and on such terms as to evidence and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Warrant Certificate(s) in respect of the Warrants is subsequently exercised, there will be paid to the Company on demand the market value of the Warrants at the time of the replacement thereof) as the Company and/or the Warrant Agent may reasonably require. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued. The replacement Warrant Certificate(s) will be issued in the name of the registered holder of the Warrant Certificate(s) being replaced.
- Number of New Shares to be issued** : If all the 17,975,428 Warrants issued pursuant to the Rights cum Warrants Issue are exercised, 17,975,428 New Shares will be allotted and issued by the Company subject to and in accordance with the terms and conditions of the Warrants to be set out in the Deed Poll and the Company will have an enlarged issued share capital comprising 71,901,712 Shares (excluding 1,076,800 treasury shares).
- Status of New Shares** : The New Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares for any dividends, rights, allotments or other distributions, the Record Date for which falls on or after the relevant exercise date of the Warrants.
- Modification of rights of Warrantholders** : The Company may, without the consent of the Warrantholders but in accordance with the terms of the Deed Poll, effect any modification to the terms of the Deed Poll including the terms and conditions of the Warrants which, in the opinion of the Company:
- (a) is not materially prejudicial to the interests of the Warrantholders;
  - (b) is of a formal, technical or minor nature;



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- (c) is to correct a manifest error or to comply with mandatory provisions of Singapore law or the Listing Manual; and/or
- (d) is to vary or replace provisions relating to the transfer or exercise of the Warrants including the issue of New Shares arising from the exercise of the Warrants or meetings of the Warranholders in order to facilitate the exercise of the Warrants or in connection with the implementation and operation of the book-entry (scripless) settlement system in respect of trades of the Company's securities on the SGX-ST.

Without prejudice to any provision of the Deed Poll, any material alteration to the terms and conditions of the Warrants after the issue thereof to the advantage of the Warranholders and prejudicial to Shareholders must be approved by Shareholders in general meeting, and if necessary, the SGX-ST, except where the alterations are made pursuant to the terms and conditions of the Warrants.

The Company will comply with Rules 830 and 831 of the Listing Manual and unless permitted under the Deed Poll, the Company will not:

- (i) extend the Exercise Period;
- (ii) issue new warrants to replace the Warrants;
- (iii) change the Exercise Price of the Warrants;  
or
- (iv) change the exercise ratio of the Warrants.

The Deed Poll does not permit an extension of the Exercise Period and change of the exercise ratio of the Warrants.

### **Transfer and transmission** :

The Warrants shall be transferable in lots entitling the Warranholders to subscribe for whole numbers of New Shares. A Warrant may only be transferred in the manner prescribed in the terms and conditions of the Warrants to be set out in the Deed Poll, including, among others, the following:

- (a) Warrants not registered in the name of CDP – a Warranholder whose Warrants are registered otherwise than in the name of CDP (the “**Transferor**”) shall lodge, during normal business hours on any Market Day at the specified office of the Warrant Agent, the Transferor's warrant certificate(s) together with a transfer form as prescribed by the Company from time to time (the “**Transfer Form**”) duly completed and signed by, or on

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behalf of, the Transferor and the transferee and duly stamped in accordance with any law for the time being in force relating to stamp duty, provided always that the Warrant Agent may dispense with requiring CDP to sign as transferee any Transfer Form for the transfer of Warrants to CDP. A Transferor shall be deemed to remain a Warrantholder of the Warrants until the name of the transferee is entered in the Register of Warrantholders by the Warrant Agent;

- (b) Deceased Warrantholder – the executors or administrators of a deceased Warrantholder whose Warrants are registered otherwise than in the name of CDP (not being one of several joint holders) or, if the registered holder of the Warrants is CDP, of a deceased Depositor (not being one of several joint holders) and, in the case of the death of one or more of several joint Warrantholders, the survivor or survivors of such joint holders, shall be the only persons recognised by the Company and the Warrant Agent as having any title to the Warrants and shall be entitled to be registered as a holder of the Warrants and/or to make such transfer as the deceased Warrantholder could have made, upon the production by such persons to the Company and the Warrant Agent of such evidence as may be required by the Warrant Agent to prove their title and on completion of a Transfer Form and the payment of such fees and expenses referred to in the conditions to the Warrants; and
- (c) Warrants registered in the name of CDP – where the Warrants are registered in the name of CDP and the Warrants are to be transferred between Depositors, such Warrants must be transferred in the Depository Register by CDP by way of book-entry. A Depositor shall be deemed to remain a Warrantholder of the Warrants until the name of the transferee is entered in the Depository Register by CDP, as the case may be.

### **Liquidation**

- :
- Where there is a members' voluntary winding-up of the Company (other than a winding-up for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement approved by the Warrantholders by way of a special resolution), the Warrantholders may elect to be treated as if they had immediately prior to the commencement of such winding-up, exercised the Warrants and had on such date been the holders of the Shares to which they would have been entitled pursuant to

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such exercise, and the liquidator of the Company shall, if permitted by law, give effect to such election accordingly. The Company shall give notice to the Warrantheolders in accordance with the conditions of the Deed Poll of the passing of any such resolution within seven days after the passing thereof. Where a Warrantheolder has elected to be treated as if it had exercised its Warrants as aforesaid, it shall be liable to pay the Exercise Price in relation to such exercise.

Subject to the foregoing, if the Company is wound up for any other reason, all Warrants which have not been exercised at the date of the passing of such resolution shall lapse and cease to be valid for any purpose.

<b>Further issues of securities</b>	:	Subject to the terms and conditions of the Warrants to be set out in the Deed Poll, the Company shall be at liberty to issue Shares to Shareholders either for cash or as a bonus distribution and further subscription rights upon such terms and conditions as the Company sees fit but the Warrantheolders shall not have any participating rights in such issue unless otherwise resolved by the Company in general meeting or in the event of a takeover offer to acquire Shares.
<b>Designation of New Shares</b>	:	Ordinary shares in the capital of the Company
<b>Warrant Agent</b>	:	Boardroom Corporate & Advisory Services Pte Ltd
<b>Governing law</b>	:	Laws of the Republic of Singapore

### 3.3. Convertible Securities

As at the Latest Practicable Date, the Company does not have any existing warrants or other convertible securities.

### 3.4. Eligibility of Shareholders to Participate in the Rights cum Warrants Issue

#### (f) Entitled Shareholders

Entitled Shareholders are entitled to participate in the Rights cum Warrants Issue and to receive the Offer Information Statement, together with:

- (i) for the Entitled Depositors: the ARE, being the application and acceptance form for Rights Shares with Warrants and Excess Rights Shares with Warrants in respect of their provisional allotments of Rights Shares with Warrants under the Rights cum Warrants Issue; or
- (ii) for the Entitled Scripholders: the PAL, being the provisional allotment letter in respect of their provisional allotments of Rights Shares with Warrants under the Rights cum Warrants Issue,

and other accompanying documents at their respective Singapore addresses as maintained with the records of CDP or the Share Registrar, as the case may be.

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Entitled Depositors who do not receive the Offer Information Statement and the AREs may obtain them from CDP or the Share Registrar during the period up to the Closing Date. Entitled Scripholders who do not receive the Offer Information Statement and the PALs may obtain them from the Share Registrar during the period up to the Closing Date.

Entitled Shareholders will be provisionally allotted the Rights Shares with Warrants on the basis of their shareholdings as at the Books Closure Date. Entitled Shareholders are at liberty to accept (in full or in part), decline, renounce or in the case of Entitled Depositors only, trade their provisional allotments of Rights Shares with Warrants on the SGX-ST during the rights trading period prescribed by the SGX-ST and are eligible to apply for Excess Rights Shares with Warrants in excess of their provisional allotments under the Rights cum Warrants Issue. For the avoidance of doubt, only Entitled Shareholders (and not the Purchasers or the renounees) shall be entitled to apply for Excess Rights Shares with Warrants in excess of their provisional allotments.

**All dealings in, and transactions of, the provisional allotments of Rights Shares with Warrants through the SGX-ST will be effected under the book-entry (scripless) settlement system. Accordingly, the PALs which are issued to Entitled Scripholders will not be valid for delivery pursuant to trades done on the SGX-ST.**

Entitled Depositors should note that all correspondences and notices 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 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588, not later than 5.00 p.m. (Singapore time) on a date being three (3) Market Days prior to the Books Closure Date.

Entitled Scripholders should note that all correspondences and notices will be sent to their last registered addresses with the Company. Entitled Scripholders are reminded that any request to the Company to update their records or to effect any change in address must reach VibroPower Corporation Limited c/o the Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not later than 5.00 p.m. (Singapore time) on a date being three (3) Market Days prior to the Books Closure Date. Entitled Scripholders may open Securities Accounts with CDP if they have not already done so and deposit their share certificates with CDP prior to the Books Closure Date so that their Securities Accounts may be credited by CDP with their Shares and the provisional allotments of Rights Shares with Warrants. Entitled Scripholders should note that their Securities Accounts will only be credited with the Shares on the 12<sup>th</sup> Market Day from the date of lodgment of the share certificates with CDP or such later date subject to the completion of the lodgment process.

In the allotment of any Excess Rights Shares with Warrants, preference will be given to the rounding of odd lots, and the Directors and Substantial Shareholders (including the Undertaking Shareholders) who have control or influence in connection with the day-to-day affairs of the Company or the terms of the Rights cum Warrants Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares with Warrants. The Company will also not make any allotment and issuance of any Excess Rights Shares with Warrants that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

The procedures for, and the terms and conditions applicable to, the acceptances, splitting, renunciation and/or sales of the provisional allotments of Rights Shares with Warrants and the applications for Excess Rights Shares with Warrants, including the different modes of acceptance or application and payment, will be contained in the Offer Information Statement and in the PAL, the ARE and the ARS (as the case may be).

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As the Shares are not registered under the CPF Investment Scheme, monies in CPF Investment Accounts cannot be used for the payment of the Rights Issue Price to accept nil-paid rights or to apply for Excess Rights Shares with Warrants.

Entitled Shareholders who bought their Shares previously using their accounts opened with a SRS operator from which money may be withdrawn for, *inter alia*, payment of the Rights Shares with Warrants and/or Excess Rights Shares with Warrants must use, subject to applicable rules and regulations of the SRS, monies standing to the credit of their respective SRS accounts to pay for the acceptance of their Rights Shares with Warrants and (if applicable) application for Excess Rights Shares with Warrants.

Such Entitled Shareholders who wish to accept their provisional allotment of Rights Shares with Warrants and (if applicable) apply for Excess Rights Shares with Warrants using SRS monies, will need to instruct the relevant approved banks in which such SRS members hold their SRS accounts under the SRS, to subscribe for Rights Shares with Warrants and (if applicable) apply for Excess Rights Shares with Warrants on their behalf in accordance with the Offer Information Statement.

(g) **Foreign Shareholders**

The Offer Information Statement and its accompanying documents relating to the Rights cum Warrants Issue will not be lodged, registered or filed in any jurisdiction other than in Singapore. The distribution of the Offer Information Statement and its accompanying documents may be prohibited or restricted (either absolutely or unless relevant securities requirements, whether legal or administrative, are 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 applicable in jurisdictions other than Singapore, the Rights Shares with Warrants will NOT be offered to and the Offer Information Statement and its accompanying documents will NOT be despatched to Foreign Shareholders, or lodged, registered or filed in any jurisdictions outside Singapore.

**Accordingly, Foreign Shareholders will not be entitled to participate in the Rights cum Warrants Issue. No provisional allotment of the Rights Shares with Warrants has been made or will be made to Foreign Shareholders and no purported acceptance thereof or application therefor by any Foreign Shareholder will be valid.**

The Offer Information Statement and its accompanying documents will also NOT be despatched to the Foreign Purchasers. Foreign Purchasers who wish to accept the provisional allotments of the Rights Shares with Warrants credited to their Securities Accounts should make the necessary arrangements with their Depository Agents or stockbrokers in Singapore. Further, any renounee of an Entitled Scripholder, whose address as stated in the PAL is outside Singapore, will not be entitled to accept the provisional allotment of the Rights Shares with Warrants renounced to him. The Company further reserves the right to reject any acceptances of the Rights Shares with Warrants and (if applicable) any application for Excess Rights Shares with Warrants where it believes, or has reason to believe, that such acceptance or application may violate the applicable legislation of any jurisdiction.

The Company reserves the right to treat as invalid any ARE, ARS or PAL which (i) appears to the Company or its agents to have been executed in a jurisdiction outside Singapore which may violate the applicable legislation of such jurisdiction, (ii) provides an address outside Singapore for the receipt of the share and warrant certificate(s) of the Rights Shares with Warrants or which requires the Company to despatch the share and warrant certificate(s) to an address in any jurisdiction outside Singapore, or (iii) purports to exclude any deemed representation or warranty.

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If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Rights Shares with Warrants which would otherwise have been provisionally allotted to Foreign Shareholders, to be sold “nil-paid” on the SGX-ST as soon as practicable after dealings in the provisional allotment of Rights Shares with Warrants commence. 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 relevant expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares standing to the credit of their respective Securities Accounts as at the Books Closure Date and sent to them by means of a crossed cheque at their own risk by ordinary post, or in such other manner as they may have agreed with CDP for payment of any cash distributions. If 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 or persons acting to the account or benefit of any such persons shall have any claim whatsoever against the Company, the Directors, CDP, the Share Registrar and/or their respective officers in connection therewith.

Where the provisional allotments of Rights Shares with Warrants are sold “nil-paid” on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder or persons acting to the account or benefit of any such persons shall have any claim whatsoever against the Company, the Directors, CDP, the Share Registrar and/or their respective officers in connection therewith. If such provisional allotments of Rights Shares with Warrants cannot be sold or are not sold on the 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 with Warrants, the Rights Shares with Warrants represented by such provisional allotments will be aggregated and allotted to satisfy applications for Excess Rights Shares with Warrants (if any) or disposed of or otherwise 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 or persons acting to the account or benefit of any such persons shall have any claim whatsoever against the Company, the Directors, CDP, the Share Registrar and/or their respective officers in connection therewith.

Shareholders should note that the special arrangements described above would apply only to Foreign Shareholders.

**Notwithstanding the above, Shareholders and any other person having possession of the Offer Information Statement and 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 with Warrants unless such offer, invitation or solicitation could lawfully be made without violating any regulation or legal requirements in those territories.**

**The Offer Information Statement and/or its accompanying documents are not intended for distribution outside of Singapore.**



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### 3.5. Option to Scale Down

Depending on the level of subscription for the Rights Shares, the Company will, if necessary and upon approval of the SGX-ST, scale down the subscription and/or the excess applications by any Shareholder under the Rights cum Warrants Issue to:

- (a) ensure that the relevant Shareholder does not hold a controlling interest in the Company, which is prohibited under Rule 803 of the Listing Manual, unless prior approval of the Shareholders is obtained in a general meeting; or
- (b) avoid placing the relevant Shareholder and parties acting in concert with him (as defined in the Code) in the position of incurring a mandatory bid obligation under the Code as a result of other Shareholders not taking up their Rights Shares entitlements fully.

For the avoidance of doubt, the option to scale down referred to in this Section 3.5 shall not apply to the Undertaking Shareholders' acceptance and/or applications to subscribe for the Rights Shares (including Excess Rights Shares) pursuant to the Irrevocable Undertakings.

### 3.6. Rationale for the Rights cum Warrants Issue and Use of Proceeds

#### 3.6.1. Rationale for the Rights cum Warrants Issue

The Company is proposing to undertake the Rights cum Warrants Issue to raise funds mainly to fund the expansion of its existing businesses which may include amongst others, the acquisition of and/or strategic investment in a similar business in Southeast Asia.

The proceeds arising from the Rights cum Warrants Issue will also help strengthen the financial position of the Group by enlarging the Group's working capital base to further enhance the financial flexibility of the Group. As and when the Warrants are exercised, the Group's financial position will be improved further.

#### 3.6.2. Use of Net Proceeds and Exercise Proceeds

Under the scenario whereby based on the Existing Issued Share Capital and assuming that the Rights cum Warrants Issue is fully subscribed for by (i) all Entitled Shareholders or (ii) the Undertaking Shareholders pursuant to the Irrevocable Undertakings and none of the other Shareholders subscribe for any Rights Shares with Warrants, 17,975,428 Rights Shares with 17,975,428 Warrants will be issued pursuant to the Rights cum Warrants Issue, the net proceeds of the Rights cum Warrants Issue (without taking into account the proceeds from the exercise of the Warrants) ("**Net Proceeds**"), after deducting estimated expenses of approximately S\$0.26 million, is expected to be approximately S\$1.54 million.

The Company intends to use the Net Proceeds in the following manner:

<b>Use of the Net Proceeds</b>	<b>Amount (S\$' million)</b>	<b>Percentage of the Net Proceeds (%)</b>
(a) Expansion of the Company's existing businesses	1.20	78
(b) General working capital purpose	0.34	22
<b>Total</b>	<b>1.54</b>	<b>100</b>

The Company intends to utilise part of the Net Proceeds for general working capital purposes which includes, but not limited to, operating costs of the Group. The Company envisages more cash to be utilised for the Group's operating activities in view of the recently secured exclusive distribution rights for a range of Lister Petter brand of products including engines and spare parts.



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For the avoidance of doubt, the figures set out above do not take into account any proceeds from the exercise of any Warrants. Up to S\$1.80 million (based on 17,975,428 Warrants) (“**Exercise Proceeds**”) may be raised from the exercise of all the Warrants. As and when the Warrants are exercised, the Exercise Proceeds raised, may, at the discretion of the Directors, be used for working capital and/or such other purposes as the Directors may deem fit.

Pending the deployment of the Net Proceeds and the Exercise Proceeds (as and when the Warrants are exercised), such proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities and/or used for any other purpose on a short-term basis as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

The Directors are of the opinion that as at the Latest Practicable Date, taking into consideration the Company’s internal resources and present facilities and the Net Proceeds and Exercise Proceeds, the working capital available to the Group is sufficient to meet its present requirements and obligations and continue to operate as a going concern.

The Company will make periodic announcements on the utilisation of the Net Proceeds and Exercise Proceeds as and when such proceeds are materially disbursed, and whether such use is in accordance with the stated use and in accordance with the percentage allocated. The Company will also provide a status report on the use of the Net Proceeds and Exercise Proceeds in the Company’s annual report(s), until such time the Net Proceeds and Exercise Proceeds have been fully utilised. Where there is any material deviation from the stated use of the Net Proceeds and Exercise Proceeds, the Company will announce the reasons for such deviation.

Where the Net Proceeds and Exercise Proceeds are to be used for working capital, the Company will disclose a breakdown with specific details on the use of the Net Proceeds and Exercise Proceeds for working capital in its announcements and annual report(s).

### 3.7. Irrevocable Undertakings

The shareholdings of the Undertaking Shareholders as at the Latest Practicable Date are as follows:

- (a) Benedict Chen Onn Meng, the Chief Executive Officer and Controlling Shareholder of the Company, holds 8,087,720 Shares, representing approximately 22.50% of the Existing Issued Share Capital; and
- (b) Chen Siew Meng holds 1,554,200 Shares, representing approximately 4.32% of the Existing Issued Share Capital.

To show their support for the Rights cum Warrants Issue, the Undertaking Shareholders have provided the Company with the Irrevocable Undertakings that (among other things):

- (a) in the case of Benedict Chen Onn Meng,
  - (i) he will, by way of acceptance, subscribe and pay in full for all his *pro rata* entitlements of 4,043,860 Rights Shares with 4,043,860 Warrants based on his existing shareholding (the aggregate value of which is S\$404,386 based on the Issue Price); and
  - (ii) he will, by way of excess application, subscribe and pay in full for all Excess Rights Shares with Warrants which are not taken up by the other Entitled Shareholders who are eligible to participate in the Rights cum Warrants Issue or their renounees by way of acceptances and/or excess applications (subject to availability) (the aggregate number of Rights Shares of which is up to 13,154,468 Rights Shares, equivalent to the value of up to S\$1,315,446.80 based on the Issue Price), on the basis that he will

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rank last in priority in the rounding of odd lots and allotment of Excess Rights Shares with Warrants which are not taken up by other Entitled Shareholders.

- (b) in the case of Chen Siew Meng, he will, by way of acceptance, subscribe and pay in full for all his *pro rata* entitlements of 777,100 Rights Shares with 777,100 Warrants based on his existing shareholding (the aggregate value of which is S\$77,710 based on the Issue Price).
- (c) each of them will not sell, transfer or otherwise deal with any of the Shares that he owned or controlled as at the date of the Irrevocable Undertakings, during the period commencing from the date of Irrevocable Undertakings and ending on the completion of the Rights cum Warrants Issue.
- (d) each of them will vote all his Shares in favour of the Rights cum Warrants Issue at the EGM.

The Irrevocable Undertakings are subject to:

- (i) the Whitewash Waiver having been granted by the SIC (which was granted on 24 October 2019) and not having been withdrawn or revoked as at the completion of the Rights cum Warrants Issue and all conditions of the Whitewash Waiver having been complied with;
- (ii) the in-principle approval (“AIP”) of the SGX-ST for the listing of and quotation for, the Rights Shares, the Warrants and the New Shares on the SGX-ST (which was granted on 19 November 2019) and if such approval is granted subject to conditions, such conditions being acceptable to and fulfilled by the Company, and such approval not having been withdrawn or revoked on or prior to the completion of the Rights cum Warrants Issue (other than in a case where the AIP for the listing of and quotation for the Warrants is revoked due to insufficient number of holders);
- (iii) the Rights cum Warrants Issue and the issue of the Rights Shares, the Warrants and the New Shares being approved by Shareholders at the EGM to be convened;
- (iv) the Whitewash Resolution being approved by the Independent Shareholders at the EGM;
- (v) all other necessary consents, approval and waivers from any person, financial institution or regulatory body or authority of Singapore or elsewhere under any and all agreements applicable to the Company and/or applicable laws for the Rights cum Warrants Issue and to give effect to the Rights cum Warrants Issue being obtained and not having been revoked or amended before the completion of the Rights cum Warrants Issue; and
- (vi) the lodgment of the Offer Information Statement, together with all other accompanying documents.

On 24 October 2019, the SIC granted the Whitewash Waiver, subject to the satisfaction of certain conditions which are set out in Section 4.3 of this Circular.

Benedict Chen Onn Meng has provided a confirmation from a financial institution that he has sufficient financial resources to irrevocably fulfil his Irrevocable Undertaking.

The Company had received S\$77,710 from Chen Siew Meng as prepayment in respect of the amounts payable by him for the Rights Shares with Warrants subscribed and/or applied pursuant to his Irrevocable Undertaking.

The Undertaking Shareholders confirm that they have not been offered additional terms or benefits in connection with the giving of the Irrevocable Undertakings.

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### 3.8. Financial Effects of the Rights cum Warrants Issue

The financial effects of the Rights cum Warrants Issue set out below are purely for illustrative purposes only and are not necessarily indicative of or a projection of the actual future financial performance or financial position of the Company and/or the Group after completion of the Rights cum Warrants Issue.

The financial effects of the Rights cum Warrants Issue have been computed based on the audited consolidated financial statements of the Group for FY2018 as well as the following assumptions:

- (a) there is no income from the Net Proceeds and the Exercise Proceeds;
- (b) the estimated expenses incurred in relation to the Rights cum Warrants Issue are approximately S\$0.26 million;
- (c) the financial effects on the share capital, NTA and gearing are computed based on the assumption that the Rights cum Warrants Issue was completed on 31 December 2018; and
- (d) the financial effects on the earnings and EPS are computed based on the assumption that the Rights cum Warrants Issue was completed on 1 January 2018.

#### 3.8.1. Share Capital

As at the Latest Practicable Date, there are no other share options or convertible securities under which the Company has an obligation to issue additional Shares.

	<b>Number of Shares</b>	<b>Share Capital (S\$'000)</b>
Issued share capital as at 31 December 2018 (excluding 1,076,800 treasury shares)	35,950,856	15,322
Add: Rights shares to be issued	17,975,428	1,798
Issued share capital after the issue of the Rights Shares (excluding treasury shares)	53,926,284	17,120
Less: Estimated expenses	N/A	(259)
Add: New Shares to be issued from the exercise of the Warrants	17,975,428	1,798
<b>Enlarged issued share capital after issue of the Rights Shares and exercise of the Warrants (excluding treasury shares)</b>	<b>71,901,712</b>	<b>18,659</b>

#### 3.8.2. NTA

<b>As at 31 December 2018</b>	<b>Before the Rights cum Warrants Issue</b>	<b>After the Issue of the Rights Shares but before the exercise of the Warrants</b>	<b>After the issue of the Rights Shares and exercise of the Warrants</b>
NTA (S\$'000)	16,911	18,450	20,248
Number of Shares	35,950,856	53,926,284	71,901,712
NTA per Share (cents) <sup>(1)</sup>	47.04	34.21	28.16

**Note:-**

- (1) NTA equals to total shareholders' funds.

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### 3.8.3. EPS

<b>FY2018</b>	<b>Before the Rights cum Warrants Issue</b>	<b>After the Issue of the Rights Shares but before the exercise of the Warrants</b>	<b>After the issue of the Rights Shares and exercise of the Warrants</b>
Profit after tax attributable to shareholders (S\$'000)	448	448	448
Weighted Average Number of Shares	35,950,856	53,926,284	71,901,712
EPS (cents) <sup>(1)</sup>	1.25	0.83	0.62

**Note:-**

- (1) Computed based on the profit after tax attributable to shareholders divided by the weighted average number of Shares as stated above.

### 3.8.4. Gearing

<b>As at 31 December 2018</b>	<b>Before the Rights cum Warrants Issue</b>	<b>After the Issue of the Rights Shares but before the exercise of the Warrants</b>	<b>After the issue of the Rights Shares and exercise of the Warrants</b>
Total borrowings (S\$'000)	8,536	8,536	8,536
Shareholders' equity (S\$'000)	16,911	18,450	20,248
Gearing (times) <sup>(1)</sup>	0.50	0.46	0.42

**Note:-**

- (1) Gearing equals to total borrowings divided by shareholders' funds.

### 3.9. Financial Information of the Group

The financial statements of the Group (the consolidated income statements, consolidated balance sheets, working capital position and consolidated cash flow statements of the Group) for the last three (3) financial years, being FY2016, FY2017 and FY2018 as well as the review thereof are set out in Appendix B to this Circular.

## 4. THE WHITEWASH RESOLUTION

### 4.1. Mandatory General Offer Requirement under the Code

Under Rule 14.1 of the Code, except with the SIC's consent, 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 in the Company; or
- (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights of the 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% of the voting rights of the Company,

such person is required to make a mandatory general offer for all the remaining Shares in the Company which he does not already own or control.

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### 4.2. Possible Shareholding Changes

The Undertaking Shareholders are siblings and are acting in concert with each other. Save for the foregoing, no other person is to be acting in concert with the Undertaking Shareholders.

Assuming that (i) only the Undertaking Shareholders subscribes for their respective entitlements to the Rights Shares with Warrants pursuant to the Irrevocable Undertakings; (ii) Benedict Chen Onn Meng subscribes for all Excess Rights Shares not otherwise subscribed for by the Entitled Shareholders under the Rights cum Warrants Issue pursuant to his Irrevocable Undertaking and (iii) none of the other Entitled Shareholders subscribes for its/his entitlement to the Rights Shares with Warrants and applies for any excess Rights Shares with Warrants under the Rights cum Warrants Issue, the Undertaking Shareholders' aggregate shareholding in the Company will increase from approximately 26.82% of the Existing Issued Share Capital to approximately 51.21% of the enlarged share capital of the Company comprising 53,926,284 Shares (excluding 1,076,800 treasury shares) following the completion of the Rights cum Warrants Issue, and further increase to approximately 63.41% of the enlarged share capital of the Company comprising 71,901,712 Shares (excluding 1,076,800 treasury shares) after the exercise of all their Warrants.

Accordingly, the fulfilment of the obligations under the Irrevocable Undertakings by Undertaking Shareholders may result in the Undertaking Shareholders and their concert parties obtaining shareholding interest in the Company of more than 30%. In such event, the Undertaking Shareholders would incur an obligation to make a mandatory general offer for the Company pursuant to Rule 14 of the Code unless such obligation is waived by SIC on such terms and conditions as it may impose.

In view of the above, an application was made to the SIC for, among others, a waiver of the obligation of the Undertaking Shareholders to make a mandatory general offer under Rule 14 of the Code in connection with the fulfilment of the Undertaking Shareholders' obligations pursuant to the Irrevocable Undertakings under the Rights cum Warrants Issue. On 24 October 2019, the SIC granted the Whitewash Waiver subject to the satisfaction of certain conditions which are set out in Section 4.3 of this Circular.

Please refer to Appendix C for the possible dilution effect to existing holders of voting rights as a result of (a) the Undertaking Shareholders subscribing for their *pro rata* entitlement of the Rights Shares with Warrants pursuant to the Irrevocable Undertakings; (b) Benedict Chen Onn Meng subscribing for excess Rights Shares pursuant to his Irrevocable Undertaking; and (c) the Undertaking Shareholders exercising their Warrants in respect of the Rights Shares with Warrants subscribed or applied for.

### 4.3. Whitewash Waiver

On 24 October 2019, the SIC granted the Whitewash Waiver, subject to the satisfaction of the following conditions:

- (a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the Rights cum Warrants Issue, approve by way of a poll, the Whitewash Resolution;
- (b) the Whitewash Resolution being separate from other resolutions;
- (c) the Undertaking Shareholders and their concert parties, as well as parties not independent of them abstain from voting on the Whitewash Resolution;
- (d) the Undertaking 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 Rights cum Warrants Issue Announcement and the date Shareholders' approval is obtained for the Whitewash Resolution; and

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- (ii) in the six (6) months prior to the Rights cum Warrants Issue Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Rights cum Warrants Issue;
- (e) the Company appoints an independent financial adviser to advise the Independent Shareholders on the Whitewash Resolution;
- (f) the Company sets out clearly in this Circular:
  - (i) details of the Rights cum Warrants Issue;
  - (ii) the possible dilution effect to existing holders of voting rights in the Company as a result of (A) the Undertaking Shareholders subscribing for their *pro rata* entitlement of the Rights Shares with Warrants pursuant to the Irrevocable Undertakings; (B) Benedict Chen Onn Meng subscribing for excess Rights Shares pursuant to his Irrevocable Undertaking; and (C) the Undertaking Shareholders exercising their Warrants in respect of the Rights Shares with Warrants subscribed or applied for;
  - (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 Undertaking Shareholders and their concert parties as at the Latest Practicable Date;
  - (iv) the number and percentage of voting rights to be issued to the Undertaking Shareholders as a result of (A) the Undertaking Shareholders subscribing for their *pro rata* entitlement of the Rights Shares with Warrants pursuant to the Irrevocable Undertakings; (B) Benedict Chen Onn Meng subscribing for excess Rights Shares pursuant to his Irrevocable Undertaking; and (C) the Undertaking Shareholders exercising their Warrants in respect of the Rights Shares with Warrants subscribed or applied for;
  - (v) that Shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from the Undertaking Shareholders at the highest price paid by the Undertaking Shareholders and their concert parties for Shares in the Company in the past six (6) months preceding the commencement of the offer. Specific and prominent reference should be made to this; and
  - (vi) that (A) the Undertaking Shareholders subscribing for their *pro rata* entitlement of the Rights Shares with Warrants pursuant to the Irrevocable Undertakings; (B) Benedict Chen Onn Meng subscribing for excess Rights Shares pursuant to his Irrevocable Undertaking; or (C) the Undertaking Shareholders exercising their Warrants in respect of the Rights Shares with Warrants subscribed or applied for could result in the Undertaking Shareholders and their concert parties holding shares carrying over 49% of the voting rights of the Company. Specific and prominent reference should be made to this and the fact that the Undertaking Shareholders and their concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 to make a general offer;
- (g) this Circular states that the Whitewash Waiver granted by the SIC to the Undertaking Shareholders from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated in (a) to (f) above;
- (h) the Company obtains the SIC's approval in advance for those parts of this Circular that refer to the Whitewash Resolution;
- (i) to rely on the Whitewash Resolution, the approval of the Whitewash Resolution must be obtained within three (3) months of the SIC's approval, the subscription of the Rights Shares with Warrants by the Undertaking Shareholders must be completed within three (3) months



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of the approval of the Whitewash Resolution and the acquisition of the New Shares upon exercise of the Warrants must be completed within five (5) years of the issue of the Warrants; and

- (j) the Undertaking Shareholders complying or procuring the relevant person(s) to comply with the disclosure requirements set out in Note 2 on Section 2 of Appendix 1 of the Code,

(collectively, the “**SIC Conditions**”).

As at the Latest Practicable Date, save for the conditions set out in Sections 4.3(a), 4.3(c), 4.3(d)(i), 4.3(i) and 4.3(j) of this Circular, all the other SIC Conditions set out above have been satisfied.

**Accordingly, Independent Shareholders should note that:**

- (1) **(A) the subscription by the Undertaking Shareholders of their *pro rata* entitlement of the Rights Shares with Warrants pursuant to the Irrevocable Undertakings; (B) the subscription by Benedict Chen Onn Meng of excess Rights Shares pursuant to his Irrevocable Undertaking; or (C) the exercise by the Undertaking Shareholders of their Warrants in respect of the Rights Shares with Warrants subscribed or applied for could result in the Undertaking Shareholders and their concert parties holding shares carrying over 49% of the voting rights of the Company and that the Undertaking Shareholders and their concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 to make a general offer; and**
- (2) **by voting in favour of the Whitewash Resolution (Ordinary Resolution 2), Shareholders are waiving their rights to receive a general offer from the Undertaking Shareholders at the highest price paid by the Undertaking Shareholders and their concert parties for Shares in the Company in the past six (6) months preceding the commencement of the offer which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code.**

#### **4.4. Whitewash Resolution**

The Independent Shareholders are therefore asked to vote, by way of a poll, on the Whitewash Resolution as set out as Ordinary Resolution 2 in the Notice of EGM.

In connection with the Whitewash Waiver, the Undertaking Shareholders have confirmed that each of them, whether by himself or with any of his concert parties, has not acquired any Shares in the six (6)-month period prior to the date of the Rights cum Warrants Issue Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Rights cum Warrants Issue and has not and will not acquire any Shares in the period between the Rights cum Warrants Issue Announcement and the date on which the approval of the Independent Shareholders is obtained for the Whitewash Resolution.

#### **4.5. Advice from the Independent Financial Adviser**

RHB Securities Singapore Pte. Ltd. has been appointed as the IFA to advise the Independent Directors in relation to the Whitewash Resolution. The IFA Letter setting out its opinion and advice in full, is reproduced in Appendix A to this Circular.

Having regard to the considerations set out in the IFA Letter, the information available to the IFA as at the Latest Practicable Date and subject to the assumptions and qualifications set out in the IFA Letter, the IFA is of the opinion that the Whitewash Resolution when considered in the context of the Rights cum Warrants Issue is fair and reasonable and is not prejudicial to the interests of the Independent Shareholders. Accordingly, the IFA advises the Independent Directors to recommend that the Independent Shareholders vote in favour of the Whitewash Resolution at the EGM.



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## LETTER TO SHAREHOLDERS

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Independent Shareholders are advised to read and consider the IFA Letter in its entirety as reproduced in Appendix A to this Circular and consider carefully the recommendations of the Independent Directors for the Whitewash Resolution as set out in Section 8.2 of this Circular.

### 4.6. Advice from the Independent Directors in relation to the Whitewash Resolution to Independent Shareholders

Independent Shareholders should note that:

- (a) by voting in favour of the Whitewash Resolution, they will be waiving their rights to receive a general offer from the Undertaking Shareholders at the highest price paid by the Undertaking Shareholders and their concert parties for Shares in the past six (6) months preceding the commencement of the Rights cum Warrants Issue which they would otherwise have been obliged to make for the Shares pursuant to Rule 14 of the Code;
- (b) the subscription by the Undertaking Shareholders of their respective provisional allotment of the Rights Shares and Excess Rights Shares as well as their exercise of the Warrants into New Shares pursuant to the Irrevocable Undertakings could result in the Undertaking Shareholders and their concert parties holding Shares carrying over 30% of the voting rights of the Company and the Undertaking 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 a general offer for the Company;
- (c) by voting in favour of the 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 dilution effect of the Warrants; and
- (d) the Rights cum Warrants Issue is conditional upon the Independent Shareholders voting in favour of the Whitewash Resolution. In view of this, in the event that the Whitewash Resolution is not approved by the Independent Shareholders, the Rights cum Warrants Issue will not take place.

### 5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and the Substantial Shareholders in the share capital of the Company as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed interest	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
<u>Director and Substantial Shareholder</u>				
Benedict Chen Onn Meng <sup>(2)</sup>	8,000,120	22.25	87,600	0.24
<u>Other Directors</u>				
Ernest Yogarajah s/o Balasubramaniam	—	—	—	—
Toh Shih Hua	—	—	—	—

**Notes:-**

- (1) Based on the issued share capital of the Company of 35,950,856 Shares excluding 1,076,800 treasury shares held by the Company as at the Latest Practicable Date.
- (2) Mr Benedict Chen Onn Meng is deemed interested in 87,600 Shares held through his Central Provident Fund investment account (UOB Kay Hian Private Limited).

Save as disclosed in this Circular and save for their interests arising by way of their shareholders in the Company and/or directorships in the Group, as the case may be, none of the Directors and Substantial Shareholders has any interest, direct or indirect, in the Rights cum Warrants Issue.

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## LETTER TO SHAREHOLDERS

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### 6. BOOKS CLOSURE DATE

Subject to Shareholders' approval of the Rights cum Warrants Issue at the EGM, the Books Closure Date for the purpose of determining the Entitled Shareholders' entitlements under the Rights cum Warrants Issue will be announced at a later date.

### 7. OFFER INFORMATION STATEMENT

An Offer Information Statement will be despatched by the Company to Entitled Shareholders subject to, *inter alia*, the approval of Shareholders of the Rights cum Warrants Issue being obtained at the EGM. Acceptances and applications under the Rights cum Warrants Issue can only be made on the following (all of which will form part of the Offer Information Statement):

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

### 8. DIRECTORS' RECOMMENDATIONS

#### 8.1. The Rights cum Warrants Issue

The Directors, having considered, *inter alia*, the terms and rationale for the Rights cum Warrants Issue as set out in Section 3.6 of this Circular, are of the opinion that the Rights cum Warrants Issue is in the best interests of the Company, and accordingly recommend that the Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

#### 8.2. The Whitewash Resolution

The Independent Directors having considered, *inter alia*, the rationale for the Rights cum Warrants Issue as set out in Section 3.6 of this Circular and the advice of the IFA as set out in the IFA Letter in Appendix A to this Circular, are of the opinion that the Whitewash Resolution is in the best interests of the Company and is not prejudicial to the interests of the Independent Shareholders. Accordingly, they recommend that the Independent Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

#### 8.3. No Regard to Specific Objectives

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

### 9. ABSTENTION FROM VOTING

Pursuant to the Whitewash Waiver, the Undertaking Shareholders and their concert parties, as well as parties not independent of them will abstain from voting at the EGM on the Ordinary Resolution 2 relating to the Whitewash Resolution.

The Undertaking Shareholders and their concert parties will also decline to accept appointment as proxies for any Shareholder to vote in respect of the Ordinary Resolution 2 relating to the Whitewash Resolution, unless the Shareholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of the said resolution.

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## LETTER TO SHAREHOLDERS

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### 10. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 72 to 74 of this Circular, will be held on 17 December 2019, at 9:30 a.m. at 38 Tuas Crescent, Singapore 638725, for the purpose of considering, and if thought fit, passing with or without any modifications, the Proposed Resolutions set out in the Notice of EGM.

### 11. ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy or proxies to attend and vote at the EGM on their behalf should complete, sign and return the Proxy Form in accordance with the instructions printed thereon as soon as possible and in any event, so as to arrive at the registered office of the Company at 11 Tuas Avenue 16 Singapore 638929, not less than 48 hours before the time appointed for the holding of the EGM.

The completion and lodgement of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM in place of his proxy or proxies if he so wishes. However, any appointment of a proxy or proxies by such Shareholder shall be deemed to be revoked if the Shareholder attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the EGM.

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 as certified by CDP not less than 72 hours before the time appointed for the holding of the EGM.

In the event that Shareholders and other investors are in doubt about the actions they should take, they should consult their stockbrokers, bank managers, solicitors, accountants, or other professional adviser(s).

### 12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Rights cum Warrants Issue and the Group, 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.

### 13. CONSENT OF THE IFA

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter attached as Appendix A to this Circular and all references to its name in the form and context in which they appear in this Circular, and the availability of the IFA Letter as a document for inspection.

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## LETTER TO SHAREHOLDERS

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### 14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 11 Tuas Avenue 16 Singapore 638929 during normal office hours from the date hereof up to and including the date of the EGM:

- (i) the annual report of the Company for FY2016, FY2017 and FY2018;
- (ii) the IFA Letter;
- (iii) the letter of consent from the IFA;
- (iv) the draft Deed Poll;
- (v) the Irrevocable Undertakings; and
- (vi) the Constitution of the Company.

Yours faithfully  
for and on behalf of the Board of Directors of  
**VIBROPOWER CORPORATION LIMITED**

**Benedict Chen Onn Meng**  
Chief Executive Officer and Chairman

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## APPENDIX A – IFA LETTER

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### LETTER FROM RHB SECURITIES SINGAPORE PTE. LTD. TO THE INDEPENDENT DIRECTORS OF VIBROPOWER CORPORATION LIMITED

2 December 2019

The Independent Directors  
**VibroPower Corporation Limited**  
11 Tuas Avenue 16  
Singapore 638929

Dear Sirs,

#### THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER OF THE RIGHTS BY THE INDEPENDENT SHAREHOLDERS (AS DEFINED BELOW) TO RECEIVE A MANDATORY GENERAL OFFER FROM THE UNDERTAKING SHAREHOLDERS (AS DEFINED BELOW) AND PARTIES ACTING IN CONCERT WITH THEM

*Unless otherwise defined or the context otherwise requires, all terms used herein shall have the same meaning as defined in the circular to shareholders of the Company dated 2 December 2019 (the “Circular”).*

#### 1. INTRODUCTION

On 1 October 2019, the board of directors (the “**Directors**”) of VibroPower Corporation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) announced (the “**Announcement**”) that the Company proposed to undertake a renounceable non-underwritten rights cum warrants issue (the “**Rights cum Warrants Issue**”) on the basis of one (1) rights share (the “**Rights Share**”) with one (1) free detachable and transferable warrant (the “**Warrant**”) for every two (2) existing ordinary shares in the capital of the Company (the “**Shares**”) held by the shareholders of the Company (the “**Shareholders**”) who are eligible to participate in the Rights cum Warrants Issue (the “**Entitled Shareholders**”) as at a books closure date to be determined (the “**Books Closure Date**”), fractional entitlements to be disregarded.

Based on the Company’s issued and paid-up share capital comprising 35,950,856 Shares (excluding 1,076,800 treasury shares) as at the Latest Practicable Date (the “**Existing Issued Share Capital**”), the Company is proposing to issue up to 17,975,428 Rights Shares at an issue price of S\$0.10 for each Rights Share (the “**Issue Price**”) with up to 17,975,428 Warrants, each Warrant carrying the right to subscribe for one (1) new Share (the “**New Share**”) at an exercise price of S\$0.10 for each New Share (the “**Exercise Price**”).

As at the Latest Practicable Date, Mr Benedict Chen Onn Meng (“**Benedict Chen**”) holds 8,087,720 Shares, representing approximately 22.50% of the Existing Issued Share Capital. Mr Chen Siew Meng (“**CSM**”), an associate of Benedict Chen, holds 1,554,200 Shares, representing approximately 4.32% of the Existing Issued Share Capital. Accordingly, Benedict Chen and CSM (collectively, the “**Undertaking Shareholders**”) hold in aggregate 9,641,920 Shares, representing approximately 26.82% of the Existing Issued Share Capital.

To demonstrate their support for the Rights cum Warrants Issue, the Undertaking Shareholders have provided irrevocable undertakings dated 30 September 2019 to the Company (the “**Irrevocable Undertakings**”) that, among other things, they will subscribe and pay in full for their respective *pro rata* entitlements of the Rights Shares with Warrants and in the case of Benedict Chen, he will subscribe and pay in full for all excess Rights Shares with Warrants that are not taken up by the other Entitled Shareholders or their renounees (“**Excess Rights Shares with Warrants**”) and rank last in priority in the rounding of odd lots and allotment of Excess Rights Shares with Warrants, subject to the conditions as detailed in Section 3.7 of the Circular.

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## APPENDIX A – IFA LETTER

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As a result of the fulfillment by the Undertaking Shareholders of their obligations arising from the Irrevocable Undertakings, the Undertaking Shareholders' aggregate shareholdings in the Company may potentially increase from approximately 26.82% as at the Latest Practicable Date to approximately 51.21% after the Rights cum Warrants Issue but before the exercise of the Warrants and further increase to approximately 63.41% after the Rights cum Warrants Issue and after the exercise of the Warrants, in the event that none of the Entitled Shareholders other than the Undertaking Shareholders subscribes and pays for their entitlements of the Rights Shares with Warrants ("**Minimum Subscription Scenario**"). The increase in the Undertaking Shareholders' shareholdings in the Company to 30.0% or more of the enlarged issued and paid-up share capital of the Company would therefore incur an obligation of the Undertaking Shareholders to make a mandatory general offer for the remaining Shares not already owned, controlled or agreed to be acquired by them pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**"), unless such obligation is waived by the Securities Industry Council (the "**SIC**") on such terms and conditions as it may impose.

On 25 October 2019, the Company announced that the SIC granted the Whitewash Waiver (as defined in the Circular) subject to, *inter alia*, the approval by a majority of Shareholders who are deemed to be independent for the purpose of the Whitewash Resolution ("**Independent Shareholders**") voting by way of a poll to waive their rights to receive a general offer from the Undertaking Shareholders and parties acting in concert with them for all the issued Shares in the capital of the Company not already owned, controlled or agreed to be acquired by them as a result of the Rights cum Warrants Issue and the fulfilment of the Undertaking Shareholders' obligations under the Irrevocable Undertakings (the "**Whitewash Resolution**"), and the appointment of an independent financial adviser ("**IFA**") to advise the directors of the Company who are deemed to be independent in respect of the Whitewash Resolution (the "**Independent Directors**").

In connection with the above, RHB Securities Singapore Pte. Ltd. ("**RHBSec**") has been appointed by the Company as the IFA to advise the Independent Directors in respect of the Whitewash Resolution.

This letter ("**Letter**") sets out, *inter alia*, our evaluation of the Whitewash Resolution when considered in the context of the Rights cum Warrants Issue and our advice thereon, and forms part of the Circular containing, *inter alia*, details of the Rights cum Warrants Issue, the Whitewash Resolution and the recommendation of the Independent Directors in respect thereof.

## 2. TERMS OF REFERENCE

RHBSec has been appointed to advise the Independent Directors in respect of the Whitewash Resolution when considered in the context of the Rights cum Warrants Issue.

We were neither a party to the negotiations or discussions in relation to the Rights cum Warrants Issue nor were we involved in the deliberations leading up to the decision on the part of the Company to undertake the Rights cum Warrants Issue. Accordingly, we do not, by this Letter, warrant the merits of the Rights cum Warrants Issue and/or the Whitewash Resolution other than to express an opinion on whether the Whitewash Resolution, when considered in the context of the Rights cum Warrants Issue, is fair and reasonable.

Our terms of reference do not require us to evaluate or comment on the strategic, commercial, financial merits or risks (if any) of the Rights cum Warrants Issue and/or the Whitewash Resolution or to compare their relative merits vis-à-vis alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comment. Any such evaluation or comment is and remains the sole responsibility of the Directors and the management of the Company ("**Management**"), although we may draw upon their views or make comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.



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## APPENDIX A – IFA LETTER

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For the purpose of our advice and opinion, we have relied on publicly available information collated by us, information set out in the Circular, and information (including representations, opinions, facts and statements) provided to us by the Directors, Management and advisers of the Company. We have not independently verified any of the aforesaid information whether written or verbal, and have assumed its accuracy, truth, completeness and adequacy. Accordingly, we cannot and do not represent or warrant (expressly or impliedly), and do not accept any responsibility for the accuracy, truth, completeness or adequacy of such information, representation or assurance. We have exercised care in reviewing the information which we have relied on, and made such reasonable enquiries and exercised our judgment on the reasonableness of such information as we deemed necessary and have found no reason to doubt the accuracy or reliability of the information.

We have relied on the assurances of the Directors (including those who may have delegated detailed supervision of the Circular) that, upon making all reasonable inquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Rights cum Warrants Issue, the Whitewash Resolution, the Company and the Group have been disclosed to us, and that such information is true, complete, accurate and fair in all material respects and that there is no other information or fact, the omission of which would make any statement in the Circular inaccurate, untrue, incomplete, unfair or misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial conditions of the Company and/or the Group, or to express any view on the future growth prospects, value and earnings potential of the Company and/or the Group. Accordingly, we do not express any opinion herein as to the prices at which the shares of the Company may trade or the future value, financial performance or condition of the Company and/or the Group.

We have not made any independent evaluation or appraisal on the assets and liabilities of the Company and/or the Group and we have not been furnished with any such evaluation or appraisal.

Our advice and opinion herein is based upon market, economic, industry, monetary and other conditions in effect on, and the information provided to us as of the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of, and this Letter does not take into account any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should also take note of any announcements relevant to their consideration of the Rights cum Warrants Issue and/or the Whitewash Resolution which may be released by the Company after the Latest Practicable Date.

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

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

This Letter is prepared for the use and benefit of the Independent Directors and the recommendations made to the Independent Shareholders in relation to the Whitewash Resolution remain the sole responsibility of the Independent Directors.

**Our opinion and advice in respect of the Whitewash Resolution should be considered in the context of the entirety of this Letter and the Circular.**



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## APPENDIX A – IFA LETTER

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### 3. THE RIGHTS CUM WARRANTS ISSUE

Detailed terms and conditions of the Rights cum Warrants Issue can be found in Section 3.2 of the Circular. Shareholders should note that the terms and conditions of the Rights cum Warrants are subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights cum Warrants Issue will be contained in the Offer Information Statement to be lodged with the Authority and to be despatched to the Entitled Shareholders in due course, subject to, *inter alia*, the approval of the Shareholders for the Rights cum Warrants Issue at the EGM.

#### 3.1 Salient Terms of the Rights cum Warrants Issue

The salient terms of the Rights cum Warrants Issue are summarised as follows:-

##### 3.1.1 Basis of the Rights cum Warrants Issue

The Rights cum Warrants Issue will be made on a renounceable non-underwritten basis to all Entitled Shareholders on the basis of one (1) Rights Share with one (1) Warrant for every two (2) existing Shares held by the Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.

Each Warrant will entitle the holder to subscribe for one (1) New Share at the Exercise Price of S\$0.10 at any time during the period commencing on and including the date of issue of the Warrants and expiring on the day immediately preceding the fifth (5th) anniversary of such date of issue (“**Exercise Period**”).

##### 3.1.2 The Issue Price and the Exercise Price

The Issue Price of S\$0.10 for each Rights Share represents a discount of approximately:

- (i) 10.71% to the closing price of S\$0.112 per Share on the SGX-ST on 26 August 2019, being the last Market Day on which the Shares were traded on the SGX-ST immediately prior to the release of the Announcement (the “**Last Trading Day**” and the closing price on the Last Trading Day referred to hereinafter as the “**Last Traded Price**”); and
- (ii) 7.41% to the theoretical ex-rights price<sup>(1)</sup> (the “**TERP**”) of S\$0.108 per Share based on the Last Traded Price.

The Exercise Price of S\$0.10 for each Warrant represents a discount of approximately:

- (i) 10.71% to the Last Traded Price; and
- (ii) 7.41% to the TERP<sup>(1)</sup> of S\$0.108 per Share based on the Last Traded Price.

**Note:**

- (1) The TERP is defined as the sum of the market capitalisation of the Company based on the Last Traded Price and the gross proceeds from the Rights cum Warrants Issue, divided by the total number of Shares outstanding following the completion of the Rights cum Warrants Issue. For the avoidance of doubt, the TERP computations do not include the Exercise Proceeds (as defined in section 5.2 of this Letter and the New Shares to be issued from the exercise of the Warrants.

##### 3.1.3 Other Terms and Conditions

On 19 November 2019, the SGX-ST had granted its in-principle approval for the listing and quotation for the Rights Shares, the Warrants and the New Shares on the SGX-ST subject to certain conditions which are set out in Section 3.1 of this Circular. The in-principle approval granted by the SGX-ST for the listing of and quotation for the Rights Shares, the Warrants and the New Shares is not to be taken as an indication of the merits of the Rights cum Warrants Issue, the Rights Shares, the Warrants, the New Shares, the Shares, the Company and/or its subsidiaries.

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## APPENDIX A – IFA LETTER

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Upon the listing of and quotation for the Rights Shares on the SGX-ST, the Rights Shares will be traded on the SGX-ST 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.

The Warrants will be detached from the Rights Shares on allotment and issue and will be listed and traded separately on the SGX-ST, under the book-entry (scripless) settlement system upon the listing and quotation of the Warrants on the SGX-ST, subject to, *inter alia*, there being a sufficient spread of holdings on the Warrants to provide for an orderly market in the Warrants. For the purposes of trading on the SGX-ST, each board lot of Warrants will consist of 100 Warrants or such other board lot size which the SGX-ST may require and as may be notified by the Company.

Under Rule 826 of the Listing Manual, it is provided that as a guide, the SGX-ST expects at least 100 warrant holders for a class of company warrants for a sufficient spread of holdings of the warrants to provide for an orderly market in the trading of the warrants. **In the event that permission is not granted by the SGX-ST for the listing of and quotation for the Warrants because such condition is not met for any reason in respect of any Warrants issued, Warrant holders should note that they will not be able to trade their Warrants on the SGX-ST.**

The Rights cum Warrants Issue is not underwritten in view of the Irrevocable Undertakings.

Depending on the level of subscription for the Rights Shares with Warrants, the Company will, if necessary and upon approval of the SGX-ST, scale down a Shareholder's application to subscribe for the Rights cum Warrants Issue. More details can be found in Section 3.5 of the Circular titled "Option to Scale Down".

The Rights cum Warrants Issue will not be withdrawn after commencement of the ex-rights trading of the Shares pursuant to Rule 820(1) of the Listing Manual.

### 3.2 Irrevocable Undertakings

Information on the Irrevocable Undertakings has been extracted from Section 3.7 of the Circular and set out below in italics. Shareholders are advised to read Section 3.7 of the Circular carefully.

#### ***3.7 Irrevocable Undertakings***

*The shareholdings of the Undertaking Shareholders as at the Latest Practicable Date are as follows:*

- (a) Benedict Chen Onn Meng, the Chief Executive Officer and Controlling Shareholder of the Company, holds 8,087,720 Shares, representing approximately 22.50% of the Existing Issued Share Capital; and*
- (b) Chen Siew Meng holds 1,554,200 Shares, representing approximately 4.32% of the Existing Issued Share Capital.*

*To show their support for the Rights cum Warrants Issue, the Undertaking Shareholders have provided the Company with the Irrevocable Undertakings that (among other things):*

- (a) in the case of Benedict Chen Onn Meng,*
  - (i) he will, by way of acceptance, subscribe and pay in full for all his pro rata entitlements of 4,043,860 Rights Shares with 4,043,860 Warrants based on his existing shareholding (the aggregate value of which is S\$404,386 based on the Issue Price); and*

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## APPENDIX A – IFA LETTER

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- (ii) *he will, by way of excess application, subscribe and pay in full for all Excess Rights Shares with Warrants which are not taken up by the other Entitled Shareholders who are eligible to participate in the Rights cum Warrants Issue or their renounees by way of acceptances and/or excess applications (subject to availability) (the aggregate number of Rights Shares of which is up to 13,154,468 Rights Shares, equivalent to the value of up to S\$1,315,446.80 based on the Issue Price), on the basis that he will rank last in priority in the rounding of odd lots and allotment of Excess Rights Shares with Warrants which are not taken up by other Entitled Shareholders.*
- (b) *in the case of Chen Siew Meng, he will, by way of acceptance, subscribe and pay in full for all his pro rata entitlements of 777,100 Rights Shares with 777,100 Warrants based on his existing shareholding (the aggregate value of which is S\$77,710 based on the Issue Price).*
- (c) *each of them will not sell, transfer or otherwise deal with any of the Shares that he owned or controlled as at the date of the Irrevocable Undertakings, during the period commencing from the date of Irrevocable Undertakings and ending on the completion of the Rights cum Warrants Issue.*
- (d) *each of them will vote all his Shares in favour of the Rights cum Warrants Issue at the EGM.*

*The Irrevocable Undertakings are subject to:*

- (i) *the Whitewash Waiver having been granted by the SIC (which was granted on 24 October 2019) and not having been withdrawn or revoked as at the completion of the Rights cum Warrants Issue and all conditions of the Whitewash Waiver having been complied with;*
- (ii) *the in-principle approval (“AIP”) of the SGX-ST for the listing of and quotation for, the Rights Shares, the Warrants and the New Shares on the SGX-ST (which was granted on 19 November 2019) and if such approval is granted subject to conditions, such conditions being acceptable to and fulfilled by the Company, and such approval not having been withdrawn or revoked on or prior to the completion of the Rights cum Warrants Issue (other than in a case where the AIP for the listing of and quotation for the Warrants is revoked due to insufficient number of holders);*
- (iii) *the Rights cum Warrants Issue and the issue of the Rights Shares, the Warrants and the New Shares being approved by Shareholders at the EGM to be convened;*
- (iv) *the Whitewash Resolution being approved by the Independent Shareholders at the EGM;*
- (v) *all other necessary consents, approval and waivers from any person, financial institution or regulatory body or authority of Singapore or elsewhere under any and all agreements applicable to the Company and/or applicable laws for the Rights cum Warrants Issue and to give effect to the Rights cum Warrants Issue being obtained and not having been revoked or amended before the completion of the Rights cum Warrants Issue; and*
- (vi) *the lodgment of the Offer Information Statement, together with all other accompanying documents.*

*On 24 October 2019, the SIC granted the Whitewash Waiver, subject to the satisfaction of certain conditions which are set out in Section 4.3 of this Circular.*

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*Benedict Chen Onn Meng has provided a confirmation from a financial institution that he has sufficient financial resources to fulfil his Irrevocable Undertaking.*

*The Company had received S\$77,710 from Chen Siew Meng as prepayment in respect of the amounts payable by him for the Rights Shares with Warrants subscribed and/or applied pursuant to his Irrevocable Undertaking.*

*The Undertaking Shareholders confirm that they have not been offered additional terms or benefits in connection with the giving of the Irrevocable Undertakings.”*

#### 4. THE WHITEWASH RESOLUTION

The fulfilment by the Undertaking Shareholders of their obligations arising from the Irrevocable Undertakings may result in the Undertaking Shareholders increasing their aggregate shareholdings to 30.0% or more of the enlarged issued and paid-up share capital of the Company, thereby incurring an obligation of the Undertaking Shareholders to make a mandatory general offer for all the remaining Shares not already owned, controlled or agreed to be acquired by them pursuant to Rule 14 of the Code, unless such obligation is waived by the SIC on such terms and conditions as it may impose.

On 25 October 2019, the Company announced that the SIC granted the Whitewash Waiver, subject to, the satisfaction of certain conditions which are set out in Section 4.3 of the Circular. Shareholders are advised to read Section 4.3 of the Circular carefully.

The Independent Shareholders are therefore requested to vote, by way of a poll, on the Whitewash Resolution as set out as Ordinary Resolution 2 in the Notice of EGM, included in the Circular.

#### 5. EVALUATION OF THE WHITEWASH RESOLUTION

In arriving at our opinion in relation to the Whitewash Resolution in the context of the Rights cum Warrants Issue, we have given due consideration to the following:-

- (i) the rationale for the Rights cum Warrants Issue;
- (ii) the proposed use of proceeds from the Rights cum Warrants Issue;
- (iii) the Rights cum Warrants Issue being offered to all Entitled Shareholders on a *pro rata* basis;
- (iv) the assessment of the Issue Price and the Exercise Price;
- (v) the financial effects of the Rights cum Warrants Issue;
- (vi) the dilution effect of the Rights cum Warrants Issue on the Independent Shareholders; and
- (vii) other relevant considerations which may have a significant bearing on our assessment.

##### 5.1 Rationale for the Rights cum Warrants Issue

It is not within our terms of reference to comment or express an opinion on the merits of the Rights cum Warrants Issue or the future prospects of the Group subsequent to the Rights cum Warrants Issue.

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Nevertheless, we have considered the rationale for the Rights cum Warrants Issue as set out in Section 3.6.1 of the Circular, the full text of which has been reproduced in italics below:

### ***“3.6.1 Rationale for the Rights cum Warrants Issue***

*The Company is proposing to undertake the Rights cum Warrants Issue to raise funds mainly to fund the expansion of its existing businesses which may include amongst others, the acquisition of and/or strategic investment in a similar business in Southeast Asia.*

*The proceeds arising from the Rights cum Warrants Issue will also help strengthen the financial position of the Group by enlarging the Group’s working capital base to further enhance the financial flexibility of the Group. As and when the Warrants are exercised, the Group’s financial position will be improved further.”*

### **5.2 Proposed Use of Proceeds from the Rights cum Warrants Issue**

In view of the Irrevocable Undertakings given by the Undertaking Shareholders, the Company expects to raise net proceeds of approximately S\$1.54 million (without taking into account the proceeds from the exercise of the Warrants), after deducting estimated expenses of approximately S\$0.26 million incurred in connection with the Rights cum Warrants Issue (“**Net Proceeds**”).

The Company intends to utilise the Net Proceeds in the following manner:

<b>Use of the Net Proceeds</b>	<b>Amount (S\$’ million)</b>	<b>Percentage of the Net Proceeds (%)</b>
(a) Expansion of the Company’s existing businesses	1.20	78
(b) General working capital purpose	0.34	22
<b>Total</b>	<b>1.54</b>	<b>100</b>

Assuming all the 17,975,428 Warrants are exercised, the Company will raise additional gross proceeds of up to approximately S\$1.80 million (“**Exercise Proceeds**”). We note the Company intends to apply the Exercise Proceeds towards working capital and/or such other purposes as the Directors may in their absolute discretion deem fit.

Pending the deployment of the Net Proceeds and the Exercise Proceeds (as and when the Warrants are exercised), such proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities and/or used for any other purpose on a short-term basis as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

Shareholders are advised to read Section 3.6.2 of the Circular carefully for the full details of the proposed use of Net Proceeds and Exercise Proceeds.

### **5.3 The Rights cum Warrants Issue being offered to all Entitled Shareholders on a *pro rata* basis**

The Rights cum Warrants Issue will be offered on a *pro rata* basis, subject to rounding, to all Entitled Shareholders. 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 (during the provisional allotment trading period prescribed by the SGX-ST) their provisional allotments of Rights Shares with Warrants, and will be eligible to apply for additional Rights Shares with Warrants in excess of their provisional allotments under the Rights cum Warrants Issue.

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In the allotment of the Excess Rights Shares with Warrants, preference will be given to the rounding of odd lots, and Directors and Substantial Shareholders (including the Undertaking 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 cum Warrants Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of the Excess Rights Shares with Warrants. As such, Independent Shareholders will not be disadvantaged or prejudiced relative to the Undertaking Shareholders in the allocation of their subscription for their entitlements of the Rights Shares with Warrants and application for the Excess Rights Shares with Warrants pursuant to the Rights cum Warrants Issue.

In the case of Foreign Shareholders who are not entitled to the provisional allotments of the Rights Shares with Warrants in order to avoid violation of securities legislation applicable in their countries, it is stated in Section 3.4 of the Circular that if it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of the Rights Shares with Warrants which would otherwise have been provisionally allotted to Foreign Shareholders to be sold “nil-paid” on the SGX-ST as soon as practicable after dealings in the provisional allotment of the Rights Shares with Warrants commence. The net proceeds arising from the above will be dealt with in accordance with the terms set out in the Offer Information Statement to be issued by the Company for the Rights cum Warrants Issue.

As the Rights cum Warrants Issue will be offered to all Entitled Shareholders on a *pro rata* basis, subject to rounding, in the event that all Entitled Shareholders subscribe for their *pro rata* entitlements under the Rights cum Warrants Issue, the Company’s shareholding structure is not expected to have any significant changes.

### 5.4 Assessment of the Issue Price and the Exercise Price

In assessing the Issue Price and the Exercise Price, we have considered the following:

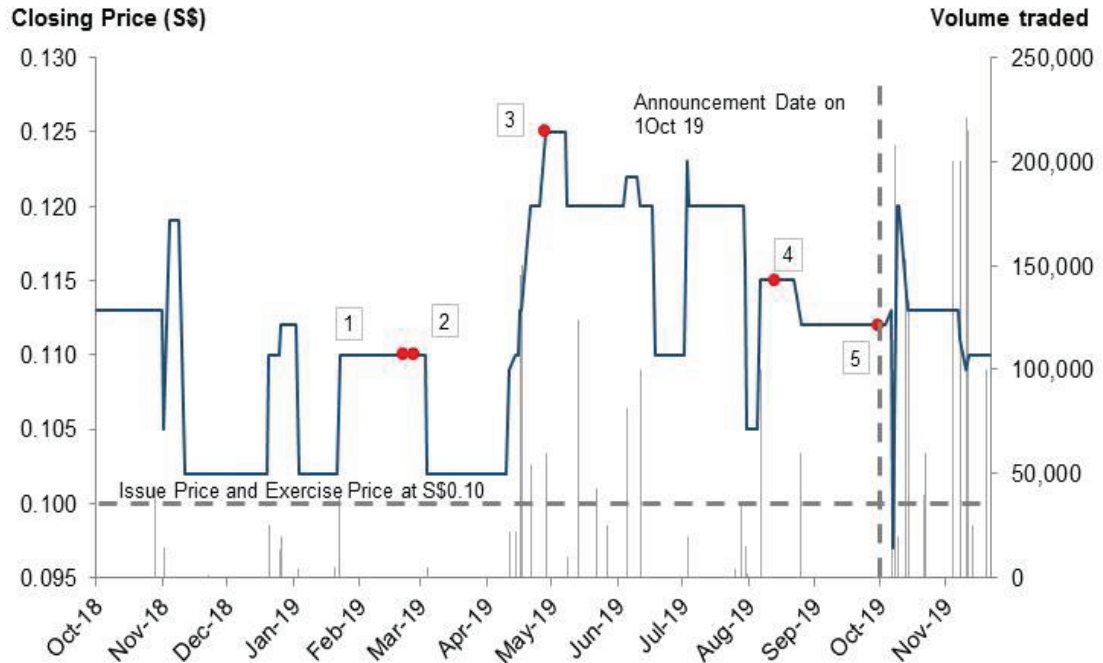
- (i) historical market price performance and trading activity of the Shares on the SGX-ST;
- (ii) the net asset value (“NAV”) and net tangible asset (“NTA”) value of the Group;
- (iii) comparison of the terms of the Rights cum Warrants Issue with the salient market statistics of selected completed rights issues and rights cum warrants issues by companies listed on the SGX-ST; and
- (iv) the valuation of the Warrants.



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### 5.4.1 Historical market price performance and trading activity of the Shares

We set out below the daily closing prices and trading volumes of the Shares for the period from 2 October 2018 (being the 12-month period prior to the Announcement on 1 October 2019) to the Latest Practicable Date.



Source: Bloomberg L.P.

#### Notes:

No	Date of announcement	Event
1	22 Feb 2019	The Company announced its unaudited full year financial statements for the year ended 31 December 2018, reporting an 8.4% increase in revenue to S\$15.48 million and a 11.1% year-on-year increase in net profit after tax to S\$560,000.
2	27 Feb 2019	The Company announced that its wholly-owned subsidiary, Scott & English Pte Ltd (" <b>Scott &amp; English</b> "), had secured exclusive distribution rights for a range of Lister Petter Power Systems Limited products for the Asia Pacific Region, whereby Scott & English would be offering Lister Petter engines, spare parts as well as providing product support services for Lister Petter engines.
3	29 Apr 2019	The Company announced that all resolutions relating to matters as set out in the notice of AGM and EGM dated 12 April 2019 were duly passed at the Company's AGM and EGM held on 29 April 2019.
4	14 Aug 2019	The Company announced its unaudited half year financial statements for the period ended 30 June 2019, reporting a 1.9% decrease in revenue to S\$7.78 million and a 27.0% decrease in net profit after tax to S\$168,000 compared to the previous corresponding half year period.
5	1 Oct 2019	The Company announced the Rights cum Warrants Issue.



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We also set out in the table below the volume-weighted average price (“VWAP”), the highest and the lowest closing prices and the average daily trading volume of the Shares for the various periods prior to the Announcement and the period after the Announcement up to the Latest Practicable Date:

	VWAP (S\$)	Premium/ (Discount) of Issue Price over/ (to) VWAP (%)	Premium/ (Discount) of Exercise Price over/ (to) VWAP (%)	Highest closing price (S\$)	Lowest closing price (S\$)	Average daily trading volume <sup>(1)</sup> (Shares)	Average trading volume as a percentage of Free Float <sup>(2)</sup> (%)
<b>Periods prior to the Announcement</b>							
Last 12 months	0.116	(13.79)	(13.79)	0.125	0.102	4,986	0.02
Last 6 months	0.117	(14.53)	(14.53)	0.125	0.105	8,596	0.03
Last 3 months	0.116	(13.79)	(13.79)	0.123	0.105	3,707	0.01
Last 1 month <sup>(5)</sup>	–	–	–	–	–	–	–
Last Trading Day	0.112	(10.71)	(10.71)	0.112 <sup>(3)</sup>	0.112 <sup>(4)</sup>	59,500	0.23
<b>Periods after the Announcement and up to the Latest Practicable Date</b>							
From the Market Day immediately after the Announcement up to the Latest Practicable Date	0.112	(10.71)	(10.71)	0.120	0.097	44,756	0.17
Last Market Day on which the Shares were traded prior to the Latest Practicable Date	0.110	(9.09)	(9.09)	0.110 <sup>(3)</sup>	0.110 <sup>(4)</sup>	100,000	0.38
Latest Practicable Date <sup>(5)</sup>	–	–	–	–	–	–	–

Source: Bloomberg L.P. and RHBSec's calculations

**Notes:**

- (1) The average daily trading volume is computed based on the total volume of Shares traded for all the Market Days for the relevant periods, divided by the total number of Market Days (including Market Days on which no Shares were traded) during the respective periods.
- (2) Free Float is defined as the number of Shares outstanding (excluding treasury shares) held in the hand of the public (as defined in the Listing Manual). We have used 26,308,936 Shares as Free Float for illustrative purposes in this section, which is computed by subtracting the total number of Shares held by Benedict Chen and CSM from the total number of Shares in issue (excluding treasury shares) as at the Latest Practicable Date.
- (3) Refers to the highest price of the day.
- (4) Refers to the lowest price of the day.
- (5) There were no trades done for the one-month period prior to the Announcement and on the Latest Practicable Date.

Based on the above, we note the following:

- (a) each of the Issue Price and the Exercise Price represents a discount of approximately 13.79%, 14.53% and 13.79% to the VWAP for the 12-month, 6-month and 3-month period prior to the Announcement respectively;

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- (b) each of the Issue Price and the Exercise Price represents a discount of approximately 10.71% to the VWAP on the Last Trading Day;
- (c) each of the Issue Price and the Exercise Price represents a discount of approximately 10.71% to the VWAP for the period commencing from the Market Day immediately after the Announcement and ending on the Latest Practicable Date and a discount of approximately 9.09% to the VWAP on the last Market Day on which the Shares were traded prior to the Latest Practicable Date;
- (d) the highest closing price and the lowest closing price for the period commencing from 2 October 2018 (being 12 months prior to the Announcement) and ending on the Latest Practicable Date are S\$0.125 and S\$0.097 respectively. Each of the Issue Price and the Exercise Price represents a discount of approximately 20.00% to the highest price of S\$0.125 and a premium of 3.09% over the lowest closing price of S\$0.097 respectively; and
- (e) for the period from 2 October 2018 to the Last Trading Day, Shares were traded on 35 Market Days out of the total 224 Market Days during the period, with the total number of Shares traded being approximately 1.25 million Shares and an average daily trading volume of approximately 5,565 Shares, which represents 0.02% of the Free Float as at the Latest Practicable Date.

**We wish to highlight that the above analysis of the past trading performance of the Shares serves only as an illustrative guide and should not in any way be relied upon as an indication or a promise of the future trading performance of the Shares.**

### 5.4.2 NAV and NTA of the Group

The NAV-based valuation of a company provides an estimate of the aggregate value of all the assets of the company in their existing condition, after deducting the sum of total liabilities and minority interests. The NAV-based approach is generally used to show the extent to which the value of each share is backed by both tangible and intangible assets, while the NTA-based valuation only considers the value of tangible assets that are attributable to shareholders, assuming the hypothetical sale of all tangible assets of a company over a reasonable period of time, the proceeds of which are first used to settle all liabilities and minority interest of the company with the balance available for distribution to its shareholders. The NTA-based valuation is meaningful only in so far as to show the extent to which the value of each share is backed by tangible assets, without considering intangible assets such as land use rights, goodwill, patents and trademarks.

Shareholders should note that the analysis based on the above asset based approaches provides an estimate of the value of a company's total net assets or net tangible assets, as the case may be, that can be realized assuming the hypothetical sale of relevant assets over a reasonable period of time. Such a hypothetical scenario has not taken into account factors, such as time value of money, market conditions, transaction costs, among other things. The NAV or NTA of a company may also be affected by a company's accounting policies, in particular the depreciation and valuation policies.

Based on the Group's unaudited consolidated financial statements for the six-month period ended 30 June 2019 ("**Unaudited Results for HY2019**") and the Directors' confirmation, there are no intangible assets as at 30 June 2019, accordingly the NTA of the Group is equivalent to its NAV. The Directors have also confirmed that to the best of their knowledge and belief, they are not aware of any circumstances which may cause the NAV and NTA of the Group as at Latest Practicable Date to be materially different from that recorded in the unaudited statement of financial position of the Group as at 30 June 2019 and that there are no contingent liabilities or impairment losses which are likely to have a material impact on the unaudited NAV and NTA of the Group as at 30 June 2019.

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Based on the Group's Unaudited Results for HY2019, the Group's NAV attributable to the Shareholders of the Company was approximately S\$16.89 million or approximately S\$0.47 per Share based on 35,950,856 Shares (excluding 1,076,800 treasury shares) as at 30 June 2019.

In addition, for illustrative purpose only, we have computed the adjusted NAV of the Group as at 30 June 2019, by adjusting the Group's NAV for the potential issuance of 17,975,428 Rights Shares and the exercise of 17,975,428 Warrants into 17,975,428 New Shares ("**Adjusted NAV**").

	NAV	Adjusted NAV
As at 30 June 2019 (S\$ million)	16.89	20.22
NAV/Adjusted NAV per Share (S\$)	0.47	0.28
Premium/(Discount) implied by the Issue Price and the Exercise Price (%)	(78.72)	(64.29)

Based on the above, we note that each of the Issue Price and Exercise Price represents a discount of approximately 78.72% to the Group's unaudited NAV per Share as at 30 June 2019 and a discount of approximately 64.29% to the Adjusted NAV per Share as at 30 June 2019.

### 5.4.3 Market statistics of selected rights issues and rights cum warrants issues

In assessing the reasonableness of the Issue Price and the Exercise Price, we have considered the salient statistics of selected renounceable rights issues ("**Recent Completed Renounceable Rights Issues**") and rights cum warrants issues ("**Recent Completed Renounceable Rights cum Warrants Issues**") by companies (excluding real estate investment trusts and business trusts) listed on the SGX-ST (collectively, the "**Comparable Transactions**") announced and completed during the 18-month period prior to the Announcement from 2 April 2018 up to the Latest Practicable Date.

Shareholders should note that the terms of the Comparable Transactions which have been extracted from publicly available information are unique and that these companies may not be identical to the Group in terms of business activities, size of operations, market capitalisation, risk profile, asset base, geographical spread, track record, accounting policies, financial performance, future prospects and other relevant criteria. The list of Comparable Transactions is by no means exhaustive. Any inference that can be drawn from the comparison between the terms of the Rights cum Warrants Issue with that of the Comparable Transactions is necessarily limited and serves only as an illustrative guide and should not be conclusively relied upon.

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**Table A Recent Completed Renounceable Rights Issues**

Company	Date of announcement	Terms of the rights issue	Issue price of the rights shares (S\$)	LTP <sup>(1)</sup> (S\$)	TERP <sup>(2)</sup> (S\$)	Premium/ (Discount) of issue price over/(to) LTP (%)	Premium/ (Discount) of issue price over/ (to)TERP (%)
Hotel Royal Limited	11-May-18	1 for 5	3.000	4.000	3.833	(25.00)	(21.74)
Moya Holdings Asia Limited	22-May-18	1 for 2	0.095	0.095	0.095	–	–
Hong Leong Asia Ltd.	14-Aug-18	1 for 1	0.540	0.820	0.680	(34.15)	(20.59)
Manhattan Resources Limited	5-Sep-18	1 for 1	0.0245	0.080	0.05225	(69.38)	(53.11)
OUE Lippo Healthcare Limited	18-Sep-18	1 for 1	0.0675	0.120	0.0938	(43.75)	(28.04)
BH Global Corporation Limited	28-Sep-18	3 for 2	0.085	0.160	0.115	(46.88)	(26.09)
Arion Entertainment Singapore Limited	29-Sep-18	1 for 1	0.008	0.010	0.009	(20.00)	(11.11)
Tee International Limited	29-Nov-18	38 for 100	0.100	0.183	0.1601	(45.36)	(37.54)
China Star Food Group Limited	10-Dec-18	1 for 1	0.015	0.039	0.027	(61.54)	(44.44)
LifeBrandz Ltd.	14-Dec-18	1 for 2	0.007	0.013	0.011	(46.15)	(36.36)
Global Dragon Limited	31-Dec-18	1 for 3	0.0675	0.060	0.0619	12.50	9.05
Raffles United Holdings Ltd.	9-Jan-19	1 for 1	0.050	0.082	0.069	(39.02)	(27.54)
MSM International Limited	31-Mar-19	1 for 4	0.070	0.100	0.094	(30.00)	(25.53)
Chip Eng Seng Corporation Ltd.	22-Aug-19	1 for 4	0.630	0.680	0.670	(7.35)	(5.97)
<b>Highest (discount)</b>						(69.38)	(53.11)
<b>Mean</b>						(32.58)	(23.50)
<b>Median</b>						(36.59)	(25.81)
<b>Lowest (discount)/Highest premium</b>						12.50	9.05
<b>The Company</b>	<b>1-Oct-19</b>	<b>1 for 2 with 1 free warrant for 1 rights share</b>	<b>0.100</b>	<b>0.112</b>	<b>0.108</b>	<b>(10.71)</b>	<b>(7.41)</b>

**Sources:** Bloomberg L.P., announcements, circulars and/or offer information statements of the respective companies and RHBSec's calculations

**Notes:**

- (1) LTP means last traded price prior to the rights issue announcement.
- (2) Computed based on the LTP and the gross proceeds from the Comparable Transactions. Where available, the TERPs set out in this table are extracted from the relevant rights issue announcements.

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**Table B Recent Completed Renounceable Rights cum Warrants Issues**

Company	Date of announcement	Terms of the rights cum warrants issue	Issue price of the rights shares (\$)	LTP <sup>(1)</sup> (\$)	TERP <sup>(2)</sup> (\$)	Premium/ (Discount) of issue price over/(to) LTP (%)	Premium/ (Discount) of issue price over/(to) TERP (%)	Exercise price of warrants (\$)	Premium/ (Discount) of exercise price over/(to) LTP (%)	Premium/ (Discount) of exercise price over/(to) TERP (%)
Ocean Sky International Limited	22-May-18	1 for 2 with 1 free warrant for 1 rights share	0.062	0.084	0.077	(26.19)	(19.48)	0.068	(19.05)	(11.69)
Envictus International Holdings Limited	18-Jun-18	4 for 5 with 1 free warrant for 1 rights share	0.160	0.370	0.277	(56.76)	(42.17)	0.160	(56.76)	(42.17)
Koh Brothers Eco Engineering Limited	29-Jun-18	1 for 2 with 1 free warrant for 1 rights share	0.045	0.069	0.061	(34.78)	(26.23)	0.050	(27.54)	(18.03)
MS Holdings Limited	21-Aug-18	4 for 5 with 1 free warrant for 4 rights shares	0.062	0.074	0.069	(16.22)	(10.14)	0.130	75.68	88.41
AnnAlk Limited	28-Dec-18	1 for 4 with 1 free warrant for 1 rights share	0.065	0.100	0.093	(35.00)	(30.11)	0.200	100.00	115.05
Informatics Education Ltd.	14-Mar-19	3 for 1 with 1 free warrant for 3 rights shares	0.050	0.040	0.050	25.00	-	0.050	25.00	-
<b>The Company</b>	<b>1-Oct-19</b>	<b>1 for 2 with 1 free warrant for 1 rights share</b>	<b>0.100</b>	<b>0.112</b>	<b>0.108</b>	<b>(10.71)</b>	<b>(7.41)</b>	<b>0.100</b>	<b>(10.71)</b>	<b>(7.41)</b>
						<b>Highest (discount)</b>				
						<b>Mean</b>				
						<b>Median</b>				
						<b>Lowest (discount)/Highest premium</b>				
						(56.76)	(42.17)		(56.76)	(42.17)
						(23.99)	(21.36)		16.22	21.93
						(30.49)	(22.86)		2.98	(5.84)
						25.00	0.00		100.00	115.05

**Notes:**

- (1) LTP means the last traded price prior to the rights cum warrants issue announcement.
- (2) Computed based on the LTP and the gross proceeds from the Comparable Transactions (prior to the exercise of the warrants). Where available, the TERPs set out in this table are extracted from the relevant rights cum warrants issue announcements.

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We note the following:

- (a) the discount of the Issue Price to the Last Traded Price of the Shares of S\$0.112 on 26 August 2019, of approximately 10.71% is:
- within the range of the corresponding premium/discounts of the Recent Completed Renounceable Rights Issues and the Recent Completed Renounceable Rights cum Warrants Issues;
  - lower than the mean and median discounts of 32.58% and 36.59% of the Recent Completed Renounceable Rights Issues; and
  - lower than the mean and median discounts of 23.99% and 30.49% of the Recent Completed Renounceable Rights cum Warrants Issues;
- (b) the discount of the Issue Price to the TERP of approximately 7.41% is:
- within the range of the corresponding premium/discounts of the Recent Completed Renounceable Rights Issues and the Recent Completed Renounceable Rights cum Warrants Issues;
  - lower than the mean and median discounts of 23.50% and 25.81% of the Recent Completed Renounceable Rights Issues; and
  - lower than the mean and median discounts of 21.36%; and 22.86% of the Recent Completed Renounceable Rights cum Warrants Issues;
- (c) the discount of the Exercise Price to the Last Traded Price of the Shares of S\$0.112 on 26 August 2019, of approximately 10.71% is:
- within the range of the corresponding premium/discounts of the Recent Completed Renounceable Rights cum Warrants Issues; and
  - lower than the mean and median premium of 16.22% and 2.98% respectively; and
- (d) the discount of the Exercise Price to the TERP of approximately 7.41% :
- within the range of the corresponding premium/discounts of the Recent Completed Renounceable Rights cum Warrants Issues;
  - lower than the mean premium of 21.93%; and
  - lower than the median discount of 5.84%.

### 5.4.4 Valuation of the Warrants

The Warrants are issued free with the Rights Shares on the basis of one (1) free detachable and transferable Warrant for every one (1) Rights Share validly subscribed for. Based solely on the Exercise Price of S\$0.10 and the TERP of S\$0.108 per Share (based on the Last Traded Price of S\$0.112) and without consideration of, *inter alia*, the Exercise Period or transaction costs, the Warrants would be in-the-money and would have an intrinsic value of S\$0.008.

However, given that the Warrants are exercisable over a 5-year period commencing on the date of issue of the Warrants and expiring on the date immediately preceding the fifth (5<sup>th</sup>) anniversary of the date of issue of the Warrants, there is time value to the Warrants to take into account, among other things. The most common methodology used in the valuation of call warrants is the Black-Scholes model, which requires the input and/or assumptions on,

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*inter alia*, the Exercise Price *vis-à-vis* the current price of the underlying Shares, the life period of the Warrants, the nature of the call option as to whether it is a European call option (which is only exercisable on a predetermined exercise date) or an American call option (which is exercisable at any time prior to the expiry date of the Warrant), the risk-free interest rate, the dividend yield of the Shares and the price volatility of the underlying Shares. The theoretical value of the Warrants computed based on the Black-Scholes model may fluctuate significantly depending on the input to the above factors, and the actual market value of the Warrants may deviate significantly from the theoretical value of the Warrants.

In view of the thin trading volume of the Shares and inherent limitations in the Black-Scholes model as stated above, the theoretical value computed based the Black-Scholes model may not serve as a meaningful guide on the value of the Warrants. Shareholders should also note that the intrinsic value of S\$0.008 as stated above may not reflect the actual value of the Warrants to be transacted on the SGX-ST, and there can be no assurance that an active trading of the Warrants will ensue or the Warrants will be traded at or close to S\$0.008.

It should also be noted that the Warrants may not be listed and quoted on the SGX-ST if there is an insufficient spread of holdings for the Warrants to provide for an orderly market in the trading of the Warrants.

### 5.5 Financial effects of the Rights cum Warrants Issue

The financial effects of the Rights cum Warrants Issue and the assumptions relating to the preparation of the financial effects are set out in Section 3.8 of the Circular. The financial effects are for illustrative purposes only and do not purport to be an indication or projection of the results or financial position of the Company and the Group after the completion of the Rights cum Warrants Issue.

We set out below the summary of the financial effects of the Rights cum Warrants Issue, after deducting estimated expenses of S\$0.26 million incurred in connection with the Rights cum Warrants Issue:

#### Share capital

The issued and paid-up share capital of the Company would increase from approximately S\$15.3 million comprising 35,950,856 Shares (excluding 1,076,800 treasury shares) as at 31 December 2018 to approximately S\$17.1 million comprising 53,926,284 Shares (excluding treasury shares) after the completion of the Rights cum Warrants Issue but before the exercise of the Warrants and further increase to approximately S\$18.7 million comprising 71,901,712 Shares (excluding treasury shares) after the exercise of the Warrants. .

#### NTA per Share

The NTA per Share of the Group would decrease from 47.04 cents as at 31 December 2018 to 34.21 cents after the completion of the Rights cum Warrants Issue but before the exercise of the Warrants and further decrease to 28.16 cents after the exercise of the Warrants.

#### Earnings per Share (“EPS”)

The EPS of the Group would decrease from 1.25 cents for FY2018 to 0.83 cents after the completion of the Rights cum Warrants Issue but before the exercise of the Warrants and further decrease to 0.62 cents after the exercise of the Warrants.

#### Gearing<sup>(1)</sup>

The gearing of the Group would decrease from 0.50 times as at 31 December 2018 to 0.46 times after the completion of the Rights cum Warrants Issue but before the exercise of the Warrants and further decrease to 0.42 times after the exercise of the Warrants.

#### **Note:**

(1) Gearing is defined as total borrowings divided by shareholders' funds.



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### 5.6 Dilution effect of the Rights cum Warrants Issue on the Independent Shareholders

As at the Latest Practicable Date, the Undertaking Shareholders hold an aggregate of 9,641,920 Shares, representing approximately 26.82% of the Existing Issued Share Capital.

In evaluating the dilution effect of the Rights cum Warrants Issue on the Independent Shareholders, we have considered the following two key scenarios:-

(i) Maximum Subscription Scenario

Maximum Subscription Scenario refers to the scenario where all Entitled Shareholders subscribe for their *pro rata* entitlements of the Rights Shares with Warrants in full and exercise all their Warrants issued pursuant to the Rights cum Warrants Issue.

Maximum Subscription Scenario	Shareholding as at the Latest Practicable Date		After the Rights cum Warrants Issue but before the exercise of the Warrants		After the Rights cum Warrants Issue and after the exercise of the Warrants		
	Name	No. of Shares	%	No. of Shares	%	No. of Shares	%
	Benedict Chen	8,087,720	22.50	12,131,580	22.50	16,175,440	22.50
	CSM	1,554,200	4.32	2,331,300	4.32	3,108,400	4.32
	Independent Shareholders	26,308,936	73.18	39,463,404	73.18	52,617,872	73.18
<b>Total</b>		<b>35,950,856</b>	<b>100.00</b>	<b>53,926,284</b>	<b>100.00</b>	<b>71,901,712</b>	<b>100.00</b>

(ii) Minimum Subscription Scenario

The Minimum Subscription Scenario assumes that none of the Entitled Shareholders other than the Undertaking Shareholders subscribes and pays for their *pro rata* entitlements of the Rights Shares with Warrants and exercise all their Warrants issued pursuant to the Rights cum Warrants Issue.

Maximum Subscription Scenario	Shareholding as at the Latest Practicable Date		After the Rights cum Warrants Issue but before the exercise of the Warrants		After the Rights cum Warrants Issue and after the exercise of the Warrants		
	Name	No. of Shares	%	No. of Shares	%	No. of Shares	%
	Benedict Chen	8,087,720	22.50	25,286,048	46.89	42,484,376	59.09
	CSM	1,554,200	4.32	2,331,300	4.32	3,108,400	4.32
	Independent Shareholders	26,308,936	73.18	26,308,936	48.79	26,308,936	36.59
<b>Total</b>		<b>35,950,856</b>	<b>100.00</b>	<b>53,926,284</b>	<b>100.00</b>	<b>71,901,712</b>	<b>100.00</b>

We note the following:

- (a) There is no dilution to the shareholding of the Independent Shareholders under the Maximum Subscription Scenario;
- (b) The Rights cum Warrants Issue will result in a substantial shareholding dilution of Independent Shareholders under the Minimum Subscription Scenario; and

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- (c) Under the Minimum Subscription Scenario, the Undertaking Shareholders' aggregate shareholding in the Company may potentially increase from approximately 26.82% as at the Latest Practicable Date to approximately 51.21% after the Rights cum Warrants Issue but before the exercise of the Warrants. This may further increase to approximately 63.41% after the Rights cum Warrants Issue and after the exercise of the Warrants. Accordingly, the Independent Shareholders' aggregate shareholding interest in the Company may potentially be diluted from 73.18% as at the Latest Practicable Date to approximately 48.79% after the Rights cum Warrants Issue but before the exercise of the Warrants and approximately 36.59% after the Rights cum Warrants Issue and after the exercise of the Warrants.

### 6. OTHER RELEVANT CONSIDERATIONS

#### 6.1 Inter-conditionality of the Rights cum Warrants Issue and the Whitewash Resolution

Shareholders should note that Resolution 1 relating to the Rights cum Warrants Issue is conditional upon Resolution 2, relating to the Whitewash Resolution, being passed. This means that if Independent Shareholders do not vote in favour of the Whitewash Resolution, the Rights cum Warrants Issue will not take place.

#### 6.2 Support from the Undertaking Shareholders

To demonstrate their support for the Rights cum Warrants Issue, the Undertaking Shareholders have provided the Irrevocable Undertakings to subscribe and pay for all their entitlements of Rights Shares with Warrants, and Benedict Chen to subscribe and pay for all Excess Rights Shares with Warrants (up to 13,154,468 Rights Shares with 13,154,468 Warrants) which are not otherwise taken up by the other Entitled Shareholders.

#### 6.3 Implications of approval of the Whitewash Resolution

By voting in favour of the Whitewash Resolution, Independent Shareholders will be waiving their rights to receive a mandatory general offer for all their Shares in the Company from the Undertaking Shareholders and parties acting in concert with them, which the Undertaking Shareholders would have otherwise been obliged to make pursuant to Rule 14 of the Code, at the highest price paid or agreed to be paid by the Undertaking Shareholders for the Shares in the past six (6) months preceding the commencement of the Rights cum Warrants Issue.

Independent Shareholders should note that upon completion of the Rights cum Warrants Issue, based on the Minimum Subscription Scenario, the Undertaking Shareholders may potentially hold Shares carrying up to approximately 63.41% of the voting rights of the Company based on the enlarged share capital of 71,901,712 Shares. The Undertaking Shareholders would then be free to acquire further Shares without incurring any obligation under Rule 14.1 of the Code to make a mandatory general offer for the Company. In addition, the Company would be in a relatively less favourable position in the context of interest from potential parties seeking control of the Company, by virtue of the significant controlling stake held by the Undertaking Shareholders after the completion of the Rights cum Warrants Issue. Accordingly, it may be less likely for a third party to make a takeover offer for the Company without the support of the Undertaking Shareholders.

#### 6.4 SGX-ST Watch-List

The Company was placed on the SGX-ST Watch-List under the minimum trading price ("MTP") entry criteria on 5 June 2017. Pursuant to Rule 1314(2) of the Listing Manual, the Company may be removed from the SGX-ST Watch-List if it records a volume-weighted average price of at least S\$0.20 and an average daily market capitalization of S\$40 million or more over the last six (6) months ("MTP Exit Criteria"). The Company has until 4 June 2020, being 36 months from the date on which it was placed on the SGX-ST Watch-List, to satisfy the MTP Exit Criteria, failing which the SGX-ST may either remove the Company from the Official List of the SGX-ST, or suspend trading of the Shares (without the agreement of the Company) with a view to removing the Company from the Official List of the SGX-ST.

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Pursuant to Rule 1306 of the Listing Manual, if the SGX-ST exercises its power to remove the Company from the Official List of the SGX-ST, the Company or its controlling Shareholder(s) must, subject to Rule 1308, make a fair and reasonable exit offer to Shareholders in accordance with Rule 1309. Such an exit offer could take the form of a voluntary liquidation of the Company's assets and distribution of cash back to Shareholders.

Pursuant to Rule 1313(2) of the Listing Manual, the Company has since been providing quarterly updates on its efforts and the progress made in meeting the MTP Exit Criteria. An extract of the Company's latest quarterly update dated 18 November 2019 has been reproduced in italics below.

### ***“Update on Future Direction and other Material Development***

*The Group has announced on 1 October to undertake a renounceable non-underwritten rights cum warrants issue (“Proposed Rights cum Warrants Issue”). Under the Proposed Rights cum Warrants Issue, up to 17,975,428 Rights Shares with 17,975,428 Warrants are to be issued by the Company. The net proceeds of the Proposed Rights cum Warrants Issue (without taking into account the proceeds from the exercise of the Warrants) (“Net Proceeds”), after deducting the estimated expenses of approximately S\$0.26 million, is expected to be approximately S\$1.54 million.*

*The Company is proposing to undertake the Rights cum Warrants Issue to raise funds mainly to fund the expansion of its existing businesses which may include amongst others, the acquisition of and/or strategic investment in a similar business in Southeast Asia.*

*The proceeds arising from the Rights cum Warrants Issue will also help strengthen the financial position of the Group by enlarging the Group's working capital base to further enhance the financial flexibility of the Group. As and when the Warrants are exercised, the Group's financial position will be improved further.*

*The Board will update the shareholders on any material developments by way of further announcements as and when they arise.*

### ***Update on efforts for satisfying MTP exit criterion***

*The Board continues to make all efforts and consider various options to meet the MTP exit criteria. At an opportune time, the Board will make a decision on the relevant options that will best serve the interests of the Company's shareholders.*

*The Company will update its shareholders by way of further announcements as and when they arise.”*

Shareholders are advised to read the entire text of the abovementioned announcement and other update announcements, if any.

We also note that the Group has taken the steps to improve its financial circumstances since being placed on the SGX-ST Watch-list as set out in Section 2.3 of the Circular, the full text of which has been reproduced in italics below:-

### ***“2.3 Steps Taken by the Company to Improve its Financial Circumstances***

*The Company has taken the following steps to improve its financial circumstances since being placed on the SGX-ST Watch-list on 5 June 2017:*

- (a) While it has not made any acquisitions over the past 2 years, the Group has been actively looking at the acquisition of and/or strategic investment in similar businesses in Southeast Asia. The Group is exploring investments in similar businesses but have not reached any conclusive agreements at this time. Should there be any meaningful or material developments, the Company will make the necessary announcements.*

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*The Group will consider making acquisitions of and/or strategic investments in similar businesses that require an initial capital investment not exceeding S\$1.2 million in aggregate. If such acquisitions and/or strategic investments materialise, the Group plans to finance the initial capital investment required for such acquisitions and/or strategic investments of up to S\$1.2 million from the proceeds of the Rights cum Warrants Issue, and finance the subsequent capital requirements of such acquisitions and/or strategic investments via a combination of the remaining proceeds (if any and as allocated for such use) raised from the Rights cum Warrants Issue, cash at hand, bank loans, or the issuance of new Shares, depending on the prevailing circumstances. Based on the size of such future acquisitions or investments, the Company will arrange for a funding structure that best suits the Company's requirements.*

- (b) *On 17 January 2018, the Company announced that the Company's wholly-owned subsidiary, Shanxi Weineng Coal Mine Gas Development Co., Ltd. resumed its operation supply of electricity in January 2018 and obtained approval from the relevant authority to increase the electricity capacity from 8 MW to 20MW. The subsidiary generated and contributed a revenue of S\$535,000 in the first 3 months of the financial year ended 31 December 2019. The subsidiary has since April 2019 been upgrading its existing power plant and has yet to complete the upgrade. The upgrade is expected to be completed by first quarter of next financial year and hence, the subsidiary is expected to contribute positively to the Group's revenue for the next financial year after it re-commences operations with an increased capacity following completion of the upgrade; and*
- (c) *On 27 February 2019, the Company issued a media release that its subsidiary Scott & English Pte Ltd has secured distribution rights for a range of Lister Petter Power Systems Limited products. The Lister Petter exclusive distributorship will add to the Group's marketing reach and business potential. Lister Petter distributes their engines globally through distributorship agreements. For markets which the Group does not have a direct presence in, the Group will be able to tap on Lister Petter's existing customer base and offer their existing customers a wider range of products, which Lister Petter may not carry at this time. For markets which the Group has a direct presence in, the Group will, with the Lister Petter distribution rights, be able to offer existing and new customers an even wider range of products to address their power needs.*

*The Group has been promoting the brand awareness of the Lister Petter products via marketing activities in the markets which the Group has the distribution rights. The Group has had some initial success with promoting Lister Petter products, which is expected to contribute positively to the Group's revenue for the next financial year.*

*The Group aims to improve its business, increase revenue and bottom line through the new Lister Petter distributorship, its power plant upgrading and acquisition of and/or strategic investment in similar businesses as described above.*

*The Company believes that the Rights cum Warrants Issue will put the Company in a better financial position to expand its business which in turn will improve its share price. While the Company would like to raise more than S\$1.54 million from the Rights cum Warrants Issue, taking into account the current market conditions and the effect on the Company's share capital as a result of the Rights cum Warrants Issue, the Company is of the view that the Net Proceeds represents an appropriate amount for its immediate needs should any potential investments materialise.*

*As market capitalization is a function of share price, once the Company's financial performance improves, the Company's management believes that the Company's market capitalization will also move in tandem.*

***While the Company continues to make all efforts and consider various options, there is no assurance that the Company be able to satisfy the criteria set out in Section 2.1 of this Circular by 4 June 2020."***

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### 7. OPINION AND ADVICE

In arriving at our opinion in respect of the Whitewash Resolution, we have taken into account the factors which we consider would have a significant bearing on our assessment as set out in the earlier sections and summarised below. The following should be read in conjunction with, and in the context of, the full text of this Letter.

- (i) the rationale for the Rights cum Warrants Issue;
- (ii) the proposed use of proceeds from the Rights cum Warrants Issue;
- (iii) the Rights cum Warrants Issue being offered to Entitled Shareholders on a *pro rata* basis;
- (iv) the assessment of the Issue Price and the Exercise Price;
- (v) the financial effects of the Rights cum Warrants Issue;
- (vi) the dilution effect of the Rights cum Warrants Issue on the Independent Shareholders; and
- (vii) other relevant considerations as elaborated in paragraph 6 of this Letter.

**Having regard to the considerations set out in this Letter, the information available to us as at the Latest Practicable Date and subject to the assumptions and qualifications set out in this Letter, we are of the opinion that the Whitewash Resolution when considered in the context of the Rights cum Warrants Issue is fair and reasonable and is not prejudicial to the interests of the Independent Shareholders.**

**We therefore advise the Independent Directors to recommend that Independent Shareholders vote in favour of the Whitewash Resolution at the EGM.**

This Letter is addressed to the Independent Directors for their use and benefit, in connection with and for the purposes of their consideration of the Whitewash Resolution only. The recommendation made by the Independent Directors to the Independent Shareholders in respect of the Whitewash Resolution shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than for the EGM and for the purpose of the Whitewash Resolution, at any time and in any manner without the prior written consent of RHBSec in each specific case.

Our opinion and advice are governed by, and construed in accordance with, the laws of Singapore, and are strictly limited to the matters stated herein and do not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**RHB Securities Singapore Pte. Ltd.**

**Lien I Ping**  
Deputy Director  
Corporate Finance

**Wong Kee Seong**  
Deputy Director  
Corporate Finance

## APPENDIX B – FINANCIAL INFORMATION OF THE GROUP

Certain financial information extracted from the audited consolidated financial statements of the Group for FY2016, FY2017 and FY2018 and the unaudited financial statements for HY2019 and HY2018 is set out below.

### 1. Consolidated Statement of Comprehensive Income

The audited consolidated statement of comprehensive income of the Group for FY2016, FY2017 and FY2018 and the unaudited consolidated statement of comprehensive income for HY2019 and HY2018 are set out below.

#### Consolidated Statement of Comprehensive Income

Group	HY2019 \$'000	HY2018 \$'000	FY2018 \$'000	FY2017 \$'000 Restated*	FY2016 \$'000
<b>Revenue</b>	7,780	7,933	15,480	14,286	25,035
Cost of sales	(6,301)	(6,364)	(12,116)	(10,720)	(21,557)
<b>Gross profit</b>	1,479	1,569	3,364	3,566	3,478
<b>Other items of income</b>					
Interest income	147	23	236	31	44
Other credits	202	148	415	101	749
<b>Other items of expense</b>					
Marketing and distribution costs	(151)	(129)	(234)	(292)	(263)
Administrative expenses	(1,053)	(1,066)	(2,182)	(2,285)	(2,700)
Finance costs	(364)	(230)	(549)	(454)	(574)
Impairment losses on financial assets	–	–	(153)	(15)	–
Other charges	(67)	(16)	(73)	(100)	(145)
Share of results of an associate	(20)	(14)	(60)	(73)	22
Profit before tax	173	285	764	469	611
Income tax (expense)/credit	(5)	(55)	(204)	35	(23)
Profit net of tax	168	230	560	504	588
<b>Other comprehensive income:</b>					
Foreign currency translation	(135)	294	22	(510)	(85)
Other comprehensive income for the year, net of tax	(135)	294	22	(510)	(85)
Total comprehensive income for the year	33	524	582	(6)	503



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Group	HY2019 \$'000	HY2018 \$'000	FY2018 \$'000	FY2017 \$'000 Restated*	FY2016 \$'000
<b>Profit attributable to:</b>					
Owners of the Company	108	241	448	510	588
Non-controlling interests	60	(11)	112	(6)	–
	168	230	560	504	588
<b>Total comprehensive income attributable to:</b>					
Owners of the Company	(24)	488	471	(1)	503
Non-controlling interests	57	36	111	(5)	–
	33	524	582	(6)	503

\* The 31 December 2017 figures have been restated to take into account the adjustments arising from the adoption of SFRS(I) 9 Financial Instruments and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International).

A summary of review of the operations, business and financial performance of the Group is set out below.

### **HY2019 vs HY2018**

#### **Turnover and Profitability**

The Group's revenue for HY2019 decreased by 1.9% to S\$7.8 million as compared to HY2018. Cost of sales decreased by 1.0% to S\$6.3 million in HY2019. Gross profit decreased by 5.7% to S\$1.5 million in HY2019 mainly due to lower sales achieved in HY2019.

Marketing and distribution costs increased by 17.1% in HY2019 mainly due to more travelling expenses incurred in HY2019. Finance costs increased by 58.3% in HY2019 due to higher borrowing costs. Other charges increased by 318.8% in HY2019 due to foreign exchange loss incurred in HY2019. This foreign exchange loss was mainly contributed by one subsidiary, which has its functional currency denominated in United States Dollars ("US\$") and its liabilities are mainly denominated in Singapore Dollars ("S\$"). When the US\$ weakened against the S\$ by 12%, from US\$1 : S\$1.3648 as of 31 December 2018 to US\$1 : S\$1.3535 as of 30 June 2019, it resulted in a foreign exchange loss of S\$67,000 as compared to a foreign exchange gain of S\$25,000 in HY2018. The exchange difference of S\$0.1 million in HY2019 arose from the recognition of translation loss from foreign operations.

The Group registered a net profit after tax of S\$0.2 million in HY2019.

### **FY2018 vs FY2017**

The Group recorded a revenue of S\$15.5 million for FY2018, an increase of S\$1.2 million or approximately 8.4% as compared to S\$14.3 million for FY2017. The increase was mainly due to increase in revenue from projects and power plant segments. Cost of sales increased by 13.0% to S\$12.1 million in FY2018. Gross profit margin decreased mainly due to a fall in high margin projects in FY2018.

Administrative expenses decreased by S\$0.1 million in FY2018 mainly due to a reduction in headcount. Finance cost increased by S\$0.1 million in FY2018 due to higher financing cost. Other credits increased due mainly to tax rebate of S\$0.2 million from the Group's power plant project in FY2018.

The Group registered a net profit after tax of S\$0.6 million for FY2018.



## APPENDIX B – FINANCIAL INFORMATION OF THE GROUP

### **FY2017 vs FY2016**

The Group recorded a revenue of S\$14.3 million for FY2017, an decrease of S\$10.7 million or approximately 42.9% as compared to S\$25.0 million for FY2016. The decrease was due mainly to lower sales and deferment of a few projects. The lower sales were affected by weak market sentiment in the industry the Group operates in. The deferment of the few projects was mainly due to site delay and not from the operations of the Group. Delivery was subsequently made in 2018.

Gross profit maintained at approximately S\$3.6 million mainly due to better product margin and lower manufacturing overheads. Administrative expenses decreased by 15.4% to S\$2.3 million in FY2017 mainly due to lower operating cost. Finance costs decreased by 20.9% to S\$0.5 million in FY2017 mainly due to less borrowings during the year. The exchange difference of \$0.5million arose from the recognition of translation loss of foreign entities.

The gross profit margin increased from 14% in FY2016 to 25% in FY2017 was achieved through increasing operational efficiency and better margin contributed by its power plant in China since FY2017.

The Group registered a net profit after tax of approximately S\$0.5 million for FY2017.

### **2. Statement of Financial Position**

The audited statement of financial position of the Group as at 31 December 2016, 31 December 2017 and 31 December 2018 and the unaudited statement of financial position as at 30 June 2019 are set out below.

#### **Statement of Financial Position**

Group	As at 30 June 2019 \$'000	2018 \$'000	As at 31 December 2017 \$'000 Restated*	2016 \$'000
<b>ASSETS</b>				
<b>Non-current assets:</b>				
Property, plant and equipment	6,003	6,144	9,318	7,061
Investment property	3,096	3,122	–	–
Right-of-use asset	532	–	–	–
Investments in an associate	427	454	510	583
Deferred tax assets	14	14	181	179
Other receivables	52	52	49	49
<b>Total non-current assets</b>	<b>10,124</b>	<b>9,786</b>	<b>10,058</b>	<b>7,872</b>
<b>Current assets:</b>				
Inventories	5,936	6,089	7,762	7,410
Trade and other receivables	14,232	12,914	12,847	14,703
Contract assets	214	1,289	245	–
Other assets	2,536	2,399	1,151	497
Cash and cash equivalents	812	1,594	1,276	3,710
Tax recoverable	–	–	18	23
<b>Total current assets</b>	<b>23,730</b>	<b>24,285</b>	<b>23,299</b>	<b>26,343</b>
<b>Total assets</b>	<b>33,854</b>	<b>34,071</b>	<b>33,357</b>	<b>34,215</b>

## APPENDIX B – FINANCIAL INFORMATION OF THE GROUP

Group	As at 30 June 2019 \$'000	2018 \$'000	As at 31 December 2017 \$'000 Restated*	2016 \$'000
<b>EQUITY AND LIABILITIES</b>				
<b>Equity:</b>				
Share capital	15,322	15,322	15,322	15,322
Treasury shares	(388)	(388)	(388)	(388)
Retained earnings	2,573	2,465	2,017	709
Reserves	(620)	(488)	(511)	798
Equity attributable to equity shareholders of the Company	16,887	16,911	16,440	16,441
Non-controlling interests	1,750	1,693	1,582	–
<b>Total equity</b>	<b>18,637</b>	<b>18,604</b>	<b>18,022</b>	<b>16,441</b>
<b>Non-current liabilities</b>				
Finance leases	51	92	182	286
Loans and borrowings	2,172	2,302	2,511	2,846
Lease liability	530	–	–	–
<b>Total non-current liabilities</b>	<b>2,753</b>	<b>2,394</b>	<b>2,693</b>	<b>3,132</b>
<b>Current liabilities</b>				
Provisions	18	19	16	27
Income tax payable	7	52	–	–
Trade and other payables	5,621	6,772	6,238	8,434
Finance leases	79	85	100	128
Loans and borrowings	6,250	6,057	6,013	5,467
Lease liability	13	–	–	–
Other liabilities	476	88	275	586
<b>Total current liabilities</b>	<b>12,464</b>	<b>13,073</b>	<b>12,642</b>	<b>14,642</b>
<b>Total liabilities</b>	<b>15,217</b>	<b>15,467</b>	<b>15,335</b>	<b>17,774</b>
<b>Total equity and liabilities</b>	<b>33,854</b>	<b>34,071</b>	<b>33,357</b>	<b>34,215</b>

\* The 31 December 2017 figures have been restated to take into account the adjustments arising from the adoption of SFRS(I) 9 Financial Instruments and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International).

### **HY2019 vs FY2018**

The Group has recognized its existing operating lease as a right of use asset and lease liability in compliance with the SFRS (I) 16 Leases, with effect from 1 January 2019.

The decrease in contract assets in HY2019 was due to progressive billing to customers during the period which resulted in increase in trade and other receivables.

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## APPENDIX B – FINANCIAL INFORMATION OF THE GROUP

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The increase in other assets in HY2019 was due mainly to a refundable deposit paid for investment purpose. The refundable deposit refers to “earnest monies” paid by the Company under a non-binding offer to a joint venture company owned by two listed companies in Malaysia. This non-binding offer is subject to due diligence, negotiation and agreement on the terms of a conclusive agreement to be entered into, failing which the monies paid will be refunded to the Company. As at Latest Practicable Date, no conclusive agreement has been entered into in relation to the investment.

The decrease in trade and other payables in HY2019 was due mainly to repayments during the period.

The increase in other liabilities in HY2019 was due mainly to more deposits received from customers during the period.

### **FY2018 vs FY2017**

The decrease in inventories in FY2018 was due to stocks sold during the year which had resulted in increase in trade and other receivables. The increase in other assets in FY2018 was mainly due to advance billing from suppliers.

The decrease in loans and borrowings in FY2018 was mainly due to repayment of borrowings to banks and financial institution.

The increase in trade and other payables in FY2018 was in line with the increase in cost of sales. The decrease in other liabilities in FY2018 was mainly due to decrease in deposits received from customers.

The investment property balance of S\$3.1 million as at 31 December 2018 relates to a land in Kluang, Malaysia owned by a subsidiary and leased to an associated company of the Group. As previously announced by the Company in January 2017, the associated company leases the land with a view to build and operate a biomass power plant in Kluang, Malaysia. The associated company has since been approaching potential investors and certain local financial institutions for funding required for the building of the power plant.

### **FY2017 vs FY2016**

The increase in property, plant and equipment in FY2017 was mainly due to an acquisition of a subsidiary which owns a land amounted to S\$3.0 million for development of biomass power plant project in Malaysia.

The increase in inventories in FY2017 was due to goods received in December amounted to S\$0.9 million for projects on hand. The decrease in trade and other receivables in FY2017 was due to the decrease in revenue. The increase in other assets in FY2017 was due to deposits paid to suppliers.

The non-controlling interest recorded in FY2017 was arising from the newly acquired subsidiary in relation to the biomass power plant project in Malaysia.

The decrease in trade and other payables in FY2017 was in line with the decrease in cost of sales. The decrease in other liabilities in FY2017 was mainly due to decrease in deposits received from customers.

## APPENDIX B – FINANCIAL INFORMATION OF THE GROUP

### 3. Breakdown of Trade and Other Receivables

Below is a breakdown of the trade and other receivables of the Group for FY2016, FY2017, FY2018 and half-year ended 30 June 2019 (“HY2019”).

	Note	HY2019 S\$'000	FY2018 S\$'000	FY2017 S\$'000	FY2016 S\$'000
<b><u>Trade receivables</u></b>					
Due from external parties		12,260	10,739	9,905	11,048
Less: Allowance for impairment		(1,573)	(1,608)	(1,452)	(1,348)
Retention monies		1,020	1,098	1,155	1,765
Sub-total		11,707	10,229	9,608	11,465
<b><u>Other receivables</u></b>					
Due from an associate	1	3	77	340	99
Due from related parties	2	700	113	375	499
Advance for an investment project	3	642	1,407	1,407	1,422
Due from external parties	4	771	632	1,006	1,113
Others		409	456	111	105
Sub-total		2,525	2,685	3,239	3,238
Total		14,232	12,914	12,847	14,703

**Note 1:**

The amount due from an associate, was mainly due to expenses paid on behalf of the associate by the Group.

**Note 2:**

The total amount of S\$700,000 due from related parties was due to the reimbursement of the cost of materials that was incurred and purchased by the Group on behalf of a related party, Mason Industries Pte Ltd (“**Mason**”), incidental to the purchase of materials by the Group from Mason and a deposit paid by the Group to Mason for another purchase. Mason, a company incorporated in Singapore, is principally engaged in the manufacturing of, and trading in, a range of component parts used in the manufacturing of power generators. Its shareholders are Chen Siew Meng (who is the brother of Benedict Chen Onn Meng, a Director and Controlling Shareholder of the Company) (95.5%) and Pineda Epifanio Mendoza (Manny) (who is an unrelated third party) (4.5%). Both purchases were carried out in accordance with the mandate for interested persons transactions, which was passed on 28 April 2006 and last renewed on 27 April 2019. As the Group has a trade payable balance of S\$511,000 to Mason as of 30 June 2019, the net receivable from Mason as of 30 June 2019 is be S\$189,000.

**Note 3:**

The advance of S\$642,000 (“**Loan**”) for an investment project relates to the payment made to local authority to secure a leasehold land located at Kemaman, Terengganu in Malaysia. Pursuant to a memorandum of understanding and a loan agreement entered between the Company and Kamamam Biomass Power (M) Sdn Bhd, the Loan was advanced by the Company directly to the local authority for the purpose of acquiring the leasehold land. The intention was to build a power plant on the leasehold land but the project was aborted due to a lack of raw materials. The Loan has been partially repaid to the Company. The balance outstanding Loan of approximately S\$330,000 as at 13 August 2019 will be repaid to the Company by end of this year.

**Note 4:**

The amount due from external parties mainly relates to the joint venture project with our customer in supplying marine generators.

## APPENDIX B – FINANCIAL INFORMATION OF THE GROUP

### 4. Consolidated Statements of Cash Flow

The consolidated cash flow statements of the Group for FY2016, FY2017 and FY2018 are set out below.

Group	As At 30 June 2019 \$'000	2018 \$'000	As at 31 December 2017 \$'000 Restated*	2016 \$'000
Net cash flows (used in)/from operating activities	(773)	845	(1,293)	6,723
Net cash flows used in investing activities	(82)	(80)	(3,262)	(244)
Net cash flows from/(used in) financing activities	81	(452)	2,259	(5,173)
Net (decrease)/increase in cash and cash equivalents	(782)	318	(2,434)	1,355
Cash and cash equivalents at the beginning of the financial year	1,594	1,276	3,710	2,355
Cash and cash equivalents at the end of the financial year	812	1,594	1,276	3,710

\* The 31 December 2017 figures have been restated to take into account the adjustments arising from the adoption of SFRS(I) 9 Financial Instruments and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International).

A summary of review of the cash flow position of the Group is set out below.

#### **Review of cash flow for HY2019**

The cash flows used in operations were mainly due to payments made to suppliers and decrease in collections from customers. This was partially offset with deposits received from customers.

The Group's cash and cash equivalents decreased by S\$0.8 million to S\$0.8 million as at 30 June 2019, mainly due to cash used in operations of S\$0.8 million.

#### **Review of cash flow for FY2018**

The cash flows from operations were mainly due to inventories sold during the year. The cash used in financing activities were mainly due to cash used for repayment of loans and borrowings.

The Group's cash and cash equivalents increased by S\$0.3 million to S\$1.6 million as at 31 December 2018, mainly due to cash generated from operations of S\$0.8 million offset with cash used in financing activities of S\$0.5 million.

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## APPENDIX B – FINANCIAL INFORMATION OF THE GROUP

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### **Review of cash flow for FY2017**

The cash flows used in operations were mainly due to purchases of inventories and payment made to trade and other payables during the year. The cash flows used in investing activities mainly due to purchase of property, plant and equipment. The cash flows from financing activities mainly due to investment from an associate to a subsidiary.

The Group's cash and cash equivalents declined by S\$2.4 million or approximately 65.6% to S\$1.3 million as at 31 December 2017, mainly due to cash used in operations of S\$1.3 million and purchasing of property, plant and equipment of S\$3.3 million, the decline was partially offset with cash from financing activities of S\$2.3 million.

### **Review of cash flow for FY2016**

The cash flows from operations were mainly due to inventories sold during the year. The cash flow used in investing activities mainly due to purchase of property, plant and equipment. The cash flows used in financing activities were mainly due to cash used for repayment of borrowings and finance lease.

The Group's cash and cash equivalents increased by S\$1.4 million to S\$3.7 million as at 31 December 2016, mainly due to cash from operations of S\$6.7 million offset with cash used in investing activities of S\$0.2 million and financing activities of S\$5.2 million.

## APPENDIX C – IMPACT OF THE PROPOSED RIGHTS ISSUE ON THE UNDERTAKING SHAREHOLDERS' SHAREHOLDINGS

Shareholder	Before Proposed Rights cum Warrants Issue		After Proposed Rights cum Warrants Issue but before any exercise of Warrants <sup>(2)</sup>		After Proposed Rights cum Warrants Issue and the exercise of Warrants <sup>(3)</sup>			
	No. of shares	% <sup>(1)</sup>	No. of Rights Shares subscribed for	Resultant No. of Shares	%	No. of new Shares acquired upon exercise of Warrants	Resultant No. of Shares	%
Benedict Chen Onn Meng	8,087,720	22.50	17,198,328	25,286,048	46.89	17,198,328	42,484,376	59.09
Chen Siew Meng	1,554,200	4.32	777,100	2,331,300	4.32	777,100	3,108,400	4.32
<b>Total</b>	9,641,920	26.82	17,975,428	27,671,348	51.21	17,975,428	45,592,776	63.41
<b>Other Shareholders</b>	26,308,936	73.18	–	26,308,936	48.79	–	26,308,936	36.59

\*Percentages in the above table do not add up to the respective totals due to rounding.

**Notes:**

- (1) Based on the Existing Share Capital comprising 35,950,856 Shares (excluding 1,076,800 treasury shares).
- (2) Assuming that:
  - (i) none of the entitled Shareholders (excluding Benedict Chen Onn Meng, Chen Siew Meng and persons acting in concert with them) subscribe for their *pro rata* entitlements of Rights Shares with Warrants under the Proposed Rights cum Warrants Issue and/or apply for excess Rights Shares with Warrants;
  - (ii) Benedict Chen Onn Meng subscribes for his *pro rata* entitlement of 4,043,860 Rights Shares with 4,043,860 Warrants under the Proposed Rights cum Warrants Issue and 13,154,468 excess Rights Shares with 13,154,468 Warrants pursuant to his Irrevocable Undertaking;
  - (iii) CSM subscribes for his *pro rata* entitlement of 777,100 Rights Shares with 777,100 Warrants under the Proposed Rights cum Warrants Issue pursuant to his Irrevocable Undertaking; and
  - (iv) none of the Warrants has been exercised;
  - (v) up to 17,975,428 Rights Shares with 17,975,428 Warrants will be issued under the Proposed Rights cum Warrants Issue and the enlarged share capital of the Company will comprise 53,926,284 Shares (excluding treasury shares).
- (3) Upon completion of the Proposed Rights cum Warrants Issue and assuming both the Undertaking Shareholders exercise all the Warrants they have obtained in respect of the Rights Shares with Warrants they subscribed under the Proposed Rights cum Warrants Issue, up to 17,975,428 New Shares will be issued by the Company and the enlarged share capital of the Company will comprise 71,901,712 Shares (excluding treasury shares) upon completion of the entire exercise.



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### VIBROPOWER CORPORATION LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 200004436E)

**NOTICE IS HEREBY GIVEN** that the Extraordinary General Meeting (“**EGM**”) of VibroPower Corporation Limited (the “**Company**”) will be held at 38 Tuas Crescent, Singapore 638725 on 17 December 2019 at 9:30 a.m. for the purpose of considering and, if thought fit, passing with or without any amendments the following ordinary resolutions.

*All capitalised terms in the resolution below and defined in the Circular dated 2 December 2019 to the shareholders of the Company (the “**Circular**”) shall, unless otherwise defined herein, have the respective meanings ascribed thereto in the Circular.*

#### ORDINARY RESOLUTION 1 – THE RIGHTS CUM WARRANTS ISSUE

That, contingent upon the passing of Ordinary Resolution 2, the Rights cum Warrants Issue be and is hereby approved and authority be and is hereby given to the Directors or any of them to:

- (a) create and issue:
- (i) such number of Rights Shares as the Directors may determine, up to a maximum of 17,975,428 Rights Shares at the Issue Price of S\$0.10 for each Rights Share;
  - (ii) such number of free detachable Warrants as the Directors may determine, up to a maximum of 17,975,428 free Warrants to be issued together with the Rights Shares, 17,975,428 free detachable and transferable Warrants, each Warrant carrying the right to subscribe for one (1) new Share at the Exercise Price of S\$0.10 for each New Share during the period commencing on and including the date of issue of the Warrants and expiring at 5 p.m. (Singapore time) on the date immediately preceding the fifth (5<sup>th</sup>) anniversary of the date of issue of the Warrants, subject to the terms and conditions of the deed poll constituting the Warrants (“**Deed Poll**”) to be executed by the Company on such terms and conditions as the Directors may deem fit; and
  - (iii) such further Warrants as may be required or permitted to be permitted to be issued in accordance with the terms and conditions of the Deed Poll (any such further Warrants to rank *pari passu* with the Warrants and for all purposes to form part of the same series, save as may otherwise be provided in the terms and conditions of the Deed Poll);
- (b) provisionally allot and issue up to 17,975,428 Rights Shares with up to 17,975,428 free Warrants, on the basis of one (1) Rights Share with one (1) Warrant for every two (2) existing Shares held by Shareholders whose names appear in the register of members of the Company or the records of The Central Depository (Pte) Limited (“**CDP**”) as at the Books Closure Date (“**Entitled Shareholders**”) with registered addresses in Singapore or who have, not later than 5.00 p.m. (Singapore time) on the date being three (3) Market Days prior to the Books Closure Date, provided to the CDP or the share registrar of the Company (“**Share Registrar**”), as the case may be, addresses in Singapore for the services of notices and documents, on the terms and conditions set out below and/or otherwise on such terms and conditions as the Directors may think fit:
- (i) the provisional allotments of the Rights Shares with Warrants under the Rights cum Warrants Issue shall be made on a renounceable non-underwritten basis to the Entitled Shareholders;
  - (ii) no provisional allotment of the Rights Shares with Warrants shall be made in favour of, and no application form or other documents in respect thereof shall be issued or sent to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least three (3) Market Days prior thereto, provided to CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents (“**Foreign Shareholders**”);

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (iii) the entitlements to the Rights Shares with Warrants which would otherwise have been provisionally allotted to Foreign Shareholders shall be disposed of or dealt with by the Company in such manner and on such terms and conditions as the Directors may, in their absolute discretion, deem fit, including without limitation to be sold “nil-paid” on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and to pool and thereafter distribute the net proceeds thereof, if any (after deducting all expenses), proportionately among such Foreign Shareholders in accordance with their respective shareholdings as at the Books Closure Date provided that if the amount to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall instead be dealt with as the Directors may, in their absolute discretion, deem fit in the interests of the Company;
  - (iv) provisional allotments of the Rights Shares with Warrants not taken up or cannot be sold or are not sold on the SGX-ST for any reason shall be used to satisfy applications for excess Rights Shares with Warrants or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company;
  - (v) the Rights Shares when issued and fully paid-up will rank *pari passu* in all respects with the then existing Shares for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which falls on or after the date of issue of the Rights Shares; and
  - (vi) the New Shares to be issued on exercise of the Warrants will rank *pari passu* in all respects with the then existing Shares for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which falls on or after the date of issue of the New Shares;
- (c) Allot and issue, notwithstanding that the issue thereof may take place after the next or any ensuing annual or other general meeting of the Company:
- (i) a maximum of 17,975,428 New Shares on the exercise of the Warrants, credited as fully paid, subject to and otherwise in accordance with the terms and conditions of the Deed Poll, such New Shares (when issued and paid) to rank *pari passu* in all respects with the then existing Shares (save as may otherwise be provided in the terms and conditions of the Deed Poll) for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which falls on or after the date of issue of the New Shares; and
  - (ii) on the same basis as paragraph (c)(i) above, such further New Shares as may be required to be allotted and issued on the exercise of any of the Warrants referred to in paragraph (a) above; and
- (d) the Directors be and are hereby authorised to take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as may be advisable, necessary or expedient for the purposes of giving effect to the Rights cum Warrants Issue, with full power to assent to any condition, amendment, alteration, modification or variation as may be required by the relevant authorities or as such Directors or any of them may deem fit or expedient or to give effect to this Ordinary Resolution or the transactions contemplated pursuant to or in connection with the Rights cum Warrants Issue.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### ORDINARY RESOLUTION 2 – THE WHITEWASH RESOLUTION

That, contingent upon the passing of Ordinary Resolution 1 and the satisfaction of all condition set out in SIC's letter dated 24 October 2019, the Independent Shareholders of the Company hereby (on a poll taken) unconditionally and irrevocably waive their rights under Rule 14.1 of the Code to receive a mandatory general offer from the Undertaking Shareholders and parties acting in concert with them, in the event that the Undertaking Shareholders' subscription of the Rights Shares (including any Excess Rights Shares) and the New Shares arising from the exercise of the Warrants under the Rights cum Warrants Issue results in the Undertaking Shareholders incurring an obligation to make a mandatory general offer pursuant to Rule 14.1 of the Code.

**Voting Exclusion:** The Company will, in accordance with the conditional waiver by the SIC, disregard any votes cast on this resolution by the Undertaking Shareholders and their concert parties, as well as parties not independent of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### BY ORDER OF THE BOARD

Sia Huai Peng  
Company Secretary  
Singapore  
2 December 2019

#### Notes:

- (a) A member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote in his stead at the EGM. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy in the form of proxy. A proxy need not be a member of the Company.
- (b) A member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Relevant intermediary has the meaning ascribed to it in Section 181 of the Companies Act.
- (c) If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
- (d) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 11 Tuas Avenue 16 Singapore 638929 not less than 48 hours before the time appointed for holding the EGM.

#### Personal Data Protection:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM of the Company (the "Meeting") and/or any adjournment thereof, a member of the Company: (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing, administration and analysis by the Company (or its agents) of proxy(ies) and representative(s) appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# VIBROPOWER CORPORATION LIMITED

(Company Registration Number 200004436E)  
(Incorporated in the Republic of Singapore)

## EXTRAORDINARY GENERAL MEETING PROXY FORM

### IMPORTANT:

1. For investors who have used their CPF monies to buy shares in the capital of VibroPower Corporation Limited, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

I/We \_\_\_\_\_ (Name),

NRIC/Passport Number/Company Registration number\* \_\_\_\_\_

of \_\_\_\_\_ (Address)

being a member/members of VibroPower Corporation Limited (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

as \*my/our proxy/proxies to attend and to vote for \*me/us on my/our behalf at the Extraordinary General Meeting (the "EGM") of the Company to be held at 38 Tuas Crescent Singapore 638725 on 17 December 2019 at 9:30 a.m., and at any adjournment thereof.

\*I/We have directed my/our proxy/proxies to vote for or against the Resolutions to be proposed at the EGM indicated hereunder. If no specific directions as to voting on the Resolutions are given, the proxy/proxies may vote or abstain from voting at \*his/her/their discretion and any other matters arising at the EGM.

**Note:** Please indicate with an "X" or number of votes in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of EGM. In the absence of specific directions or in the event of any item arising not summarised below, the proxy/proxies may vote or abstain as he/she/they may think fit. All resolutions put to the vote at the EGM shall be decided by way of poll.

No.	Ordinary Resolution relating to:	For	Against
1.	The Rights cum Warrants Issue		
2.	The Whitewash Resolution		

**Note:** Please note that the short description given above of the Resolution to be passed does not in any way whatsoever reflect the intent and purpose of the Resolution. The short description has been inserted for convenience only. Shareholders are encouraged to refer to the Notice of Extraordinary General Meeting for the full purpose and intent of the Resolutions to be passed.

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

Total Number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

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

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



**Notes:-**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote on his behalf at the EGM. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy in the form of proxy. A proxy need not be a member of the Company.
3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Relevant intermediary is either:
  - (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
  - (ii) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
  - (iii) the Central Provident Fund (“CPF”) Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
4. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy and if no proportion is specified, the first-named proxy shall be deemed to represent all of the shareholding and the second-named proxy shall be deemed to be an alternate to the first-named.
5. The instrument appointing a proxy or proxies must be deposited at the Company’s registered office at 11 Tuas Avenue 16, Singapore 638929 not less than 48 hours before the time appointed for the EGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation that is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Cap. 50.
9. The submission of an instrument appointing a proxy or proxies by a member of the Company does not preclude him from attending and voting in person at the Extraordinary General Meeting if he wishes to do so. However, any appointment of a proxy or proxies by such member shall be deemed to be revoked if the member attends the Extraordinary General Meeting in person, and in such event, the Company reserves the right to refuse any person or persons appointed under the instrument of proxy or proxies to the Extraordinary General Meeting.
10. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Protection:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 2 December 2019.